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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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

The board (the “**Board**”) of directors (the “**Directors**”) of Perfect Group International Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2017 together with comparative figures for the corresponding period in 2016 as follows:

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

For the six months ended 30 June 2017

| | | Six months ended 30 June | |
|---|--------------|--|--|
| | <i>NOTES</i> | 2017 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) |
| Revenue | 2 | 178,951 | 198,348 |
| Cost of goods sold | | (121,514) | (142,211) |
| Gross profit | | 57,437 | 56,137 |
| Other income | | 333 | 258 |
| Other gains and losses | | (1,314) | 42 |
| Selling and distribution costs | | (8,023) | (6,993) |
| General and administrative and other expenses | | (18,365) | (19,226) |
| Finance costs | | (534) | – |
| Profit before taxation | 3 | 29,534 | 30,218 |
| Taxation | 4 | (3,493) | (3,699) |
| Profit for the period | | 26,041 | 26,519 |

| | | Six months ended | |
|--|--------------|----------------------------|---------------------|
| | | 30 June | |
| | <i>NOTES</i> | 2017 | 2016 |
| | | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Unaudited) |
| Other comprehensive income for the period | | | |
| Item that may be reclassified subsequently | | | |
| to profit or loss: | | | |
| Exchange differences arising on translation | | | |
| of foreign operations | | <u>3,987</u> | <u>–</u> |
| Total comprehensive income for the period | | <u>30,028</u> | <u>26,519</u> |
| Profit(loss) for the period attributable to: | | | |
| Owners of the Company | | 26,328 | 26,519 |
| Non-controlling interests | | <u>(287)</u> | <u>–</u> |
| | | <u>26,041</u> | <u>26,519</u> |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | 29,119 | 26,519 |
| Non-controlling interests | | <u>909</u> | <u>–</u> |
| | | <u>30,028</u> | <u>26,519</u> |
| Earnings per share | 6 | | |
| – Basic | | <u>5.9 HK cents</u> | <u>5.9 HK cents</u> |
| – Diluted | | <u>5.8 HK cents</u> | <u>5.9 HK cents</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

| | | At 30 June 2017 HK\$'000 (Unaudited) | At 31 December 2016 HK\$'000 (Audited) |
|---|---|--|--|
| Non-current assets | | | |
| Property, plant and equipment | | 15,095 | 6,076 |
| Prepaid lease payments | | 121,693 | – |
| Rental deposits | | 752 | 752 |
| Deferred tax assets | | – | 688 |
| | | 137,540 | 7,516 |
| Current assets | | | |
| Inventories | | 170,651 | 169,221 |
| Trade and other receivables | 7 | 99,915 | 75,731 |
| Deposits | | 3,369 | 31,619 |
| Prepaid lease payments | | 2,501 | – |
| Financial asset designated as at fair value through profit or loss | | 24,176 | – |
| Bank balances and cash | | 124,816 | 202,567 |
| | | 425,428 | 479,138 |
| Current liabilities | | | |
| Trade and other payables | 8 | 40,352 | 31,069 |
| Taxation payable | | 9,410 | 11,031 |
| Dividend payable | | 13,500 | – |
| Bank loans | | 20,735 | 2,365 |
| Other borrowing | | – | 28,250 |
| | | 83,997 | 72,715 |
| Net current assets | | 341,431 | 406,423 |
| Total assets less current liabilities | | 478,971 | 413,939 |

| | | At 30 June 2017 <i>HK\$'000</i> (Unaudited) | At 31 December 2016 <i>HK\$'000</i> (Audited) |
|--|---|---|---|
| Non-current liabilities | | | |
| Provision for long service payments | | 1,177 | 999 |
| Deferred tax liabilities | | 216 | – |
| | | <u>1,393</u> | <u>999</u> |
| Net assets | | <u>477,578</u> | <u>412,940</u> |
| Share capital and reserves | | | |
| Share capital | 9 | 4,500 | 4,500 |
| Reserves | | 424,891 | 408,440 |
| | | <u>429,391</u> | <u>412,940</u> |
| Equity attributable to owners of the Company | | 429,391 | 412,940 |
| Non-controlling interests | | 48,187 | – |
| | | <u>477,578</u> | <u>412,940</u> |
| Total equity | | <u>477,578</u> | <u>412,940</u> |

NOTES:

1. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

2. REVENUE AND SEGMENT INFORMATION

Revenue represents amounts received and receivable for the sales of fine jewellery products and net of discounts and returns during both periods.

The executive directors of the Company, being the chief operating decision maker, regularly review revenue analysis by product types, including ring, earrings, pendant, bangle, necklace and bracelet, and by location of delivery to customers. The executive directors of the Company considered the operating activities of manufacturing and sales of jewellery products as a single operating segment. The operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies conform to HKFRSs, and is regularly reviewed by the executive directors of the Company. The executive directors of the Company review the overall results, assets and liabilities of the Group as a whole to make decisions about resources allocation. Accordingly, no analysis of this single operating segment is presented.

Entity-wide information

An analysis of the Group’s revenue by product types is as follows:

| | Six months ended | |
|------------|------------------|----------------|
| | 30 June | |
| | 2017 | 2016 |
| | HK\$’000 | HK\$’000 |
| | (Unaudited) | (Unaudited) |
| Sales of | | |
| – Ring | 58,730 | 66,741 |
| – Earrings | 50,063 | 56,170 |
| – Pendant | 20,183 | 21,646 |
| – Bangle | 21,921 | 20,970 |
| – Necklace | 12,942 | 16,146 |
| – Bracelet | 15,112 | 16,675 |
| | <u>178,951</u> | <u>198,348</u> |

Revenue from external customers, based on location of delivery to customers is as follows:

| | Six months ended | |
|-------------|-------------------------|-----------------|
| | 30 June | |
| | 2017 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Revenue | | |
| – Hong Kong | 105,379 | 107,605 |
| – Dubai | 73,572 | 90,743 |
| | 178,951 | 198,348 |

An analysis of the Group's non-current assets (other than deferred tax assets) by their physical geographical location is as follows:

| | At | At |
|----------------|------------------------|-----------------|
| | 30 June | 31 December |
| | 2017 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Audited) |
| Hong Kong | 3,422 | 3,730 |
| Mainland China | 133,559 | 2,721 |
| Dubai | 559 | 377 |
| | 137,540 | 6,828 |

3. PROFIT BEFORE TAXATION

| | Six months ended | |
|---|-------------------------|---------------------|
| | 30 June | |
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Profit before taxation has been arrived at after charging: | | |
| Depreciation | | |
| – cost of sales | 410 | 421 |
| – general and administrative and other expenses | 834 | 752 |
| | <u>1,244</u> | <u>1,173</u> |
| Total depreciation | | |
| | <u>1,244</u> | 1,173 |
| Directors' remuneration | | |
| – fee | 1,256 | 1,217 |
| – salaries and other benefits | 2,450 | 2,434 |
| – equity-settled share option expense | 159 | – |
| – retirement benefit scheme contributions | 27 | 33 |
| | <u>3,892</u> | 3,684 |
| Other staff's salaries and other benefits (<i>Note</i>) | 6,276 | 15,736 |
| Other staff's equity-settled share option expense | 673 | – |
| Other staff's retirement benefits scheme contributions | 1,112 | 1,406 |
| | <u>11,953</u> | <u>20,826</u> |
| Total staff costs | | |
| | <u>11,953</u> | 20,826 |
| Auditor's remuneration | 600 | 600 |
| Cost of inventories recognised as expenses (included in cost of goods sold) | 128,491 | 142,211 |
| Listing expenses (included in general and administrative and other expenses) | – | 1,588 |
| Operating lease rentals in respect of rented premises | 3,142 | 2,994 |
| | <u><u>3,142</u></u> | <u><u>2,994</u></u> |

Note: During the current interim period, provision on staff benefits for previous years included in accruals and other payables amounting to RMB6,067,000 (equivalent to approximately HK\$6,977,000) has been reversed as the directors of the Company considered that crystallisation of such provision as a liability was remote.

4. TAXATION

| | Six months ended | |
|-----------------------------------|------------------|--------------|
| | 30 June | |
| | 2017 | 2016 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| The taxation charge comprises: | | |
| Hong Kong Profits Tax | | |
| – Current period | 2,412 | 2,945 |
| PRC Enterprise Income Tax (“EIT”) | | |
| – Current period | 177 | 255 |
| | <u>2,589</u> | <u>3,200</u> |
| Deferred tax charge | 904 | 499 |
| | <u>3,493</u> | <u>3,699</u> |

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

The Group is engaged in manufacturing of fine jewellery products through a processing factory in the Mainland China under contract processing arrangement which is effective from 23 April 2008 to 7 April 2018. Accordingly, under such 50:50 onshore/offshore arrangement between the Group and the processing factory, certain profits of the Group are not taxable under Hong Kong Profits Tax during both periods. In addition, the processing factory of the Group is subject to PRC EIT at a rate of 25% on the deemed profit generated in Mainland China.

5. DIVIDEND

A final dividend of HK\$0.03 per share, totalling HK\$13,500,000 for the year ended 31 December 2016 was paid on 19 July 2017 to the shareholders of the Company whose names appeared on the register of members of the Company on 30 June 2017.

The directors of the Company resolved to declare an interim dividend of HK\$0.03 per share, totalling HK\$13,500,000 for the six months ended 30 June 2017 (six months ended 30 June 2016: HK\$0.03 per share totalling HK\$13,500,000). The interim dividend is payable on 21 September 2017 to the shareholders of the Company whose names appear on the register of members of the Company on 8 September 2017.

6. 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 30 June 2017 <i>HK\$'000</i> (Unaudited) | At 30 June 2016 <i>HK\$'000</i> (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>26,328</u> | <u>26,519</u> |
| | Number of shares <i>'000</i> | <i>'000</i> |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share | 450,000 | 450,000 |
| Effect of dilutive potential ordinary shares: Share-based payments | <u>317</u> | <u>–</u> |
| Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share | <u>450,317</u> | <u>450,000</u> |

7. TRADE AND OTHER RECEIVABLES

| | 30 June 2017 <i>HK\$'000</i> (Unaudited) | 31 December 2016 <i>HK\$'000</i> (Audited) |
|---|---|---|
| Trade receivables | 99,302 | 74,375 |
| Less: Allowance for doubtful debts | <u>(3,009)</u> | <u>(1,980)</u> |
| | 96,293 | 72,395 |
| Other receivables, prepayments and deposits | <u>3,622</u> | <u>3,336</u> |
| | <u>99,915</u> | <u>75,731</u> |

The following is an analysis of trade receivables by age, presented based on the invoice date, which approximates the respective revenue recognition dates.

| | 30 June | 31 December |
|----------------|----------------------|-----------------|
| | 2017 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Audited) |
| 0 – 30 days | 26,507 | 15,817 |
| 31 – 60 days | 22,680 | 13,350 |
| 61 – 180 days | 36,084 | 27,376 |
| 181 – 365 days | 2,284 | 7,896 |
| Over 1 year | 8,738 | 7,956 |
| | <u>96,293</u> | <u>72,395</u> |

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.

Before accepting any new customers, the Group has an internal credit control system to assess the potential customers' credit quality and the Board of Directors has delegated the management to be responsible for the determination of credit limits and credit approvals for customers. Limits attributed to customers are reviewed periodically. Approximately 40% (31 December 2016: 32%) of the trade receivables as at 30 June 2017 are neither past due nor impaired and they were assessed to be of good credit rating attributable under the credit control system used by the Group.

The Group's management takes into consideration of customers' credit history, settlement patterns, subsequent settlements and aging analysis of trade receivables in determining the recoverability of the overdue trade receivables. The directors of the Company considered that the concentration of credit risk is limited due to customer base being large and unrelated.

8. TRADE AND OTHER PAYABLES

| | At | At |
|-----------------------------|----------------------|-----------------|
| | 30 June | 31 December |
| | 2017 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Audited) |
| Trade payables | 19,541 | 6,257 |
| Accruals and other payables | 20,811 | 24,812 |
| | <u>40,352</u> | <u>31,069</u> |

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

| | At 30 June 2017 <i>HK\$'000</i> (Unaudited) | At 31 December 2016 <i>HK\$'000</i> (Audited) |
|-------------|--|--|
| 0 – 60 days | <u>19,541</u> | <u>6,257</u> |

9. SHARE CAPITAL

The Company was incorporated and registered as an exempted company in the Cayman Islands on 16 June 2015 with an issued share capital of US\$100 divided into 100 shares of a nominal value of US\$1 each. Upon incorporation of the Company, 100 shares of US\$1 each was issued at US\$100. On 14 September 2015, the Company repurchased all the existing shares for an aggregate price of US\$100, following which all the existing shares were cancelled and the authorised but unissued share capital of the Company was diminished by the cancellation of all unissued shares of nominal value of US\$1 each in the share capital of the Company, and the authorised share capital of the Company became HK\$10,000,000 divided into 1,000,000,000 shares of nominal value of HK\$0.01 each.

On 4 January 2016, as part of the Group Reorganisation, 100 shares, 337,499,700 shares and 112,500,000 shares of the Company were issued to the then existing shareholders as a result of the loan capitalisation, capitalisation issue and the global offering respectively. The Company completed its global offering and its shares were listed on the Stock Exchange on 4 January 2016.

As at 30 June 2017, the Company has 450,000,000 (31 December 2016: 450,000,000) issued and fully paid ordinary shares of HK\$0.01 each. All shares issued rank pari passu with the then existing shares in issue in all respects.

10. EVENT AFTER THE REPORTING PERIOD

On 7 August 2017, the directors of the Company proposed the existing issued and unissued shares of the Company of HK\$0.01 each to be subdivided into 3 shares of HK\$0.003 each (the “Share Subdivision”). Further details of the Share Subdivision will be despatched to the shareholders of the Company on or before 25 August 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is one of the top fine jewellery manufacturers and wholesalers with approximately 30 years of history in Hong Kong. The Group is primarily engaged in designing, manufacturing and sales of high-end fine jewellery (primarily mounted with diamonds). The Group positions its products to target the high-end segment of the fine jewellery market by average wholesale price.

The Group operates two offices, situated in Hong Kong and Dubai respectively. The Hong Kong office bridges the design, production and sales teams with customers worldwide whilst the Dubai office serves as the marketing and logistic hub in the Middle East and its vicinity. The production operations are exclusively carried out at the processing factory in Dongguan (the “**Perfect Factory**”) under the processing agreement. Under the processing agreement, the Perfect Factory deploys raw materials, accessories, machinery equipment and packaging materials owned and imported by the Group to produce fine jewellery products for the Group exclusively whilst the Group closely participates in the operation and management of Perfect Factory and effectively controls its decision making process.

In February 2017, the Group acquired a parcel of land located at east of Foshan 1st Ring Road South Extension and south of Lunjiao Dachong River, Lunjiao Shilong Industrial Zone, Shunde District, Foshan, Guangdong Province, the PRC (the “**Perfect Group Industrial Estate**”). The Group will relocate the production facilities to Perfect Group Industrial Estate upon the expiry of lease agreement of the Perfect Factory in May 2018. Further information of the Perfect Group Industrial Estate could be found in the circular of the Company dated 7 February 2017.

Financial review

Revenue

The Group’s revenue for the six months ended 30 June 2017 was approximately HK\$178,951,000 (six months ended 30 June 2016: HK\$198,348,000), representing a decrease of approximately 9.78% over the corresponding period of 2016. The decrease in revenue for the six months ended 30 June 2017 was mainly attributable to the drop in business from customers in Dubai which was in line with market sentiment affected by the continuous weakness of the commodity market (including oil market) in the Middle East countries in 2017.

For the six months ended 30 June 2017, revenue by product types followed relatively similar pattern as that for the corresponding period in 2016. The sales of ring and earrings continued to be the major products of the sales for the period which accounted for approximately 32.82% and 27.98% of total revenue in 2017 (six months ended 30 June 2016:33.65% and 28.32%) respectively. The sales of pendant and bangle remained stable in the product mix which accounted for approximately 11.28% and 12.25% (six months ended 30 June 2016:10.91% and 10.57%) respectively. For the six months ended 30 June 2017, revenue by each product in general decreased in line with the general decrease in overall revenue.

Gross Profit

The Group's gross profit for the six months ended 30 June 2017 was approximately HK\$57,437,000 (six months ended 30 June 2016: HK\$56,137,000), representing an increase of approximately 2.32% compared to that of the corresponding period of 2016. The gross profit margin for the six months ended 30 June 2017 was approximately 32.10% (six months ended 30 June 2016: 28.30%), The cost of sales included the release of the provision on the staff benefits for previous years amounting to HK\$6,977,000 as the Group considered that the crystallisation of such provision as a liability to be remote. The gross profit margin, after excluding the reversal of provision, was approximately 28.19%, which was at similar level as that for the corresponding period of 2016.

Other Income

Other income comprised mostly of bank interest income of HK\$305,000 (six months ended 30 June 2016: HK\$135,000) received during the period.

Other Gains and Losses

Other gains and losses included an allowance for doubtful debts amounting to HK\$1,029,000 (six months ended 30 June 2016: Nil).

Finance Costs

During the six months ended 30 June 2017, the Company obtained new trust receipts loan and temporary advance for the acquisition of land in February 2017 and working capital purposes. The utilisation of these facilities resulted in the Group incurring interest of approximately HK\$534,000 for the six months ended 30 June 2017, (six months ended 30 June 2016: Nil).

Selling and Distribution Costs

The selling and distribution costs for the six months ended 30 June 2017 have increased from HK\$6.99 million to HK\$8.02 million, an increase of approximately 14.73%. The main reason for the increase was due to the increase in import declaration charges for the delivery of goods to the customers in Dubai during the period. On the other hand most of the selling costs included costs on participation in exhibitions and expositions which could not be decreased in line with revenue.

General and Administrative and Other Expenses

The general and administrative and other expenses for the six months ended 30 June 2017 have decreased marginally by 4.48%. Most of the general and administrative expenses are fixed overheads which could not be reduced in line with revenue.

As a result of the above, profit for the six months ended 30 June 2017 was approximately HK\$26,041,000 (six months ended 30 June 2016: HK\$26,519,000), representing a decrease of approximately 1.80%.

Liquidity and financial resources

As at 30 June 2017, the Group had current assets of approximately HK\$425,428,000 (as at 31 December 2016: HK\$479,138,000) which comprised bank balances and cash of approximately HK\$124,816,000 (as at 31 December 2016: HK\$202,567,000). As at 30 June 2017, the current liabilities amounted to approximately HK\$83,997,000 (as at 31 December 2016: HK\$72,715,000). Accordingly, the current ratio, being the ratio of current assets to current liabilities, was approximately 5.06 as at 30 June 2017 (as at 31 December 2016: 6.59). The Group considers its financial resources were mainly derived from the net cash inflows from operating activities. Taking into consideration of the existing financial resources of the Group, it is anticipated that the Group should have adequate working capital to support its operations and development requirements.

Gearing ratio

The gearing ratio of the Group, calculated as total debt (including bank loans and other borrowing) divided by total equity, was approximately 4.34% (as at 31 December 2016: 7.41%).

Charge on assets

There was no charge on the Group's asset as at 30 June 2017 (as at 31 December 2016: Nil).

Capital commitments

The Group had capital commitments of approximately HK\$282,133,000 as at 30 June 2017 (as at 31 December 2016: Nil) which mostly related to the construction work on the Perfect Group Industrial Estate.

Contingent liabilities

The Group had no material contingent liabilities as at 30 June 2017 (as at 31 December 2016: Nil)

Employee and remuneration policy

As at 30 June 2017, the Group had approximately 244 employees (six months ended 30 June 2016: 283 employees) in Hong Kong and the PRC. The total salaries and related costs for the six months ended 30 June 2017 amounted to approximately HK\$11,953,000 (six months ended 30 June 2016: HK\$20,826,000).

The Group offered competitive remuneration package as an incentive to staff for improvement. The Company has share option scheme in place as a means to encourage and reward the eligible employees (including the Directors) for their contributions to the Group's results and business development, the award of which is based on their individual performances. On 31 May 2017, 13,494,000 options were granted. 6,747,000 share options are exercisable commencing from 31 May 2018 to 30 May 2023 (both dates inclusive) while the remaining 6,747,000 share options are exercisable from 31 May 2019 to 30 May 2024 (both dates inclusive). During the period ended 30 June 2017, 480,000 share options were lapsed.

The employees' remuneration, promotion and salary are assessed by reference to work performance, working experience and professional qualifications and the prevailing market conditions.

Future plans and prospects

The global market sentiment, which has affected the buying behavior of our customers, is considered weak in the first half of 2017. However, the Group considered that the market has now stabilised.

To facilitate the future development of the Group, the Group has acquired a parcel of land for the development of and started construction work at the Perfect Group Industrial Estate. The Group will relocate its existing production facilities to the Perfect Group Industrial Estate upon the expiry of lease agreement of the Perfect Factory in May 2018. As to the unoccupied areas, if any, the purpose of which will be determined at the time of completion of development and the financial status of the Group in the coming months.

Interim dividend

The Board, after considering the liquidity position and operation of the Group, resolved to declare an interim dividend of HK\$0.03 per share, totaling HK\$13,500,000 for the six months ended 30 June 2017 (For the six months ended 30 June 2016: HK\$0.03) payable on Thursday, 21 September 2017 to the shareholders whose names appear on the register of members of the Company on Friday, 8 September 2017.

Closure of register of members

For determining the entitlement of the shareholders to the interim dividend, the register of members of the Company will be closed from Wednesday, 6 September 2017 to Friday, 8 September 2017, both days inclusive, during which period, no transfer of shares will be registered. In order to qualify for the interim dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, not later than 4:00 p.m. on Tuesday, 5 September 2017.

Use of proceeds from global offering

The Company has received net proceeds of approximately HK\$76,533,000 after deducting the underwriting fee and commissions and relevant expenses in connection with the global offering on 4 January 2016. On 28 November 2016, the Board resolved to change the proposed use of proceeds from that originally set out in the prospectus for the global offering. Details of this are set out in the announcement of the Company dated 28 November 2016. As at 30 June 2017, approximately HK\$58,132,000 of the net proceeds has been used by the Group. The unutilised proceeds were deposited with the licensed bank in Hong Kong. Set out below is a summary of the original allocation of the net proceeds, the revised allocation of net proceeds and the utilisation of the net proceeds:

| Uses | Original allocation <i>HK\$'000</i> | Revised allocation <i>HK\$'000</i> | Utilisation | Remaining balance |
|--|---|--|---|---|
| | | | as at 30 June 2017 <i>HK\$'000</i> | as at 30 June 2017 <i>HK\$'000</i> |
| Expanding the Middle East and European high-end markets | 28,700 | 7,700 | 7,700 | – |
| Upgrading the existing production facilities and hiring and training additional labour | 25,179 | 1,839 | 1,839 | – |
| Brand development | 16,837 | 16,837 | 1,539 | 15,298 |
| Enhancing the CRM system | 3,597 | 3,597 | 494 | 3,103 |
| Additional working capital and other general corporate purposes | 2,220 | 2,220 | 2,220 | – |
| Establishing the headquarter in the PRC and developing the PRC market | – | 44,340 | 44,340 | – |
| Total | <u>76,533</u> | <u>76,533</u> | <u>58,132</u> | <u>18,401</u> |

Subsequent Event

On 7 August 2017, the Company announced the proposed subdivision of the shares of the Company by way of subdividing every one (1) existing issued and unissued share in the capital of the Company into three (3) subdivided shares. Details of this are set out in the announcement of the Company dated 7 August 2017.

Code on corporate governance practices

The Company is committed to maintaining good standard of corporate governance to safeguard the interest of the shareholders and to enhance corporate value and responsibility. During the six months ended 30 June 2017, the Company has 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 Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”), 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 have complied with the Model Code during the six months ended 30 June 2017.

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 has purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2017.

Sufficiency of public float

Since the Listing Date and up to the date of this announcement, the Company has maintained a sufficient public float.

Audit committee

The audit committee comprises one non-executive director, Mr. He Dingding and two independent non-executive directors namely, Mr. Li Cheuk Wai 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 for the six months ended 30 June 2017.

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 2017 containing all the information required by the Listing Rules, which 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

Hong Kong, 21 August 2017

As at the date of this announcement, the executive Directors are Mr. Kan Kin Kwong, Ms. Shek Mei Chun and Mr. Chung Chi Keung; the non-executive Director is Mr. He Dingding; and the independent non-executive Directors are Mr. Fan Chor Ho, Mr. Li Cheuk Wai and Mr. Wong Wai Keung Frederick.