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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 ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

The board (the “**Board**”) of directors (the “**Directors**”) of Perfect Group International Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2017 together with comparative figures for the previous year as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	<i>NOTES</i>	2017 HK\$'000	2016 HK\$'000
Revenue	2	352,043	322,423
Cost of goods sold		(241,859)*	(233,479)
Gross profit		110,184*	88,944
Other income		1,263	1,438
Other gains and losses		965	(2,051)
Selling and distribution costs		(15,380)	(13,631)
General and administrative and other expenses		(42,235)	(34,791)
Finance costs		(1,005)	(440)
Profit before taxation	3	53,792	39,469
Taxation	4	(5,717)	(4,770)
Profit for the year		48,075	34,699

	<i>NOTE</i>	2017 HK\$'000	2016 HK\$'000
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		<u>10,902</u>	–
Other comprehensive income for the year		<u>10,902</u>	–
Total comprehensive income for the year		<u><u>58,977</u></u>	<u><u>34,699</u></u>
Profit (loss) for the year attributable to:			
Owners of the Company		48,843	34,699
Non-controlling interests		<u>(768)</u>	–
		<u><u>48,075</u></u>	<u><u>34,699</u></u>
Total comprehensive income attributable to:			
Owners of the Company		56,630	34,699
Non-controlling interests		<u>2,347</u>	–
		<u><u>58,977</u></u>	<u><u>34,699</u></u>
			(Restated)
Earnings per share	6		
– Basic		<u><u>3.62 HK cents</u></u>	<u><u>2.57 HK cents</u></u>
– Diluted		<u><u>3.58 HK cents</u></u>	<u><u>N/A</u></u>

* Included therein was a reversal of provision of staff benefits for previous years amounting to approximately HK\$16,316,000. The cost of sales and gross profits after excluding this reversal would be approximately HK\$258,175,000 and HK\$93,868,000 respectively and the gross profit margin would be approximately 26.7% (2016: 27.6%).

Consolidated Statement of Financial Position

At 31 December 2017

	NOTES	2017 HK\$'000	2016 HK\$'000
Non-current assets			
Property, plant and equipment		28,984	6,076
Prepaid lease payments		16,890	–
Deposits		4,121	752
Deferred tax assets		–	688
		<u>49,995</u>	<u>7,516</u>
Current assets			
Inventories		179,956	169,221
Properties under development for sale		186,397	–
Prepaid lease payments		351	–
Trade and other receivables	7	110,627	75,731
Deposits		–	31,619
Bank balances and cash		59,476	202,567
		<u>536,807</u>	<u>479,138</u>
Current liabilities			
Trade and other payables	8	29,139	31,069
Taxation payable		9,875	11,031
Bank loans		25,580	2,365
Other borrowing		–	28,250
		<u>64,594</u>	<u>72,715</u>
Net current assets		<u>472,213</u>	<u>406,423</u>
Total assets less current liabilities		<u>522,208</u>	<u>413,939</u>
Non-current liability			
Provision for long service payments		1,177	999
Deferred tax liabilities		83	–
		<u>1,260</u>	<u>999</u>
Net assets		<u><u>520,948</u></u>	<u><u>412,940</u></u>
Share capital and reserves			
Share capital	9	4,500	4,500
Reserves		444,314	408,440
Equity attributable to owners of the Company		<u>448,814</u>	<u>412,940</u>
Non-controlling interests		<u>72,134</u>	<u>–</u>
		<u><u>520,948</u></u>	<u><u>412,940</u></u>

NOTES:

1. BASIS OF PREPARATION AND APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (the “HKFRSs”)

The consolidated financial statements have been prepared in accordance with the HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance (the “**CO**”).

The Group has consistently applied all the amendments to HKFRSs issued by the HKICPA which are effective for the Group’s financial year beginning on 1 January 2017 for both current and prior years.

The application of these amendments to HKFRSs has had no material effect on the amounts reported in these consolidated financial statements and/or disclosed in these 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 years.

Information reported to the executive directors of the Company, being the chief operating decision maker (“**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 was previously organised into a single operating segment, namely “Manufacturing and sales of jewellery products”. During the year, the CODM reviewed separately the financial results of manufacturing and sales of jewellery products business and property development business for resources allocation and performance assessment of the Group. Accordingly, the Group’s operating and reportable segments under HKFRS 8 are as follows:

- (i) Manufacturing and sales of jewellery products business represents manufacturing and sales of jewellery products including rings, earrings, pendants, bangles, necklaces and bracelets (“**Manufacturing and sales of jewellery products**”).
- (ii) Property development business represents the development and sales of properties for the Group’s integrated and comprehensive industry park project in the Shunde District, Foshan, Guangdong Province, the PRC (“**Property development**”).

(a) **Segment revenue and results**

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

For the year ended 31 December 2017

	Manufacturing and sales of jewellery products <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue			
External sales	<u>352,043</u>	<u>–</u>	<u>352,043</u>
Segment results	<u>70,075</u>	<u>(2,561)</u>	<u>67,514</u>
Unallocated corporate income			146
Unallocated corporate expenses			(12,863)
Finance costs			<u>(1,005)</u>
Profit before taxation			<u>53,792</u>

For the year ended 31 December 2016

	Manufacturing and sales of jewellery products <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue			
External sales	<u>322,423</u>	<u>–</u>	<u>322,423</u>
Segment results	<u>47,016</u>	<u>–</u>	<u>47,016</u>
Unallocated corporate income			314
Unallocated corporate expenses			(7,421)
Finance costs			<u>(440)</u>
Profit before taxation			<u>39,469</u>

Segment results represent the profit earned or loss incurred by each segment and hence is arrived at without allocation of certain income and expenses (including other income, general and administrative and other expenses and finance costs). This is the measure reported to the CODM for the purposes of resources allocation and assessment of segment performance.

(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 31 December 2017

	Manufacturing and sales of jewellery products HK\$'000	Property development HK\$'000	Consolidated HK\$'000
Assets			
Segment assets	319,767	245,435	565,202
Unallocated corporate assets			<u>21,600</u>
Consolidated assets			<u><u>586,802</u></u>
Liabilities			
Segment liabilities	49,563	5,441	55,004
Taxation payable			9,875
Deferred tax liabilities			83
Unallocated corporate liabilities			<u>892</u>
Consolidated liabilities			<u><u>65,854</u></u>

At 31 December 2016

	Manufacturing and sales of jewellery products <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets			
Segment assets	392,651	–	392,651
Deferred tax asset			688
Unallocated corporate assets			<u>93,315</u>
Consolidated assets			<u><u>486,654</u></u>
Liabilities			
Segment liabilities	61,856	–	61,856
Taxation payable			11,031
Unallocated corporate liabilities			<u>827</u>
Consolidated liabilities			<u><u>73,714</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 and unallocated corporate assets.
- all liabilities are allocated to operating segments other than taxation payable, deferred tax liabilities and unallocated corporate liabilities.

Geographical information

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue		
– Hong Kong	208,591	187,629
– Dubai	142,348	134,794
– PRC	1,104	–
	<u>352,043</u>	<u>322,423</u>

No individual customer contributes revenue which accounted for more than 10% of the Group's total revenue during both years.

3. PROFIT BEFORE TAXATION

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Depreciation		
– cost of goods sold	953	952
– general and administrative and other expenses	<u>1,697</u>	<u>1,426</u>
Total depreciation	<u>2,650</u>	<u>2,378</u>
Directors' remuneration		
– fees	924	859
– salaries and other benefits	6,500	6,473
– equity-settled share option expense	1,152	–
– retirement benefit scheme contributions	<u>54</u>	<u>60</u>
	8,630	7,392
Other staff's salaries and other benefits (<i>note</i>)	13,262	29,716
Other staff's equity-settled share option expense	5,092	–
Other staff's retirement benefits scheme contributions	<u>2,580</u>	<u>3,331</u>
Total staff costs	<u>29,564</u>	<u>40,439</u>
Auditor's remuneration	1,800	1,700
Cost of inventories recognised as expenses (included in cost of goods sold)	258,175	233,479
Listing expenses (included in general and administrative and other expenses)	–	1,588
Operating lease rentals in respect of rented premises	<u>6,349</u>	<u>6,254</u>

Note: During the year, provision on staff benefits for previous years included in accruals and other payables amounting to approximately RMB14,548,000 (equivalent to approximately HK\$16,316,000) has been reversed as the directors of the Company considered that crystallisation of such provision as a liability was remote.

4. TAXATION

	2017	2016
	HK\$'000	HK\$'000
The taxation charge comprises:		
Hong Kong Profits Tax		
– Current year	4,478	4,028
PRC Enterprise Income Tax (“EIT”)		
– Current year	468	453
	4,946	4,481
Deferred tax charge	771	289
	5,717	4,770

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

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 years. 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

For the year ended 31 December 2016, the directors of the Company resolved to declare an interim dividend of HK\$13,500,000 and was paid on 15 September 2016 to the shareholders of the Company whose names appear on the register of members of the Company on 31 August 2016.

A final dividend of HK\$0.03 per share (or equivalent to HK\$0.01 after Share Subdivision mentioned in note 6), 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 name 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 (or equivalent to HK\$0.01 after Share Subdivision mentioned in note 6), totalling HK\$13,500,000 for the six months ended 30 June 2017 and was paid 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.

The directors of the Company recommend to declare a final dividend of HK\$0.01 per share, totalling HK\$13,500,000 for the year ended 31 December 2017 payable on or around 22 June 2018 to the shareholders of the Company whose names appear on the register of members of the Company on 8 June 2018.

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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Profit for the year attributable to owners of the Company and earnings for the purposes of calculating basic and diluted earnings per share	<u><u>48,843</u></u>	<u><u>34,699</u></u>
	Numbers of shares	
	'000	'000
		(Restated)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (<i>note</i>)	1,350,000	1,350,000
Effect of dilutive potential ordinary shares:		
Equity-settled share option	<u>14,979</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u><u>1,364,979</u></u>	<u><u>1,350,000</u></u>

Note: Pursuant to a resolution passed by the shareholders of the Company at the extraordinary general meeting of the Company held on 12 September 2017, every one issued and unissued existing ordinary shares of HK\$0.01 each in the share capital of the Company was subdivided into three subdivided shares of one-third Hong Kong cent each (the “**Share Subdivision**”). The Share Subdivision became effective on 13 September 2017 and the total issued share capital of the Company was increased from 450,000,000 ordinary shares to 1,350,000,000 ordinary shares.

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been adjusted for the Share Subdivision on 13 September 2017.

7. TRADE AND OTHER RECEIVABLES

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	89,091	74,375
Less: Allowance for doubtful debts	(887)	(1,980)
	88,204	72,395
Other receivables, prepayments and deposits	22,423	3,336
	110,627	75,731

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

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	27,052	15,817
31 – 60 days	14,153	13,350
61 – 180 days	40,213	27,376
181 – 365 days	5,255	7,896
Over 1 year	1,531	7,956
	88,204	72,395

The Group 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 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 41% (2016: 31%) of the trade receivables as at 31 December 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 consideration of credit risk is limited due to customer base being large and unrelated.

8. TRADE AND OTHER PAYABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade payables	15,202	6,257
Accruals and other payables	13,937	24,812
	<u>29,139</u>	<u>31,069</u>

Accruals and other payables mainly consisted of receipts in advance from customers, payable of staff salaries and benefits and deposits paid by customers.

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0 – 60 days	12,570	6,257
61 – 90 days	1,508	–
Over 91 days	1,124	–
	<u>15,202</u>	<u>6,257</u>

9. SHARE CAPITAL

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Authorised: 3,000,000,000 ordinary shares of one third Hong Kong cent each (2016: 1,000,000,000 ordinary shares of HK\$0.01 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 (2016: 450,000,000 ordinary shares of HK\$0.01 each)	<u>4,500</u>	<u>4,500</u>

The movements in the Company's share capital for the two years ended 31 December 2016 and 2017 were as follows:

	<i>Notes</i>	Number of ordinary shares	Nominal value of ordinary shares HK\$'000
Authorised:			
At 1 January 2016, 31 December 2016 and 1 January 2017		1,000,000,000	10,000
Effect of Share Subdivision	<i>(ii)</i>	<u>2,000,000,000</u>	<u>—</u>
At 31 December 2017		<u><u>3,000,000,000</u></u>	<u><u>10,000</u></u>
Issued and fully paid:			
At 1 January 2016		—	—
Issued of shares and capitalisation issued of shares on 4 January 2016	<i>(i)</i>	<u>450,000,000</u>	<u>4,500</u>
At 31 December 2016 and 1 January 2017		450,000,000	4,500
Effect of Share Subdivision	<i>(ii)</i>	<u>900,000,000</u>	<u>—</u>
At 31 December 2017		<u><u>1,350,000,000</u></u>	<u><u>4,500</u></u>

- (i) On 4 January 2016, as part of the group reorganisation, pursuant to the listing of the shares of the Company on the Stock Exchange, 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 31 December 2016, the Company had 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.

- (ii) Pursuant to a resolution passed by the shareholders of the Company at the extraordinary general meeting held on 12 September 2017, every one issued and unissued existing ordinary share of HK\$0.01 each in the share capital of the Company was subdivided into three subdivided shares of one third Hong Kong cent each. The Share Subdivision became effective on 13 September 2017. All shares issued rank pari passu with the then existing shares in issue in all respects.

MANAGEMENT DISCUSSION AND ANALYSIS

Business outlook and future prospects

The principal business of the Group is designing, manufacturing and sales of high-end fine jewellery (primarily mounted with diamonds). In the first half of the year, the Group suffered from weak buying behavior of our customers due to the global market sentiment. However, in the second half of the year, sales has stabilized with significant improvement compared with the corresponding period of the last year.

The Group has also participated in some jewellery fairs, international and regional jewellery trade exhibitions and exposition in January and March 2018 and received promising response from the customers. Baring unforeseen circumstances, the Group believes that in the coming year, the jewellery business will continue to be stable and may improve comparing with the current year.

On 15 February 2017, the Group through a PRC subsidiary (the “**Joint Venture**”) of which 70% interest is held by the Group won the bidding for land use right of a parcel of land located at 1st Ring Road South Extension Foshan East and south of Lunjiao Dachong River, Lunjiao Shilong Industrial Zone, Shunde District, Foshan, Guangdong Province, the PRC (the “**Land**”) to relocate the processing factory of the Group in Dongguan City in mid 2018. On September 2017, the Joint Venture revised the development plan from a design for own-use factory to an integrated and comprehensive industry park (the “**Perfect Group Jewellery Industry Park**”) to relocate the processing factory in Dongguan as previously scheduled as well as to enable the Group to sell a portion of the factory space and portion of the ancillary facilities at the park.

The construction work for Perfect Group Jewellery Industry Park is progressing as scheduled. In January 2018, the Group has held the topping-up ceremony for the Perfect Tower, the head-quarter of the Group in PRC, inside the Perfect Group Jewellery Industry Park. The process of relocation of headquarter from processing factory in Dongguan to Perfect Group Jewellery Industry Park is satisfactory and is expected to complete in the mid-year of 2018. The construction work for Perfect Expo, the exhibition building inside the Perfect Group Jewellery Industry Park, has started and is expected to complete in 2018. In January 2018, the Group obtained sales permit for the sale of the Perfect Group Jewellery Industry Park and promotion activities for the sales has started. The Group has procured a number of buyers for sales. The response from the customers for the sales of Perfect Group Jewellery Industry Park is encouraging.

During the year, the Group has engaged a team of sales personnel and participated in some jewellery trade exhibitions and expositions in the PRC to explore the PRC market. In 2018, the Group will devote more resources and effort for the exploration in PRC market and in particular, will participate more jewellery fairs and exhibition in PRC. The Group considers that the progress of exploration of the jewellery business in the PRC is satisfactory.

Financial review

Revenue

The Group's revenue for the year ended 31 December 2017 was approximately HK\$352.0 million (2016: HK\$322.4 million), representing an increase of approximately HK\$29.6 million or 9.2% over the corresponding year of 2016. The increase in the Group's revenue was primarily due to the unexpectedly high sales of high-end jewellery products in the second half of the year.

The sales of ring, which accounted for approximately 34.7% of the total sales for the year, have increased from approximately HK\$105.7 million to approximately HK\$122.2 million. The sales of earrings, which accounted for approximately 27.4% of the total sales for the year, have increased from approximately HK\$92.0 million to approximately HK\$96.4 million. Other products, pendants and bangles, which accounted for approximately 11.7% and 11.4% of the total sales for the year, respectively also increased from approximately HK\$35.6 million and HK\$33.2 million respectively to HK\$41.1 million and HK\$40.0 million, respectively.

The sales to Hong Kong increased from approximately HK\$187.6 million to approximately HK\$208.6 million, representing an increase of approximately 11.2%. The sales to Dubai increased from approximately HK\$134.8 million to approximately HK\$142.3 million, representing an increase of approximately 5.6%. The sales to PRC, which was a new sales region for the year, recorded a sales of approximately HK\$1.1 million.

Gross profit and gross profit margin

The gross profit increased from approximately HK\$88.9 million to HK\$110.2 million, representing an increase of approximately HK\$21.3 million. The gross profit margin was approximately 31.3% (2016: 27.6%). The cost of sales included the release of the provision on the staff benefits for previous years amounting to approximately HK\$16.3 million. The gross profit, after excluding the reversal of this provision, was approximately HK\$93.9 million and the gross profit margin was approximately 26.7% which was at a similar level comparing with last year.

Other income

Other income decreased from approximately HK\$1.4 million to HK\$1.3 million, it mainly comprised of scrap sales and interest income during the year.

Other gains and losses

Other gains and losses of approximately HK\$0.97 million included the reversal of allowances amounting to approximately HK\$1.1 million of doubtful debts against long outstanding trade receivables which is in line with the Group's accounting policy. (2016: allowances of approximately HK\$2.0 million)

Selling and distribution costs

The increase in selling and distribution costs of approximately from HK\$13.6 million to HK\$15.4 million was mainly due to the increase of cost for the promotion for the PRC market and the operation of the Perfect Group Jewellery Industry Park during the year.

General and administrative and other expenses

The increase in general and administrative and other expenses from HK\$34.8 million to HK\$42.2 million was mainly due to the directors' and staff's equity-settled share option expenses amounted to HK\$6.2 million (2016: Nil), cost for the operation of the Perfect Group Jewellery Industry Park and business development in the PRC amounting to HK\$3.1 million (2016: Nil).

Profit for the year

As a result of the above factors, profit for the year ended 31 December 2017 was approximately HK\$48.1 million (2016: HK\$34.7 million), representing an increase of approximately 38.6%. However, on a comparable basis, after excluding the reversal of the provision of staff benefits for previous years of HK\$16.3 million, the adjusted profit for the year was HK\$31.8 million.

Financial Position

Non-current assets

During the year, the Group has acquired the land use right for the development of the Perfect Group Jewellery Industry Park for a consideration of RMB105.4 million (equivalent to HK\$118.4 million) and incurred construction cost of approximately HK\$100.2 million. The total cost on the land and construction in progress have been classified as properties, plant and equipment, properties under development and prepaid lease payments in accordance with the intended use of the properties and nature of the payments.

As at year end, there was an increase in the deposit of approximately HK\$3.4 million being the reclassification of a deposit paid for the acquisition of a 5% equity interest in a private company in the PRC from current asset to non-current asset as the Group considered the acquisition will not be completed within twelve months after the year end date.

Current assets

Inventory increased to approximately HK\$180.0 million (2016: HK\$169.2 million) as a result of the Group's intention to increase production prior to the year end date to cater for more products to be displayed at the exhibitions and expositions after the year end.

At the year end, trade receivables increased in line with the increase in sales pattern in the second half of the year.

As at 31 December 2017, there was an increase in other receivables, prepayment and deposits from HK\$3.3 million to HK\$22.4 million. This was mainly due to the prepayment of advertising expenses amounting to HK\$3.4 million, prepaid values added tax in the PRC amounting to HK\$8.1 million and the advance to contractors for the development of the Perfect Group Jewellery Industry Park amounting to approximately HK\$6.0 million.

As at 31 December 2017, there was a decrease of HK\$31.6 million in deposit. This was mainly due to the repayment of land bidding deposit of approximately HK\$28.3 million after winning the bid and the reclassification of the deposit of approximately HK\$3.4 million to non-current assets as mentioned above.

Current Liabilities

As at 31 December 2017, trade payables increased from approximately HK\$6.2 million to approximately HK\$15.2 million as the Group determined to increase the production for more products to be displayed in the coming international trade exhibitions and expositions after the year end 31 December 2017. On the other hand, there was a decrease in the accruals and other payables amounting to approximately HK\$10.9 million which was mainly due to the release of the provision on the staff benefits for previous years amounting to HK\$16.3 million and receipt of the refund of the guarantee deposits of approximately HK\$5.4 million from contractors for the Perfect Group Jewellery Industry Park.

During the year, other borrowings amounting to HK\$28.3 million from non controlling shareholder Jiangmen Yinguo of the Joint Venture utilised by the Group as deposit for jointly bidding of the Land which was fully repaid.

Share Capital

During the year, pursuant to a resolution at the extraordinary general meeting of the Company held on 12 September 2017, every one issued and unissued existing ordinary shares of HK\$0.01 each in the share capital of the Company was subdivided into three subdivided shares of one-third Hong Kong cent each which became effective on 13 September 2017.

Liquidity and financial resources

As at 31 December 2017, the Group had current assets of approximately HK\$536.8 million (2016: HK\$479.1 million) and current liabilities amounted to approximately HK\$64.6 million (2016: HK\$72.7 million). Accordingly, the current ratio, being the ratio of current assets to current liabilities, was approximately 8.3 as at 31 December 2017 (2016: 6.6).

The financial resources for the operation of the Group were mainly derived from the net cash inflows from operating activities. Taking into consideration the existing financial resources of the Group, the Directors believe that the Group has adequate working capital to support its operations and development requirements.

Gearing ratio

Based on the total borrowings (including bank loans and other borrowing) divided by the total equity, the gearing ratio was approximately 4.9% (2016: 7.4%).

Contingent liabilities

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

Charge on assets

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

Capital commitments

Capital expenditure in respect of the property, plant and equipment and properties under development for sale contracted but not provided for in the consolidated financial statements amounted to approximately HK\$437.3 million (2016: Nil).

Use of proceeds from the global offering

As at 31 December 2017, the Company had utilised approximately HK\$67.2 million of net proceeds from the global offering. The revised allocation of the net proceeds, and the utilisation of the net proceeds as at 31 December 2017 are set out below:

Uses	Revised	Utilisation	Remaining balance
	allocation	as at	
	HK\$'000	31 December 2017 HK\$'000	HK\$'000
Expanding the Middle East and European high-end markets	7,700	7,700	–
Upgrading the existing production facilities and hiring and training additional labour	1,839	1,839	–
Brand development	16,837	10,487	6,350
Enhancing the CRM system	3,597	614	2,983
Additional working capital and other general corporate purposes	2,220	2,220	–
Establishing the headquarter in the PRC and developing the PRC market	44,340	44,340	–
Total	76,533	67,200	9,333

Employee and remuneration policy

As at 31 December 2017, the Group had approximately 267 employees (2016: 234 employees) in Hong Kong and Mainland China. The total salaries and related costs for the year ended 31 December 2017 amounted to approximately HK\$30.0 million after the reversal on staff benefits for previous years amounting to approximately HK\$16.3 million (2016: HK\$40.4 million).

The Group offered competitive remuneration package as an incentive to staff to improve the work performance. The Company has share option scheme in place as a means to encourage and reward the eligible employees' (including the Directors of the Company) 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 experiences professional qualifications and the prevailing market practice.

Dividend

The Directors recommend the payment of HK\$0.01 as the final dividend for the year ended 31 December 2017 (2016: equivalent to HK\$0.01 after Share Subdivision).

The aforesaid final dividend is subject to approval by the shareholders of the Company (the "**Shareholders**") at the forthcoming annual general meeting of the Company. A notice convening the annual general meeting of the Company and advising the book closure dates for the purpose of determining the Shareholders' rights to attend and vote at the annual general meeting will be published and despatched to Shareholders in due course.

Subsequent event

Mr. He Dingding ("**Mr. He**") resigned as the non-executive Director and was appointed as the deputy chief executive officer of the Company with effect from 1 March 2018 due to the change of his work arrangements in the Company. Mr. He also ceased to act as a member of the audit committee of the Company with effect from 1 March 2018.

Mr. Fan Chor Ho, an independent non-executive Director, was appointed as a member of the audit committee of the Company with effect from 1 March 2018.

Closure of register of members

In order to establish the identity of the Shareholders who are entitled to the proposed final dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged 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, no later than 4:00 p.m. on Tuesday, 5 June 2018. The register of members of the Company will be closed from Wednesday, 6 June 2018 to Friday, 8 June 2018, both days inclusive, during which period no transfer of shares will be registered. Subject to the approval by the Shareholders on the proposed

final dividend at the annual general meeting to be held, the final dividend will be paid on or around on Wednesday, 22 June 2018 to the Shareholders whose names appear on the register of members of the Company on Friday, 8 June 2018.

Code on corporate governance practices

The Company is committed to maintaining good standard of corporate governance to safeguard the interests of the shareholders and to enhance corporate value and responsibility. The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in the Appendix 14 of the Listing Rules. Since the date of Listing and up to the date of this announcement, the Company has complied with the code provision under the CG Code, except for the deviation from code provision A.2.1 of the CG Code as explained below. The Company will continue to enhance its corporate governance practices which are considered appropriate to the operation and growth of its business.

According to code provision A.2.1 of the CG Code, the role of the chairman and chief executive officer should be separate and should not be performed by the same individual. The role of the chief executive officer of the Company has been performed by Mr. Kan Kin Kwong, who is also the chairman of the Company. Mr. Kan Kin Kwong, as the founder of the Group, has extensive experience and knowledge in the fine jewelry 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 caliber 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 year ended 31 December 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 any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2017.

Sufficiency of public float

Up to the date of this announcement, the Company has maintained a sufficient public float.

Audit committee

The audit committee (the “**Audit Committee**”) comprises three independent non-executive Directors namely, Mr. Fan Chor Ho, Mr. Li Cheuk Wai and Mr. Wong Wai Keung Frederick as at the date of this report. Mr. Wong Wai Keung Frederick is the chairman of the Audit Committee. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2017.

Scope of work of the auditor

The figures above in respect of this annual results announcement for the year ended 31 December 2017 have been agreed with the Company’s auditor, Deloitte Touche Tohmatsu, certified public accountants (“**Deloitte**”), to be consistent with the amounts set out in the Group’s consolidated financial statements for the year. The work performed by Deloitte in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Deloitte on this announcement.

Publication of final results announcement and annual report

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

The annual report of the Company for the year ended 31 December 2017 containing all the information required by the Listing Rules will also be available at the Company’s and the Stock Exchange’s website and despatched to the Company’s shareholders in due course.

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

Hong Kong, 19 March 2018

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. Li Cheuk Wai and Mr. Wong Wai Keung Frederick.