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PERFECT GROUP

保發集團

PERFECT GROUP INTERNATIONAL HOLDINGS LIMITED

保發集團國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3326)

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

The board (the “**Board**”) of directors (the “**Director(s)**”) of Perfect Group International Holdings Limited (the “**Company**” together with its subsidiaries, the “**Group**”) is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 30 June 2022 together with comparative figures for the corresponding period in 2021 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	3	226,635	195,236
Cost of goods sold		(158,607)	(138,075)
Gross profit		68,028	57,161
Other income		1,476	396
Other gains and losses		(7,198)	15,527
Net impairment losses under expected credit loss model		(237)	(4,599)
Selling and distribution costs		(5,311)	(4,453)
General and administrative expenses		(24,009)	(20,278)
Finance costs		(414)	(214)
Share of result of an associate		(34)	62
Profit before taxation	4	32,301	43,602
Taxation	5	(7,601)	(19,498)
Profit for the period		24,700	24,104

		Six months ended 30 June	
		2022	2021
	<i>NOTE</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Other comprehensive income (expense) for the period			
Items that will not be reclassified to profit or loss:			
Revaluation of property, plant and equipment upon transfer to investment properties			
— Surplus on revaluation		—	3,918
— Deferred taxation		—	(980)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		<u>(20,588)</u>	<u>5,459</u>
Other comprehensive (expense) income for the period		<u>(20,588)</u>	<u>8,397</u>
Total comprehensive income for the period		<u>4,112</u>	<u>32,501</u>
Profit for the period attributable to:			
Owners of the Company		25,347	24,096
Non-controlling interests		(647)	8
		<u>24,700</u>	<u>24,104</u>
Total comprehensive income (expense) attributable to:			
Owners of the Company		4,784	32,489
Non-controlling interests		(672)	12
		<u>4,112</u>	<u>32,501</u>
Earnings per share	7		
– Basic		<u>1.88 HK cents</u>	<u>1.78 HK cents</u>
– Diluted		<u>1.88 HK cents</u>	<u>1.78 HK cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

		At 30 June 2022 <i>HK\$'000</i> (Unaudited)	At 31 December 2021 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		63,100	67,285
Right-of-use assets		10,055	11,411
Investment properties		282,826	300,256
Interest in an associate		858	932
Rental deposits		241	252
Deferred tax assets		430	432
		<u>357,510</u>	<u>380,568</u>
Current assets			
Inventories		151,572	150,583
Properties held for sale		137,890	158,625
Trade and other receivables	8	117,579	105,789
Loan receivable from an associate		13,522	14,132
Financial assets at fair value through profit or loss		8,564	18,474
Bank balances and cash		86,047	78,935
		<u>515,174</u>	<u>526,538</u>
Current liabilities			
Trade and other payables	9	63,318	57,268
Contract liabilities		13,350	35,612
Lease liabilities		1,755	1,818
Taxation payable		73,153	65,569
Bank loans – amount due within one year		23,297	26,391
Bank overdrafts		4,563	—
		<u>179,436</u>	<u>186,658</u>
Net current assets		<u>335,738</u>	<u>339,880</u>
Total assets less current liabilities		<u>693,248</u>	<u>720,448</u>

		At 30 June 2022 <i>HK\$'000</i> (Unaudited)	At 31 December 2021 <i>HK\$'000</i> (Audited)
Non-current liabilities			
Lease liabilities		1,022	1,994
Provision for long service payments		898	898
Deferred tax liabilities		28,928	32,268
		<u>30,848</u>	<u>35,160</u>
Net assets		<u>662,400</u>	<u>685,288</u>
Share capital and reserves			
Share capital	<i>10</i>	4,500	4,500
Reserves		657,558	679,774
Equity attributable to owners of the Company		662,058	684,274
Non-controlling interests		342	1,014
		<u>662,400</u>	<u>685,288</u>

NOTES:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial assets at fair value through profit or loss (“**FVTPL**”) which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those prepared in the Group’s annual consolidated financial statements for the year ended 31 December 2021.

Application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs**”)**

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendment to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendment to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendment to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018–2020

Except as described below, the application of the amendments to HKFRSs in the current period has no material impact on the Group's financial position and performance for the current and prior periods and/or on the disclosures set out in the condensed consolidated financial statements.

2.1 Impacts and accounting policies on application of Amendments to HKAS 16 “Property, Plant and Equipment — Proceeds before Intended Use”

2.1.1 Accounting policies

Property, plant and equipment

Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing the related assets functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Sale proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognised in the profit or loss.

2.1.2 Transition and summary of effects

The application of the amendments in the current period had no impact on the condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Analysis of the Group's revenue for the period is as follows:

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<i>Revenue recognised at a point in time</i>		
Sales of jewellery products	193,781	142,685
Sales of properties	21,916	45,448
<i>Revenue recognised over time</i>		
Property management fee income	3,087	2,144
Revenue from contracts with customers	218,784	190,277
Rental income	7,851	4,959
	<u>226,635</u>	<u>195,236</u>

Sales of jewellery products

Revenue from sales of jewellery products is recognised when control of the goods has transferred, being when the goods have been shipped to the customers' specific location (upon delivery of goods).

Sales of properties

For contracts entered into with customers on sales of properties, the relevant properties specified in the contracts are not based on customer's specifications. Revenue from sales of properties is therefore recognised at a point in time when the property is transferred to customers, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

Information reported to the executive directors of the Company, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on the revenues and profits from different types of business divisions.

The Group's operating and reportable segments under HKFRS 8 are as follows:

- (i) Jewellery business represents manufacturing and sales of jewellery products including rings, earrings, pendants, bangles, necklaces and bracelets (the “**Jewellery business**”).
- (ii) Property business represents the investment in, development, sales and rental of properties at the Group's integrated and comprehensive industry park project and property management business (the “**Property business**”).

(a) *Segment revenue and results*

The following is an analysis of the Group's revenue and results by operating and reportable segment:

For the six months ended 30 June 2022 (unaudited)

	Jewellery business	Property business	Consolidated
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Segment revenue	<u>193,781</u>	<u>32,854</u>	<u>226,635</u>
Segment results	<u>31,262</u>	<u>5,059</u>	36,321
Gain on fair value changes of financial assets at FVTPL			675
Unallocated corporate income			172
Unallocated corporate expenses			(4,833)
Share of result of an associate			<u>(34)</u>
Profit before taxation			<u><u>32,301</u></u>

For the six months ended 30 June 2021 (unaudited and restated)

	Jewellery business	Property business	Consolidated
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Segment revenue	<u>142,685</u>	<u>52,551</u>	<u>195,236</u>
Segment results	<u>8,629</u>	<u>40,682</u>	49,311
Gain on fair value changes of derivative financial instruments			861
Unallocated corporate income			77
Unallocated corporate expenses			(6,642)
Unallocated finance costs			(67)
Share of result of an associate			<u>62</u>
Profit before taxation			<u>43,602</u>

Segment results represent the profit earned by each segment and is arrived at without allocation of share of result of an associate, and certain unallocated income and expenses and finance costs. This is the measure reported to the CODM of the Company, for the purposes of resources allocation and assessment of segment performance.

The comparative figures of gain from changes in fair value upon transfer of properties held for sale to investment properties, gain on changes in fair value of investment properties and net impairment losses under expected credit loss (“ECL”) model in the segment results have been re-presented consistently with current period’s presentation.

(b) Segment assets and liabilities

The following is an analysis of the Group's segment assets and segment liabilities by operating and reportable segment:

At 30 June 2022 (unaudited)

	Jewellery business	Property business	Consolidated
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Assets			
Segment assets	351,254	505,635	856,889
Interest in an associate			858
Deferred tax assets			430
Financial assets at FVTPL			8,564
Unallocated corporate assets			<u>5,943</u>
Consolidated total assets			<u><u>872,684</u></u>
Liabilities			
Segment liabilities	79,767	27,259	107,026
Taxation payable			73,153
Deferred tax liabilities			28,928
Unallocated corporate liabilities			<u>1,177</u>
Consolidated total liabilities			<u><u>210,284</u></u>

At 31 December 2021 (audited)

	Jewellery business	Property business	Consolidated
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Assets			
Segment assets	359,704	542,652	902,356
Interest in an associate			932
Deferred tax assets			432
Unallocated corporate assets			<u>3,386</u>
Consolidated total assets			<u><u>907,106</u></u>
Liabilities			
Segment liabilities	72,353	50,372	122,725
Taxation payable			65,569
Deferred tax liabilities			32,268
Unallocated corporate liabilities			<u>1,256</u>
Consolidated total liabilities			<u><u>221,818</u></u>

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than deferred tax assets, interest in an associate, financial assets at FVTPL and unallocated corporate assets.
- all liabilities are allocated to operating segments other than taxation payable, deferred tax liabilities and unallocated corporate liabilities.

4. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment included in:		
– cost of goods sold	34	61
– general and administrative expenses	1,292	1,550
– selling and distribution costs	18	18
	<hr/> 1,344	<hr/> 1,629
Depreciation of right-of-use-assets	973	2,774
	<hr/> 2,317	<hr/> 4,403
Directors' remuneration		
– fee	324	324
– salaries and other benefits	3,750	3,750
– retirement benefit scheme contributions	27	27
	<hr/> 4,101	<hr/> 4,101
Other staff's salaries and other benefits	10,157	7,054
Other staff's retirement benefits scheme contributions	190	165
	<hr/> 14,448	<hr/> 11,320
Total staff costs		
Auditor's remuneration	600	600
Cost of inventories recognised as expenses (included in cost of goods sold)	155,817	137,520
	<hr/> 155,817 <hr/>	<hr/> 137,520 <hr/>

5. TAXATION

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The taxation charge comprises:		
Hong Kong Profits Tax		
– Current period	2,237	890
PRC Enterprise Income Tax (“EIT”)		
– Current period	3,228	5,636
PRC Land Appreciation Tax (“LAT”)	4,140	8,907
	<u>9,605</u>	<u>15,433</u>
Deferred tax (credit) charge	(2,004)	4,065
	<u>7,601</u>	<u>19,498</u>

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Under the Law of the PRC on EIT and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

The Group is engaged in manufacturing of jewellery products through processing factories in the PRC under contract processing arrangement. Accordingly, under such 50:50 onshore/offshore arrangement between the Group and the processing factories, certain profits of the Group are not taxable under Hong Kong Profits Tax during both periods. In addition, the processing factories of the Group is subject to the PRC EIT at a rate of 25% on the deemed profit generated in the PRC.

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been levied at progressive rates ranging from 30% to 60% on the appreciation of land value, represented by the excess of sales proceeds of properties over prescribed direct costs. Prescribed direct costs are defined to include costs of land, development and construction costs, as well as certain costs relating to the property development. According to the State Administration of Taxation's official circulars, LAT shall be payable provisionally upon sales of the properties, followed by final ascertainment of the gain at the completion of the project of properties development.

6. DIVIDEND

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Dividends recognised as distribution during the period		
Final dividend for 2021 of HK\$0.02 (2020:		
HK\$0.02) per share	<u><u>27,000</u></u>	<u><u>27,000</u></u>

The directors of the Company had not declared any interim dividend for the six months ended 30 June 2021 and 2022.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	At	At
	30 June	30 June
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of		
the Company and earnings for the purposes of		
calculating basic and diluted earnings per share	<u><u>25,347</u></u>	<u><u>24,096</u></u>

	<u>Number of shares</u>	
	<u>'000</u>	<u>'000</u>
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	<u>1,350,000</u>	<u>1,350,000</u>

The computation of diluted earnings per share for both periods does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price of the shares for both periods.

8. TRADE AND OTHER RECEIVABLES

	At 30 June 2022 <i>HK\$'000</i> (Unaudited)	At 31 December 2021 <i>HK\$'000</i> (Audited)
Trade receivables	103,934	94,452
Less: Allowance for ECL	<u>(7,441)</u>	<u>(7,204)</u>
	96,493	87,248
Other receivables, prepayments and deposits	14,300	13,491
Amount due from an associate	383	645
Amount due from a non-controlling shareholder of a subsidiary	<u>6,403</u>	<u>4,405</u>
	<u>117,579</u>	<u>105,789</u>

The basis of determining the inputs and assumptions and the estimation techniques used in the impairment assessment of financial assets subject to expected credit loss model in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021.

The following is an analysis of trade receivables by age, net of allowance for expected credit losses, presented based on the invoice date, which approximates the respective revenue recognition date.

	At 30 June 2022 <i>HK\$'000</i> (Unaudited)	At 31 December 2021 <i>HK\$'000</i> (Audited)
0–30 days	24,948	35,207
31–60 days	37,224	34,152
61–180 days	33,540	16,943
181–365 days	748	904
Over 1 year	33	42
	96,493	87,248

The Group generally allows a credit period of up to 120 days to its customers. A longer credit period may be granted to large or long established customers with good payment history.

9. TRADE AND OTHER PAYABLES

	At 30 June 2022 <i>HK\$'000</i> (Unaudited)	At 31 December 2021 <i>HK\$'000</i> (Audited)
Trade payables	44,417	40,553
Accruals and other payables	18,901	16,715
	63,318	57,268

The following is an aged analysis of trade payables presented based on invoice date at the end of the period:

	At 30 June 2022 <i>HK\$'000</i> (Unaudited)	At 31 December 2021 <i>HK\$'000</i> (Audited)
0–60 days	31,085	25,502
61–90 days	3,559	1,632
Over 90 days	9,773	13,419
	<u>44,417</u>	<u>40,553</u>

10. SHARE CAPITAL

	At 30 June 2022 <i>HK\$'000</i> (Unaudited)	At 31 December 2021 <i>HK\$'000</i> (Audited)
Authorised: 3,000,000,000 ordinary shares of one third Hong Kong cent each	<u>10,000</u>	<u>10,000</u>
Issued and fully paid: 1,350,000,000 ordinary shares of one third Hong Kong cent each	<u>4,500</u>	<u>4,500</u>
	Number of ordinary shares	Nominal value of ordinary shares <i>HK\$'000</i>
Authorised: At 1 January 2021 (audited), 31 December 2021 (audited) and 30 June 2022 (unaudited)	<u><u>3,000,000,000</u></u>	<u>10,000</u>
Issued and fully paid: At 1 January 2021 (audited), 31 December 2021 (audited) and 30 June 2022 (unaudited)	<u><u>1,350,000,000</u></u>	<u>4,500</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business outlook and future prospects

The Group is one of the top fine jewellery manufactures and wholesalers with over 30 years of history in Hong Kong. The principal business of the Group is designing, manufacturing and sales of high-end fine jewellery (primarily mounted with diamonds) (the “**Jewellery Business**”) and development, sales, renting and provision of management services for properties for the Group’s integrated and comprehensive industry park (the “**Property Business**”) located at 1st Ring Road South Extension Foshan, Guangdong Province, the People’s Republic of China (the “**PRC**”) (the “**Perfect Group Jewellery Industry Park**”).

Throughout the six months ended 30 June 2022, the Group continued to be affected by the outbreak of the 2019 Novel Coronavirus (“**Covid-19**”) which restrained the Group from participation in various shows, fairs and exhibitions held both in Hong Kong and overseas. However, our sales team was able to visit our overseas customers more frequently which in turn generated more sale orders during the six months ended 30 June 2022 as compared to the six months ended 30 June 2021.

Since the second half of 2018, the Group has started to deliver the completed units in the Perfect Group Jewellery Industry Park to customers. The delivery of the units sold and the revenue recognition have proceeded as scheduled. The management company of the Group in the Perfect Group Jewellery Industry Park is now in full operation. The Group has also leased out part of the units of the Perfect Group Jewellery Industry Park. The renting of properties and the provision of management services in the Perfect Group Jewellery Industry Park generated stable income for the Group.

FINANCIAL REVIEW

Overall Revenue

The Group's revenue for the six months ended 30 June 2022 was approximately HK\$226.6 million (six months ended 30 June 2021: approximately HK\$195.2 million), representing an increase of approximately HK\$31.4 million or 16.1% from the corresponding period of 2021. The increase in the Group's revenue was mainly due to the significant increase in recognition of revenue amounting to approximately HK\$51.1 million or 35.8% from the corresponding period from the Jewellery Business which was partly offset by the decrease in revenue from the Property Business during the period.

The revenue of the Jewellery Business and the Property Business represents approximately 85.5% and 14.5% of our total revenue, respectively.

Jewellery Business

Revenue

The Group's revenue of the Jewellery Business during the six months ended 30 June 2022 was approximately HK\$193.8 million (six months ended 30 June 2021: approximately HK\$142.7 million), representing a significant increase of approximately HK\$51.1 million or 35.8% from the corresponding period of 2021. The significant increase was mainly due to the increase in overseas sales from approximately HK\$100.3 million to approximately HK\$165.4 million. The significant increase in overseas sales is mainly due to our sales team's more frequent visits to our overseas customers which in turn generated more sale orders during the period as compared to the period ended 30 June 2021.

The Group's revenue of the online trading business of jewellery-related products in the PRC during the six months ended 30 June 2022 was approximately HK\$0.7 million (six months ended 30 June 2021: HK\$0.5 million).

Gross profit and gross profit margin

The gross profit increased from approximately HK\$28.5 million to HK\$48.3 million, representing a significant increase of approximately HK\$19.8 million or 69.5% which is in line with the significant increase in sales of the Jewellery Business. The gross profit margin was approximately 24.9% for the six months ended 30 June 2022 (six months ended 30 June 2021: 20.1%), which is greater than that for the six months ended 30 June 2021 mainly due to a higher mix of overseas sales with relatively higher gross profit margin.

Property Business

Revenue, gross profit and gross profit margin

The Group's revenue of the Property Business during the six months ended 30 June 2022 was approximately HK\$32.9 million (six months ended 30 June 2021: HK\$52.5 million), representing a significant decrease of approximately HK\$19.6 million. The significant decrease was mainly due to the fact that most of the properties were sold and delivered to the purchasers at the end of the 2021. The gross profit recognised for the six months ended 30 June 2022 was approximately HK\$19.7 million (six months ended 30 June 2021: HK\$28.6 million) and the gross profit margin was approximately 60.0% (six months ended 30 June 2021: approximately 54.4%). The increase was mainly due to the slight increase in selling price of units and lowering of estimated cost.

Overall gross profit and gross profit margin

The overall gross profit increased from approximately HK\$57.2 million to HK\$68.0 million, representing an increase of approximately HK\$10.8 million or 18.9%. With respect to the gross profit, approximately HK\$48.3 million was related to the Jewellery Business, representing a significant increase of approximately 69.5%, and approximately HK\$19.7 million was related to the Property Business, representing a decrease of approximately 31.1%.

Other income

The Group's other income comprised primarily of interest income and dividend income from short term investment of approximately HK\$0.8 million (six months ended 30 June 2021: approximately HK\$0.4 million) and government grants of approximately HK\$0.4 million (six months ended 30 June 2021: nil).

Other gains and losses

The Group's other gains and losses comprised primarily of gain from changes in fair value upon transfer of properties held for sale to investment properties of approximately HK\$3.1 million (six months ended 30 June 2021: approximately HK\$13.8 million), loss from changes in fair value of investment properties of approximately HK\$11.1 million (six months ended 30 June 2021: gain from changes in fair value of investment properties of approximately HK\$0.8 million) and gain on changes in fair value of financial assets at FVTPL of approximately HK\$0.7 million (six months ended 30 June 2021: nil).

Finance costs

The Group's finance costs for the six months ended 30 June 2022 was approximately HK\$0.4 (six months ended 30 June 2021: approximately HK\$0.2 million). The finance costs comprised of interests on short term financing, loan interest of bank borrowing and interest on lease liabilities. The increase in finance costs was mainly due to the new loans for the six months ended 30 June 2021 in Hong Kong being only utilised from May 2021 onwards.

Selling and distribution costs

The Group's selling and distribution costs for the six months ended 30 June 2022 was approximately HK\$5.3 million (six months ended 30 June 2021: approximately HK\$4.5 million), representing an increase of approximately HK\$0.8 million or 17.8% from the corresponding period of 2021. The increase was mainly due to the increase in overseas trips and exhibition costs of approximately HK\$1.2 million.

General and administrative expenses

The Group's general and administrative expenses for the six months ended 30 June 2022 was approximately HK\$24.0 million (six months ended 30 June 2021: approximately HK\$20.3 million), representing an increase of approximately HK\$3.7 million or 18.2% from the corresponding period of 2021. The increase was mainly due to the increase in staff cost in subsidiaries of the Company for marketing strategy in the PRC and other benefits of approximately HK\$1.8 million.

Profit for the period

As a result of the above factors, the Group's profit for the six months ended 30 June 2022 was approximately HK\$24.7 million (six months ended 30 June 2021: approximately HK\$24.1 million), representing an increase of approximately 2.5%.

Liquidity and financial resources

As at 30 June 2022, the Group had current assets of approximately HK\$515.2 million (as at 31 December 2021: approximately HK\$526.5 million) which comprised of bank balances and cash of approximately HK\$86.0 million (as at 31 December 2021: approximately HK\$78.9 million) and properties held for sale of approximately HK\$137.9 million (as at 31 December 2021: approximately HK\$158.6 million). As at 30 June 2022, the current liabilities amounted to approximately HK\$179.4 million (as at 31 December 2021: approximately HK\$186.7 million). As at 30 June 2022, the Group's current ratio, which was the ratio of current assets to current liabilities, was approximately 2.87 (as at 31 December 2021: approximately 2.82).

Despite the outbreak of Covid-19 which had a negative impact on the operations of the Jewellery Business, the Group together with other businesses can maintain its healthy cash flow requirements as a whole. As at 30 June 2022, the Group maintained bank balances and cash of approximately HK\$86.0 million with undrawn standby facilities with banks to cater for the future operation requirements. The Directors believe that the Group has adequate working capital to support its ongoing operation and development requirements.

Gearing ratio

As at 30 June 2022, the Group's gearing ratio, which was the ratio of total borrowings to equity (excluding the bank overdraft), was approximately 3.5% (as at 31 December 2021: approximately 3.9%).

Charge of assets

There was no charge of the Group's assets as at 30 June 2022 (as at 31 December 2021: nil).

Capital commitments

As at 30 June 2022, the Group did not have any significant commitments contracted for but not provided in the condensed consolidated financial statements (as at 31 December 2021: nil).

Contingent liabilities

As at 30 June 2022, the Group provided guarantees amounting to approximately RMB115,400,000 (equivalent to approximately HK\$135,106,000) (31 December 2021: approximately RMB45,656,000 (equivalent to approximately HK\$55,863,000)) to facilitate mortgage bank loan applications of the purchasers of the properties developed by the Group. The guarantees are given to banks with respect to loans procured by the purchasers of properties developed by the Group. Such guarantees will be released by banks upon delivery of the properties to the purchasers and completion of registration of the relevant mortgage properties. In the opinion of the Directors, the fair values of these guarantee contracts of the Group are insignificant at initial recognition and the Directors consider that the possibility of default of the parties involved is remote. Accordingly, no value has been recognised at the inception of the guarantee contracts and at the end of the reporting periods as at 30 June 2022 and 31 December 2021.

Subsequent event

Subsequent to 30 June 2022 and up to the date of this announcement, there were no material subsequent events affecting the Group.

Employee and remuneration policy

As at 30 June 2022, the Group had a total of 147 employees (31 December 2021: 128 employees) in Hong Kong and the PRC. The increase in headcount was mainly due to the full operations of the Perfect Group Jewellery Industry Park management company in the PRC and the expansion of the PRC business. The total salaries and related costs for the six months ended 30 June 2022 amounted to approximately HK\$14.4 million (six months ended 30 June 2021: approximately HK\$11.3 million). During the six months ended 30 June 2022, the staff salary and related costs was approximately HK\$10.3 million (six months ended 30 June 2021: approximately HK\$7.2 million) and the Directors' remuneration was approximately HK\$4.1 million (six months ended 30 June 2021: approximately HK\$4.1 million).

The Group offered competitive remuneration package as an incentive to staff to improve their work performance. The Company has a share option scheme in place as a means to encourage and reward the eligible employees (including the Directors) for contributions to the Group's performance and business development based on their individual performance. The employees' remuneration, promotion and salary are assessed by reference to their work performance, working experience and professional qualifications and the prevailing market practice.

Future plans and prospects

The Group has leased out part of the units of the Perfect Group Jewellery Industry Park. The leasing of properties and the provision of management services in the Perfect Group Jewellery Industry Park have generated stable income for the Group.

Going forward, the recognition of sales of properties will primarily be the delivery of the remaining sold units pending delivery and the sales of remaining unsold units to the purchasers. The rental and management fee income is expected to make stable contributions to the Property Business. The performance of the Jewellery Business will be highly dependent on the state of recovery of the global economy, the relaxation of travel restrictions and the number of exhibitions and shows being held in various locations.

Interim dividend

The Board, after considering the current market situation and the operation of the Group, resolved not to declare any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

Code on corporate governance practices

The Company is committed to maintaining good standard of corporate governance to safeguard the interest of its shareholders and to enhance corporate value and responsibility. During the six months ended 30 June 2022, the Company adopted and complied with the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in the Appendix 14 of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), except the deviation from code provision A.2.1 of the CG Code as explained below.

According to code provision A.2.1 of the CG Code, the role of chairman of the Board and chief executive officer should be separate and should not be performed by the same individual. The role of the chief executive officer was performed by Mr. Kan Kin Kwong, who was also the chairman of the Board. Mr. Kan, as the founder of the Group, has extensive experience and knowledge in the fine jewellery industry and is responsible for managing the overall operations of the Group and planning the business development and strategies. The Directors consider that vesting the role of the chairman of the Board and the chief executive officer in the same individual is beneficial to the management and business development of the Group. The balance of power and authority is ensured by the operations of the Board and the senior management, which comprise experienced and high calibre individuals. The Board will continue to review and consider splitting the roles of the chairman of the Board and the chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

Model code for securities transactions of Directors

The Company adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as the code of conduct for Directors in their dealings in the securities of the Company.

Having made specific enquiry of all Directors, the Directors complied with the Model Code during the six months ended 30 June 2022.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company’s memorandum and articles of association or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Purchase, sale or redemption of listing securities

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2022.

Sufficiency of public float

Since the date on which the shares of the Company were listed of the Stock Exchange and up to the date of this announcement, the Company has maintained a sufficient public float.

Audit committee

The audit committee of the Board comprises three independent non-executive Directors namely, Mr. Fan Chor Ho, Mr. Lee Ka Wing and Mr. Wong Wai Keung Frederick. Mr. Wong Wai Keung Frederick is the chairman of the audit committee. The audit committee and the Company's auditors have reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2022.

Publication of interim results announcement

The results announcement is published on Company's website (www.hkperjew.com.hk) and the Stock Exchange's website (www.hkexnews.hk).

The interim report of the Company for the six months ended 30 June 2022 containing all the information required by the Listing Rules will be available at the Company's and the Stock Exchange's websites and dispatched to the Company's shareholders in due course.

By order of the Board
Perfect Group International Holdings Limited
Kan Kin Kwong
Chairman and executive Director

Hong Kong, 15 August 2022

As at the date of this announcement, the executive Directors are Mr. Kan Kin Kwong, Ms. Shek Mei Chun and Mr. Chung Chi Keung; and the independent non-executive Directors are Mr. Fan Chor Ho, Mr. Lee Ka Wing and Mr. Wong Wai Keung Frederick.