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If you have sold or transferred all your shares in Perfect Group International Holdings Limited, you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)

**MAJOR TRANSACTION –
FORMATION OF JOINT VENTURE
AND
ACQUISITION OF LAND USE RIGHT OF LAND**

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DEFINITIONS

In this circular, unless the context otherwise specifies, the following expressions have the following meanings:

“Board”	the board of Directors
“Company”	Perfect Group International Group Limited, being a company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Investment Project Corporation Agreement”	the investment project corporation agreement entered into between PGCI and Jiangmen Yingtuo in relation to the formation of the Joint Venture
“Jiangmen Yingtuo”	Jiangmen City Yingtuo Real Estate Planning Co., Ltd.* (江門市盈拓地產策劃有限公司), an investment vehicle wholly owned by Mr. Tan Weichao
“Joint Venture”	the joint venture to be formed between PGCI and Jiangmen Yingtuo in the PRC pursuant to the Investment Project Corporation Agreement
“Land”	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* (中國廣東省佛山市順德區倫教世龍工業區佛山一環南延線以東、倫教大涌以南地塊)
“Latest Practicable Date”	1 February 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Perfect Factory”	the processing factory of the Group located in Dongguan City, Guangdong Province, the PRC

DEFINITIONS

“PGCI”	Perfect Group China Investment (HK) Limited, being a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) with par value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Shunde Public Resources Trading Centre”	Foshan City Shunde District Public Resources Trading Centre* (佛山市順德區公共資源交易中心)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the formation of the Joint Venture for the purpose of acquisition of the land use right of the Land
“US\$”	United States dollar, the lawful currency of the United States of America
“%”	per cent

* denotes English translation of the name of a Chinese company or entity or vice versa and is provided for identification purposes only.

For the purpose of illustration only and unless otherwise stated, conversion of US\$ into HK\$ in this circular is based on the exchange rate of 1 to 7.75 and conversion of RMB into HK\$ in this circular is based on the exchange rate of 1 to 1.13. Such conversions should not be construed as a representation that any amount has been, could have been, or may be, exchanged at those or any other rates.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Kan Kin Kwong (*chairman and chief executive officer*)

Ms. Shek Mei Chun

Mr. Chung Chi Keung

Non-executive Director:

Mr. Chu Kin Wang Peleus

Independent non-executive Directors:

Mr. Fan Chor Ho

Mr. Li Cheuk Wai

Mr. Wong Wai Keung Frederick

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Head office:

26th Floor, YHC Tower

No.1 Sheung Yuet Road

Kowloon

Hong Kong

7 February 2017

To the Shareholders

Dear Sirs or Madam,

MAJOR TRANSACTION – FORMATION OF JOINT VENTURE AND ACQUISITION OF LAND USE RIGHT OF LAND

INTRODUCTION

Reference is made to the announcement of the Company dated 13 January 2017 in relation to the Transaction.

The purpose of this circular is to provide you with, among others, details of the Transaction as required under the Listing Rules.

LETTER FROM THE BOARD

FORMATION OF THE JOINT VENTURE

Reference is made to the announcement of the Company dated 29 September 2016 regarding the memorandum of understanding in relation to the proposed acquisition of land use right and the announcement of the Company dated 28 November 2016 regarding the change of use of proceeds.

PGCI entered into the Investment Project Corporation Agreement with Jiangmen Yingtuo dated 13 January 2017 in relation to the formation of the Joint Venture.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Jiangmen Yingtuo and the ultimate beneficial owner of Jiangmen Yingtuo are third parties independent of the Company and connected persons of the Company.

The key features of the Investment Project Corporation Agreement and the Joint Venture include the following:

Principal activities

It is intended that subject to the approval by the relevant PRC government authorities, the business scope of the Joint Venture under the business licence to be applied for shall include acquisition listing-for-sale (網上掛牌出讓) and holding of the land use right of the Land to develop factory plants and ancillary facilities. The Joint Venture will engage in a single purpose project which is of a revenue nature in the ordinary and usual course of business of the Company. The Joint Venture is not yet formed as of today, save that the name of the Joint Venture has been reserved. The Directors expect that the time required to form the Joint Venture is approximately one month after completion of the online listing-for-sale of the land use right of the Land and do not foresee any impediment in the formation of the Joint Venture. The Joint Venture shall develop factory plants and ancillary facilities for use by the Perfect Factory and the Group's headquarter in the PRC. It is currently intended that the Joint Venture may rent out temporarily a minimal portion of the developed factory space and/or ancillary facilities unoccupied by the Group in the future to avoid redundancy. As of today, there is no intention to sell any portion of the developed factory space and/or ancillary facilities unoccupied by the Group but the Directors could not preclude the possibility of such sale in the event where additional working capital is required by the Joint Venture. In the event that the Joint Venture rents out temporarily or sells the portion of the developed factory space and/or ancillary facilities unoccupied by the Group, the Company will make further announcement(s) as and when appropriate in accordance with the Listing Rules.

Capital commitment

The total capital commitment of the Joint Venture is US\$30 million (equivalent to approximately HK\$233 million), of which US\$21 million (equivalent to approximately HK\$163 million) shall be contributed by PGCI and the remaining US\$9 million (equivalent to approximately HK\$70 million) shall be contributed by Jiangmen Yingtuo. The total capital commitment is determined with reference to the maximum amount of RMB110 million (equivalent to approximately HK\$124 million) which will have to bid at the tender for the land use right of the Land and the expected expenditures in relation to the development of factory plants and ancillary facilities for use by the Perfect Factory and the Group's headquarter in the PRC in the amount of approximately HK\$109 million. The Directors confirm that there is no extra capital commitment of the Joint Venture other than the aforesaid US\$30 million as of today. Nevertheless, PGCI and Jiangmen Yingtuo have agreed to increase the total capital commitment as and when necessary. It is currently expected that each of PGCI and Jiangmen Yingtuo will finance the capital commitment of the Joint Venture by their respective internal resources.

LETTER FROM THE BOARD

It is expected that the total capital commitment will be made in two stages as below:

- (a) up to RMB110 million (please see below paragraph titled “Maximum amount of the land use right of the Land” for details) will be contributed to pay the purchase price of the land use right of the Land within 180 days upon signing of the transfer contract for the Land; and
- (b) the balance will be contributed within two years upon signing of the transfer contract for the Land.

The Joint Venture will be owned as to 70% by PGCI and 30% by Jiangmen Yingtuo. Therefore, the Joint Venture will be treated as a subsidiary of the Company and its financial results will be consolidated into that of the Group. PGCI and Jiangmen Yingtuo shall be entitled to profits of the Joint Venture, which will be principally derived from renting out the factory plants and ancillary facilities to the Group for the purpose of relocating the Perfect Factory and establishing the Group’s headquarter in the PRC as well as renting out temporarily the portion of the developed factory space and/or ancillary facilities unoccupied by the Group to third parties, in the ratio of 7:3.

Roles of the parties to the Joint Venture

Both PGCI and Jiangmen Yingtuo shall make capital commitment in accordance with the aforesaid timeframe. Further, Jiangmen Yingtuo shall participate in the online listing-for-sale (網上掛牌出讓). If the bidding of the land use right of the Land is successful, the Joint Venture will enter into a transfer contract with Shunde Public Resources Trading Centre and will become the owner of the land use right of the Land.

Representation in the Joint Venture

It is intended that the management of the Joint Venture should consist of the chairman, two directors and one legal representative. PGCI shall have the right to nominate the chairman, a director and the legal representative of the Joint Venture. Jiangmen Yingtuo shall have the right to nominate another director of the Joint Venture. As PGCI will have control over the board of directors of the Joint Venture and controlling stake in terms of shareholding, the ultimate decision making power shall vest in PGCI.

Termination

The Investment Project Corporation Agreement shall terminate if any one of the following events occurs:

- (a) the Investment Project Corporation Agreement and the transactions contemplated thereunder are not approved by Shareholders in accordance with the Listing Rules;
- (b) the consideration of acquisition of the land use right of the Land exceeds RMB110 million;
or
- (c) acquisition of the land use right of the Land does not take place.

LETTER FROM THE BOARD

ACQUISITION OF LAND USE RIGHT OF THE LAND

It is intended that the Joint Venture shall acquire the land use right of the Land through online listing-for-sale, which is held by Shunde Public Resources Trading Centre in accordance with national laws and regulations of the PRC as open tender for sale of land use right of the Land from 5 February 2017 to 15 February 2017 (3 p.m.).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Shunde Public Resources Trading Centre is a third party independent of the Company and connected persons of the Company.

Information on the Land

The Land comprises an area of 100,370.99 square metres and 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* (中國廣東省佛山市順德區倫教世龍工業區佛山一環南延線以東、倫教大涌以南地塊). The Land is currently vacant.

The Land is purported to be used for industrial purpose. Pursuant to the Construction Land Planning Conditions of Shunde District, Foshan* (佛山市順德區建設用地規劃條件), the Land shall have a plot ratio of not more than 3.0, and the total floor area of the Land shall be not more than 301,112.97 square metres. The building density of the Land shall be not less than 35% and not more than 45% and the green space ratio shall be not less than 10% and not more than 20%. The height limit is 50 metres. The term of the land use right of the Land shall be 50 years.

It is intended that approximately 264,000 square metres of the Land will be allocated for the Group's use as its factory plants and approximately 36,000 square metres of the Land will be allocated for ancillary facilities of the aforesaid factory plants such as dormitories and canteens. The Joint Venture will appoint qualified designers, architects and civil engineers to do land use planning for the Land if the bidding of the land use right of the Land is successful.

Pursuant to the notice of the online listing-for-sale, the Land is to be developed into factory space for the development of jewellery, e-commerce and related industries (except those falling into "restricted" (限制類) or "eliminated" (淘汰類) categories in the Catalogue for Guiding Industry Restructuring (2011 Version) (2013 Amendment)*(產業結構調整指導目錄(2011年版本) (2013年修訂)) or those falling into "restricted" (限制類) or "forbidden" (禁止類) categories in the Catalogue of Industries for Guiding Foreign Investment (2015 Amendment)*(外商投資產業指導目錄(2015年修訂)). To the best knowledge of the Directors, (a) the Land will be sold on a vacant site basis with connection to necessary utility services; (b) there are no encumbrances, liens, pledges, mortgages being registered against the Land; and (c) there are no breaches of environmental regulations, investigations, notices, pending litigation, breaches of law or title defects involving the Land.

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Maximum amount of the land use right of the Land

As mentioned in the announcement of the Company dated 29 September 2016, the Group paid a refundable deposit in the amount of RMB25 million (equivalent to approximately HK\$28 million) for the purpose of acquiring the land use right of the Land, which will be refunded to the Group after completion of the online listing-for-sale of the land use right of the Land. The initial price of the tender is approximately RMB105 million (equivalent to approximately HK\$119 million). The maximum amount which will have to bid at the tender for the land use right of the Land is RMB110 million (equivalent to approximately HK\$124 million). The Directors consider that the aforesaid maximum amount is fair and reasonable having taken into account the location and potential value of the Land and the preliminary valuation of the Land of RMB115 million as at 30 November 2016, as assessed by an independent property valuer appointed by the Company. The valuation report of the Land is included in Appendix II to this circular.

No bid price has been submitted as at the date of this circular. Shareholders should note that the final bid prices for the land use right of the Land to be submitted will depend on, among other things, the Joint Venture's view on the property market and its prospects on the date of the tender as well as the bidding prices submitted by competitors at the tender.

It is currently expected that the Joint Venture will finance the payment of the consideration for acquisition of the land use right of the Land by its internal resources.

If the bidding of the land use right of the Land is successful, the Joint Venture will enter into a transfer contract with Shunde Public Resources Trading Centre and will become the owner of the land use right of the Land. All consideration for acquisition of the land use right of the Land shall be paid within 180 days upon signing of the transfer contract while the Land will be delivered within 30 days upon signing of the transfer contract.

It is intended that the construction of factory plants and ancillary facilities will take place within three months if the bidding of the land use right of the Land is successful. It is expected that such construction will be completed within 36 months after handover of the Land.

REASONS AND BENEFITS OF THE TRANSACTION

The Group is principally engaged in designing, manufacturing and sales of high-end fine jewellery (primarily mounted with diamonds). As mentioned in the announcement of the Company dated 29 September 2016, the Group's current production operations are exclusively conducted at the Perfect Factory. The lease agreement of the Perfect Factory is for a term of three years and will expire in May 2018. To facilitate the future development of the Group, it is the intention of the Board to relocate the Perfect Factory to a more perpetual location within the Guangdong Province, the PRC, and the formation of the Joint Venture and the acquisition of the land use right of the Land would provide an opportunity for the Group for the relocation of the Perfect Factory. Given that the Group is not conversant with the construction and development of property in the PRC, the Directors consider that forming the Joint Venture with Jiangmen Yingtuo (which is wholly owned by Mr. Tan Weichao who has more than 20 years of experience in the construction and development of industrial and commercial properties in the PRC) facilitates the relocation of the Perfect Factory by leveraging Mr. Tan Weichao's relevant experience in the PRC. The Directors consider that it is beneficial to the Group to form the Joint Venture for the purpose of acquisition of the land use right of the Land for the following reasons:

LETTER FROM THE BOARD

- (a) The Group has been carrying on the jewellery business all along and does not have the experience to manage the development of factory plants and ancillary facilities. Even if a contractor is appointed to construct factory plants and ancillary facilities, the Group still does not have the expertise to manage the contractor and the subsequent development of such factory plants and ancillary facilities. This would cause high risk and uncertainty to the business of the Group.
- (b) In view of the extensive experience of Mr. Tan Weichao in the construction and development of industrial and commercial properties in the PRC, the Directors are confident in his advice on design and development of the Land.
- (c) Forming the Joint Venture allows the Group to share the capital commitment with Jiangmen Yingtuo.
- (d) The Group could still maintain control over the development of the Land so as to provide maximum benefits to the Group with diversified risks.

The Board also constantly evaluates the trends of fine jewellery industry and the global economic condition to determine the most efficient and effective method to deploy the Group's resources. As mentioned in the announcement of the Company dated 28 November 2016, it is intended that the Group's business in the PRC will consist of manufacture, wholesale and retail of fine jewellery as well as potentially establishing a jewellery e-commerce platform, leveraging the presence of a large number of local small and medium enterprises on the jewellery industry chain in Lunjiao Town including designers, manufacturers and suppliers, subsequent to the change of use of proceeds of the listing of shares of the Company on the Stock Exchange and the acquisition of the land use right of the Land.

It is expected that there will be a continued demand for luxury goods including high-end fine jewellery in the PRC with its steady gross domestic product growth rate and growth in purchasing power. The Land is located at Lunjiao Town, which is renowned for its jewellery industry with the status of both "featured industry base of Chinese jewellery jade industry"* (中國珠寶玉石首飾特色產業基地) and "professional town of jewellery technology innovation of Guangdong Province"* (廣東省珠寶首飾技術創新專業鎮). It is expected that, with the combined network and resources of the Company and the shareholder of Jiangmen Yingtuo in the PRC jewellery industry as well as in the construction and development of industrial and commercial properties in the PRC, the Joint Venture could provide synergy to the Group's development in the PRC jewellery market.

The Directors are of the view that the Transaction would not result in a fundamental change in the principal business activities of the Group as described in the prospectus issued at the time of its application for listing for the following reasons:

- (a) The Group continues to carry on jewellery business as its principal business activities. The acquisition of the land use right of the Land and the related construction is meant to provide sufficient space for the development of the existing jewellery business in the long run. Though currently the Group may not be able to fully occupy the Land and the buildings to be constructed thereon, it is expected that the Group will utilise all the space as its production hub in the future.

LETTER FROM THE BOARD

- (b) It is currently intended that the Joint Venture may rent out temporarily a minimal portion of the developed factory space and/or ancillary facilities unoccupied by the Group in the future to avoid redundancy. As of today, there is no intention to sell any portion of the developed factory space and/or ancillary facilities unoccupied by the Group but the Directors could not preclude the possibility of such sale in the event where additional working capital is required by the Joint Venture.
- (c) The Transaction is a one-off project and the Directors currently do not intend to replicate any similar transaction in the foreseeable future.

In light of the aforesaid and considering the costs of forming the Joint Venture and the benefits which the Transaction could bring to the Group, the Directors believe that the terms of the Transaction are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole.

INFORMATION ON PGCI, THE GROUP AND JIANGMEN YINGTUO

PGCI is a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company. The Group is principally engaged in designing, manufacturing and sales of high-end fine jewellery (primarily mounted with diamonds).

Jiangmen Yingtuo is an investment vehicle wholly owned by Mr. Tan Weichao who has more than 20 years of experience in the construction and development of industrial and commercial properties in the PRC.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios in respect of the Transaction exceeds 25% but less than 100%, the Transaction constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the requirements of announcement, reporting and Shareholders' approval under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Transaction. Written Shareholder's approval has been obtained from Immaculate Diamonds Limited, being a Shareholder which holds 243,000,000 shares of the Company (representing 54% of the voting rights) as at the date of this circular, in lieu of holding a special general meeting to approve the Transaction in accordance with Rule 14.44 of the Listing Rules.

POSSIBLE FINANCIAL EFFECT OF THE TRANSACTION

Upon completion of the acquisition of the land use right of the Land and assuming that such acquisition is financed by cash and bank balances, the Group's non-current assets will increase and current assets will decrease. The acquisition of the land use right of the Land, if materialised, will have no effect on the net asset value of the Group.

LETTER FROM THE BOARD

It is expected that the development of factory plants and ancillary facilities for the Group to relocate the Perfect Factory, the establishment of the headquarter in the PRC and the development of the PRC market will result in an increase in the Group's non-current assets, and a decrease in current assets and/or an increase in overall liabilities, while bringing positive return to the revenue and profit of the Group upon completion of construction of factory plants and ancillary facilities.

RECOMMENDATION

For the reasons set out above, the Directors are in the opinion that the terms of the Transaction are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole. Accordingly, the Directors would recommend the Shareholders to vote in favour of the resolution if the Company were to convene a special general meeting to approve the Transaction.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

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

1. FINANCIAL INFORMATION

Details of the audited financial information of the Group for each of the two years ended 31 December 2013 and 2014 are disclosed in the prospectus of the Company dated 22 December 2015 (pages I-1 to I-50), the audited financial information of the Group for the year ended 31 December 2015 is disclosed in the annual report of the Company for the financial year ended 31 December 2015 (pages 56 to 141) and the unaudited financial information of the Group for the six months ended 30 June 2016 is disclosed in the interim report of the Company for the six months ended 30 June 2016 (pages 18 to 44), and are incorporated by reference into this circular.

The said prospectus, annual report and interim report of the Company are available on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.hkperjew.com.hk.

2. INDEBTEDNESS OF THE GROUP

As at the close of business on 31 December 2016, being the latest practicable date for the purpose of the indebtedness statement prior to the printing of this circular, apart from intra-group liabilities and normal trade payables in the normal course of business, the Group did not have any debt securities, issued and outstanding or authorised or otherwise created but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or material contingent liabilities as at 31 December 2016, except an unsecured invoice financing loan from an institution amounting to approximately HK\$2,365,000 with a corporate guarantee, and an unsecured and unguaranteed loan from Mr. Tan Weichao amounting to RMB25 million (equivalent to approximately HK\$28 million) utilised by the Group in paying the refundable deposit for the purpose of acquiring the land use right of the Land. Such loan from Mr. Tan Weichao will be refunded to the Group after completion of the online listing-for-sale of the land use right of the Land and repaid to Mr. Tan Weichao in full prior to the formation of the Joint Venture.

3. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in designing, manufacturing and sales of high-end fine jewellery (primarily mounted with diamonds). There has been no change in the Group's principal business activities since 31 December 2015, being the date on which the latest published audited consolidated financial statements of the Group were made up, and up to the Latest Practicable Date.

The continuing weak global market sentiment which saw the decrease in demand for high-end fine jewellery products in the Middle East and the European markets in 2015 and 2016 is expected to continue to affect the business of the Group. To face such challenges and to put the Group back on the growth track, the Board made the decision to re-align the Group's resources for future development to the PRC market, where continued demand for luxury goods including high-end jewellery is expected. The development of the PRC market is expected to generate additional revenue to and enhance the profitability of the Group. Subsequent to the change in use of proceeds of the listing by re-allocating approximately HK\$44.34 million out of the unutilised net proceeds originally intended for expanding the Middle East and European high-end markets and upgrading the existing production facilities and hiring and training additional labour to establishing the headquarter in the PRC and developing the PRC market, the Group has shifted its focus to the PRC market.

The formation of the Joint Venture and the successful acquisition and development of the Land will be a critical step for the Group to establish its headquarter in the PRC and to create an e-commerce platform to develop its business in the PRC.

4. WORKING CAPITAL

As at the Latest Practicable Date, after due and careful enquiry, the Directors were of the opinion that, after taking into account the expected completion of the proposed formation of joint venture and acquisition of land use right of Land, the internal financial resources and financial facilities presently available to the Group, and the cash and bank balances and other borrowing of the Group, the working capital available to the Group was sufficient for the Group's requirements for at least the next 12 months from the date of this circular.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save as disclosed in the interim report of the Company for the six months ended 30 June 2016 and the announcement of the Company dated 28 November 2016 regarding the change of use of proceeds, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015 (being the date to which the latest published audited accounts of the Company have been made up).

The following is the text of a valuation report prepared for inclusion in this document, received from APAC Asset Valuation and Consulting Limited, an independent property valuer, in connection with their valuation as of 30 November 2016 of the Property intended to be acquired by the Group.

**APAC Asset Valuation and Consulting Limited**

Units 07-08, 17/F, Loon Kee Building,
267–275 Des Voeux Road Central, Hong Kong
Tel: (852) 2357 0059
Fax: (852) 2951 0799

The Directors
Perfect Group International Holdings Limited
26th Floor, YHC Tower
No. 1 Sheung Yuet Road
Kowloon
Hong Kong

7 February 2017

Dear Sirs,

RE: A PARCEL OF LAND (LAND PLOT NO. 157061-001(3)) LOCATED AT SOUTH OF LUNJIAO DAYONG AND EAST OF SOUTH EXTENSION LINE OF FOSHAN FIRST RING ROAD, LUNJIAO SHILONG INDUSTRIAL ZONE, SHUNDE DISTRICT, FOSHAN, GUANGDONG PROVINCE, THE PEOPLE’S REPUBLIC OF CHINA (THE “PROPERTY”)

In accordance with the instructions from Perfect Group International Holdings Limited (the “Company”) for us to value the Property intended to be acquired by the Company and/or its subsidiaries (hereinafter together referred to as the “Group”) situated in The People’s Republic of China (the “PRC”), we confirm that we have carried out an inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 30 November 2016 (the “valuation date”) for the purpose of incorporation into the circular issued by the Group.

BASIS OF VALUATION

Our valuation of the Property is our opinion of its market value which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

We are independent of the Group and our valuation is prepared in accordance with the “International Valuation Standards (2013)” published by International Valuation Standards Council and the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the Property on the open market without the benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the value of the Property.

No allowance has been made in our valuation report for any charge, mortgage or amount owing on the Property nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

VALUATION METHODOLOGY

In undertaking our valuation for the Property, which is intended to be acquired by the Group for future development in the PRC, we have ascribed no commercial value to the Property as the relevant land grant formalities have not been performed and the relevant Land Grant Contract and Land Use Rights Certificate have not been obtained for the related land parcel.

TITLE AND ASSUMPTIONS

We have been provided with copies of extracts of title documents relating to the Property. However, we have not caused title searches to be made for the Property at the relevant government bureaus in the PRC and have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the Property in the PRC, we have relied on the legal opinion provided by the Group’s PRC legal adviser, Guangdong Truth Leading Law Firm* (廣東循理律師事務所), regarding the title and other legal matters to the Property.

SOURCES OF INFORMATION

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, site and floor areas and all other relevant matters. No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation report are only approximations. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries. We have no reason to doubt the truth and accuracy of the information provided to us by the Group, which is material to our valuation. We were also advised by the Group that no material facts have been omitted from the information provided to us.

SITE INSPECTIONS

Site inspection of the Property was carried out by Mr. Daniel Cho (BBA) in January 2017. We have inspected the exterior and, where possible, the interior of the Property. We have not inspected those parts of the Property which were covered, unexposed or inaccessible and such parts have been assumed to be in reasonable condition. We have not carried out detailed measurements to verify the correctness of the areas in respect of the Property but have assumed that the areas shown on the title documents handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

In the course of our inspection, we did not notice any serious defects. However, no structural survey has been made and we are therefore unable to report whether the Property is free of rot, infestation or any other structural defects. No tests have been carried out on any of the services.

LIMITATION OF LIABILITIES

This valuation report is issued on the understanding that you have drawn our attention to all matters of which they are aware concerning the Property which may have an impact on our valuation report up to the valuation date. We have no responsibility to update this valuation report for events and circumstances occurring after the date of completion of our assessment but will be pleased to discuss further instructions as may be required.

MANAGEMENT CONFIRMATION OF FACTS

A draft of this valuation report and our calculation has been sent to the Group. The Group has reviewed and orally confirmed to us that facts as stated in this valuation report and calculation are accurate in all material respects and that the Group is not aware of any material matters relevant to our engagement which have been excluded.

CURRENCY

Unless otherwise stated, all monetary amounts in our valuation are in Renminbi (RMB).

Our valuation report is attached.

Yours faithfully,

For and on behalf of
APAC Asset Valuation and Consulting Limited
K.H. Cheung
MRICS, RPS (GP)
Associate Director

Note: Mr. K.H. Cheung is a Registered Professional Surveyor in General Practice Division with over 12 years' valuation experience on properties in the PRC.

VALUATION REPORT

Property intended to be acquired by the Group for future development in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2016
A parcel of land (Land Plot No. 157061-001(3)) located at South of Lunjiao Dayong and East of South Extension Line of Foshan First Ring Road, Lunjiao Shilong Industrial Zone, Shunde District, Foshan, Guangdong Province, PRC	<p>The Property is located in Lunjiao Shilong Industrial Zone of Shunde District in Foshan. The immediate locality is a newly-developed area with various rural villages and industrial buildings in the vicinity.</p> <p>According to the information provided by the Group, the Property comprises a parcel of land with a site area of approximately 100,370.99 sq.m. The Property will be held for developing factory plants and ancillary facilities for the Group.</p> <p>As advised by the Group, they currently do not have any plans to dispose of or change the use of the Property.</p> <p>The Property will be opened for bidding through online listing-for-sale (網上掛牌出讓) from 5 February 2017 to 15 February 2017, and therefore the relevant land grant formalities still have not been performed and the relevant Land Grant Contract and Land Use Rights Certificate have not been obtained for the related land parcel.</p>	As at the valuation date, the Property was vacant.	No commercial value (refer to Note 4)

Notes:

- Pursuant to the Construction Land Planning Conditions of Shunde District, Foshan* (佛山市順德區建設用地規劃條件) and other information provided by the Group, the key development parameters are listed as follows:

Address:	South of Lunjiao Dayong and East of South Extension Line of Foshan First Ring Road, Lunjiao Shilong Industrial Zone
Land Plot No.:	157061-001(3)
Site Area:	100,370.99 sq.m.
Use:	Industrial Land (M1)
Plot Ratio:	Not less than 1.0 and not more than 3.0
Green Ratio:	Not less than 10% and not more than 20%
Building Density:	Not less than 35% and not more than 45%
Height Limit:	Not more than 50 m
Land Use Term:	50 years from the handover date of the land parcel
Parking:	Small Vehicle: Not less than 0.4 parking lot per 100 sq.m. of gross floor area Bicycle: Not less than 2.0 parking lot per 100 sq.m. of gross floor area

- Sale Policy: The grantee has to retain not less than 30% of the built gross floor area for self-use and has to ensure that not less than 60,000 sq.m. of the gross floor area is for self-use before 2021
- Building Covenant: The construction of the Property has to be fully completed within three years from the handover date of the land parcel
- Remarks: The site area and gross floor area for the administrative office and accommodation facilities of the industrial project must not be more than 7,025.97 sq.m. and 36,133.56 sq.m. respectively
2. As advised by the Group, the estimated development cost for the Property is approximately HK\$109,000,000 (equivalent to approximately RMB96,000,000**).
3. We have been provided been provided with a legal opinion on the Property issued by the Group's PRC legal adviser, which contains, inter alia, the followings:
- (i) the mean of listing-for-sale has been adopted for granting the Property and this mean conforms to the requirements set out in the PRC Laws;
 - (ii) no mortgage, seizure, tenancy or other kinds of encumbrances have been found out from the Property;
 - (iii) the grantee will obtain the land use rights of the Property after the Land Grant Contract has been signed and the relevant land premium and deed tax have been settled in full by them. After they have obtained the Land Use Rights Certificate, the grantee is entitled to use, transfer (only portion of the Property can be transferred within a specified period), lease (only portion of Property can be leased within a specified period) or mortgage the whole or portion of the Property;
 - (iv) according to the Investment Project Cooperation Contract entered into between Perfect Group China Investment (HK) Limited ("PGCI"), a wholly-owned subsidiary of the Company and Jiangmen City Yingtuo Real Estate Planning Co., Ltd.* (江門市盈拓地產策劃有限公司) ("Jiangmen Yingtuo"), PGCI and Jiangmen Yingtuo will form a project company as the owner of the Property to operate the relevant land parcel if Jiangmen Yingtuo has successfully bided the Property. The share of the project company will be 70% for PGCI and 30% for Jiangmen Yingtuo. The profit and loss of the project company will be allocated according to the aforesaid share percentages. As the project company still has not been formed, no business license for the operation of the Property has been obtained;
 - (v) as Jiangmen Yingtuo still has not won the bidding for the Property, PGCI, Jiangmen Yingtuo or the project company has not obtained the Land Use Rights Certificate for the Property; and
 - (vi) after the completion of the online listing-for-sale for the Property on 15 February 2017 (the "completion date"), the successful bidder has to sign the On-line Listing-for-sale Confirmation Letter with the transaction center within 5 working days after the completion date. The successful bidder also has to sign the Land Grant Contract with the local state-owned land bureau within 6 months after the completion date, and they have to sign the investment agreement letter with the local development center on the same day. After obtaining the Land Grant Contract and settling all the land grant fee and other relevant taxes, they can apply for the Land Use Rights Certificate with the local state-owned land bureau.
4. In the course of our valuation, we have ascribed no commercial value to the Property as the relevant land grant formalities have not been performed and the relevant Land Grant Contract and Land Use Rights Certificate have not been obtained for the related land parcel. We have also considered that portion of the permissible gross floor area of the Property must be held for self-use. For your specific indicative purpose, assuming that the relevant land grant formalities of the Property have been completed with all the land premium and deed tax settled in full, and the Property can be developed in accordance with the aforesaid development parameters as stated in Note 1 and the Property can be freely transferable on the market, the market value of the Property was in the sum of RMB115,000,000 as at the valuation date.

* For identification purpose only

** The conversion of HK\$ into RMB is based on the exchange rate of 1 to 0.88.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. INTERESTS AND/OR SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

Interests of Directors and chief executive

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the shares or underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Interests in the Shares

Director	Nature of interests	Number of Shares	Approximate percentage of interests in the issued share capital of the Company
Mr. Kan Kin Kwong	Interest in controlled corporation	262,113,000(L) (Note 1)	58.25%
Mr. Chung Chi Keung	Interest in controlled corporation	10,125,000(L) (Note 2)	2.25%

The letter "L" denotes a long position in the Shares.

Notes:

1. Of these 262,113,000 Shares, 243,000,000 Shares are held by Immaculate Diamonds Limited and 19,113,000 Shares are held by King Jewel Limited. As both Immaculate Diamonds Limited and King Jewel Limited are directly wholly-owned by Mr. Kan Kin Kwong, Mr. Kan is deemed under the SFO to be interested in the 243,000,000 Shares held by Immaculate Diamonds Limited and the 19,113,000 Shares are held by King Jewel Limited.
2. These 10,125,000 Shares are held by Classic Emerald Holdings Limited, which in turn is directly wholly-owned by Mr. Chung Chi Keung. As such, Mr. Chung is deemed under the SFO to be interested in these 10,125,000 Shares.

3. INTERESTS AND/OR SHORT POSITIONS DISCLOSEABLE UNDER THE SFO AND THE SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors, the following persons, other than a Director or chief executive of the Company, had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, which was, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group:

Shareholder	Nature of interests	Number of Shares	Approximate percentage of interests in the issued share capital of the Company
Immaculate Diamonds Limited	Beneficial owner	243,000,000(L) (Note 1)	54.00%
Classic Sapphire Holdings Limited	Beneficial owner	33,750,000(L) (Note 2)	7.50%
Mr. Chan Wing Sum	Interest in controlled corporation	33,750,000(L) (Note 3)	7.50%
Classic Amber Holdings Limited	Beneficial owner	33,750,000(L)	7.50%
Luo Jacky	Interest in controlled corporation	33,750,000 (L) (Note 4)	7.50%

The letter "L" denotes a long position in the shares.

Notes:

1. Mr. Kan Kin Kwong, being an executive Director, is also the sole director of Immaculate Diamonds Limited.
2. Mr. Kan Kin Kwong, being an executive Director, is also a director of Classic Sapphire Holdings Limited.
3. These 33,750,000 Shares are held by Classic Sapphire Holdings Limited, which in turn is directly wholly-owned by Mr. Chan Wing Sum. As such, Mr. Chan is deemed under the SFO to be interested in these 33,750,000 Shares.
4. These 33,750,000 Shares are held by Classic Amber Holdings Limited, which in turn is directly wholly-owned by Mr. Luo Jacky. As such, Mr. Luo is deemed under the SFO to be interested in these 33,750,000 Shares.

4. DIRECTORS' SERVICES CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into a service contract or service agreement with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective close associates (as defined in the Listing Rules) was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. DIRECTORS' INTEREST IN ASSETS/CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors had any interest, directly or indirectly, in any asset which had been, since 31 December 2015 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, there was no contract or arrangement subsisting at the date of this circular in which a Director was materially interested and which was significant in relation to the business of the Group.

7. LITIGATION

As at the Latest Practicable Date, no member of the Group was involved in any litigation or claims of material importance and there is no litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

8. EXPERT AND CONSENT

The qualifications of the experts who have given opinions and advice in this circular are as follows:

Name	Qualification
APAC Asset Valuation and Consulting Limited	Property valuer

As at the Latest Practicable Date, the expert had not had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

The expert has given and has not withdrawn its written consent to the issue of this circular with the expert's statement made for incorporation in this circular and included in the form and context in which it is included.

As at the Latest Practicable Date, the expert had not had any interest, direct or indirect, in any assets which had been, since 31 December 2015 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

9. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Group within the two years immediately preceding the date of this circular:

- (a) the agreement for sale and purchase of the business carried on by Hong Kong Perfect Jewellery Company Limited dated 26 June 2015 executed by Hong Kong Perfect Jewellery Company Limited, Perfect Group International Holdings (HK) Limited and the persons name in schedule 6 thereof regarding the transfer of the jewellery business carried on by Hong Kong Perfect Jewellery Company Limited and the assets and liabilities owned or held as security by Hong Kong Perfect Jewellery Company Limited and utilised in the jewellery business for a consideration which shall be the sum of the carrying value of the items set out in Clause 2.1 of such agreement as at a day which is three business days prior to the completion date of such agreement, being approximately HK\$282.1 million;
- (b) the equity transfer agreement (權益轉讓協議) dated 3 July 2015 executed by Hong Kong Perfect Jewellery Company Limited, Perfect Group International Holdings (HK) Limited and Perfect Factory regarding the transfer of equity interest in Perfect Factory from Hong Kong Perfect Jewellery Company Limited to Perfect Group International Holdings (HK) Limited and the change of investor of Perfect Factory from Hong Kong Perfect Jewellery Company Limited to Perfect Group International Holdings (HK) Limited;

- (c) the reorganisation deed dated 14 December 2015 executed by Mr. Kan Kin Kwong, Mr. Chan Wing Sum, Mr. Luo Jacky, Mr. Chan Wai Hung, Mr. Chung Chi Keung, Immaculate Diamonds Limited, Classic Sapphire Holdings Limited, Classic Amber Holdings Limited, Classic Ruby Holdings Limited, Classic Emerald Holdings Limited and the Company regarding the transfer of the entire issued share capital of Perfect Group International Holdings Limited to the Company for a consideration which was satisfied by the Company by way of allotment and issue of 72 Shares, 10 Shares, 10 Shares, 5 Shares and 3 Shares to Immaculate Diamonds Limited, Classic Sapphire Holdings Limited, Classic Amber Holdings Limited, Classic Ruby Holdings Limited and Classic Emerald Holdings Limited respectively;
- (d) the deed of assignment of loan dated 14 December 2015 executed by HK Perfect, Immaculate Diamonds Limited, Classic Sapphire Holdings Limited, Classic Amber Holdings Limited, Classic Ruby Holdings Limited, Classic Emerald Holdings Limited and Perfect Group International Holdings (HK) Limited regarding the assignment of the benefits to collect the consideration of the business transfer from Hong Kong Perfect Jewellery Company Limited to Immaculate Diamonds Limited, Classic Sapphire Holdings Limited, Classic Amber Holdings Limited, Classic Ruby Holdings Limited and Classic Emerald Holdings Limited;
- (e) the deed of indemnity dated 14 December 2015 executed by Mr. Kan Kin Kwong and Immaculate Diamonds Limited in favour of the Company (for itself and as trustee for each of its subsidiaries from time to time);
- (f) the deed of non-competition dated 14 December 2015 executed by Mr. Kan Kin Kwong and Immaculate Diamonds Limited in favour of the Company (for itself and as trustee for each of its subsidiaries from time to time);
- (g) the public offer underwriting agreement dated 21 December 2015 entered into between, among others, the Company, Mr. Kan Kin Kwong, Immaculate Diamonds Limited and GF Capital (Hong Kong) Limited;
- (h) the international placing underwriting agreement dated 29 December 2015 entered into between, among others, the Company, Mr. Kan Kin Kwong, Immaculate Diamonds Limited and GF Capital (Hong Kong) Limited;
- (i) the memorandum of understanding dated 29 September 2016 entered into between Perfect Group International Holdings Limited (being a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company) and Foshan City Shunde District Lunjiao Road Land Reserve Development Centre* (佛山市順德區倫教街道土地儲備發展中心) regarding the sale and purchase of the land use right of the Land, under which the Group shall pay a refundable deposit in the amount of RMB25 million (equivalent to approximately HK\$29.1 million); and
- (j) the Investment Project Corporation Agreement.

10. GENERAL

- (a) The secretary to the Company is Mr. Tam Pei Qiang, who is a member of the Association of Chartered Certified Accountants and a certified public accountant of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (c) The head office and principal place of business of the Company is situated at 26th Floor, YHC Tower, No.1 Sheung Yuet Road, Kowloon, Hong Kong.
- (d) The Hong Kong branch share registrar of the Company is Union Registrars Limited of Suites 3301-04, 33rd Floor, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.
- (e) If there is any inconsistency in this circular between the English and Chinese versions, then English version shall prevail.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at 26th Floor, YHC Tower, No.1 Sheung Yuet Road, Kowloon, Hong Kong during normal business hours on any week day (except public holidays) for the period of 14 days from the date of this circular:

- (a) the memorandum of association and articles of association of the Company;
- (b) the material contracts disclosed in the paragraph headed "Material Contracts" in this Appendix;
- (c) the valuation report prepared by APAC Asset Valuation and Consulting Limited dated 7 February 2017 as set out in Appendix II to this circular;
- (d) the prospectus of the Company dated 22 December 2015, the annual report of the Company for the financial year ended 31 December 2015 and the interim report of the Company for the six months ended 30 June 2016; and
- (e) this circular.