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PERFECT GROUP

保發集團

PERFECT GROUP INTERNATIONAL HOLDINGS LIMITED

保發集團國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3326)

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

The board (the “**Board**”) of directors (the “**Director(s)**”) of Perfect Group International Holdings Limited (the “**Company**” together with its subsidiaries, the “**Group**”) is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 30 June 2023 together with comparative figures for the corresponding period in 2022 as follows:

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

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	3	173,468	226,635
Cost of goods sold		(115,849)	(158,607)
Gross profit		57,619	68,028
Other income		2,562	1,476
Other gains and losses		(853)	(7,198)
Net impairment losses under expected credit loss model		(268)	(237)
Selling and distribution costs		(7,863)	(5,311)
General and administrative expenses		(23,646)	(24,009)
Finance costs		(425)	(414)
Share of result of an associate		—	(34)
Profit before taxation	4	27,126	32,301
Taxation	5	(2,231)	(7,601)
Profit for the period		24,895	24,700

		Six months ended 30 June	
		2023	2022
	<i>NOTE</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Other comprehensive expense for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		<u>(16,947)</u>	<u>(20,588)</u>
Other comprehensive expense for the period		<u>(16,947)</u>	<u>(20,588)</u>
Total comprehensive income for the period		<u>7,948</u>	<u>4,112</u>
Profit for the period attributable to:			
Owners of the Company		25,656	25,347
Non-controlling interests		<u>(761)</u>	<u>(647)</u>
		<u>24,895</u>	<u>24,700</u>
Total comprehensive income/(expense) attributable to:			
Owners of the Company		8,794	4,784
Non-controlling interests		<u>(846)</u>	<u>(672)</u>
		<u>7,948</u>	<u>4,112</u>
Earnings per share	7		
– Basic		<u>1.91 HK cents</u>	<u>1.88 HK cents</u>
– Diluted		<u>1.91 HK cents</u>	<u>1.88 HK cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

		At 30 June 2023 <i>HK\$'000</i> (Unaudited)	At 31 December 2022 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		68,721	60,115
Right-of-use assets		7,730	8,858
Investment properties		269,396	283,267
Interest in an associate		—	—
Equity investments at fair value through other comprehensive income		802	1,043
Rental deposits		222	232
Deferred tax assets		416	429
		<u>347,287</u>	<u>353,944</u>
Current assets			
Inventories		147,257	152,061
Properties held for sale		121,549	129,735
Trade and other receivables	8	97,744	71,780
Loan receivable from an associate		7,935	9,343
Financial assets at fair value through profit or loss		6,685	7,551
Bank deposits		49,106	63,632
Cash and cash equivalents		48,992	48,481
		<u>479,268</u>	<u>482,583</u>
Current liabilities			
Trade and other payables	9	68,993	60,671
Contract liabilities		10,968	7,398
Lease liabilities		944	1,725
Taxation payable		68,984	66,576
Bank loans		17,110	20,203
Bank overdrafts		—	1,610
		<u>166,999</u>	<u>158,183</u>

		At 30 June 2023 <i>HK\$'000</i> (Unaudited)	At 31 December 2022 <i>HK\$'000</i> (Audited)
Net current assets		<u>312,269</u>	<u>324,400</u>
Total assets less current liabilities		<u>659,556</u>	<u>678,344</u>
Non-current liabilities			
Lease liabilities		—	110
Provision for long service payments		898	898
Deferred tax liabilities		<u>28,868</u>	<u>30,432</u>
		<u>29,766</u>	<u>31,440</u>
Net assets		<u>629,790</u>	<u>646,904</u>
Share capital and reserves			
Share capital	<i>10</i>	4,470	4,470
Reserves		<u>623,806</u>	<u>642,076</u>
Equity attributable to owners of the Company		<u>628,276</u>	646,546
Non-controlling interests		<u>1,514</u>	<u>358</u>
		<u>629,790</u>	<u>646,904</u>

NOTES:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The condensed consolidated statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2022.

2. PRINCIPAL ACCOUNTING POLICIES

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

These unaudited condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2022 Annual Financial Statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2023. The adoption of these new or revised HKFRSs has had no material effect on the amounts reported and/or disclosures set out in these unaudited condensed consolidated interim financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International tax reform — Pillar Two Model Rules

The application of the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in the condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<i>Revenue recognised at a point in time</i>		
Sales of jewellery products	155,244	193,781
Sales of properties	5,672	21,916
<i>Revenue recognised over time</i>		
Property management fee income	5,153	3,087
	<hr/>	<hr/>
Revenue from contracts with customers	166,069	218,784
Rental income	7,399	7,851
	<hr/>	<hr/>
	173,468	226,635
	<hr/> <hr/>	<hr/> <hr/>

Sales of jewellery products

Revenue from sales of jewellery products is recognised when risks and rewards of the goods have been transferred to the customers.

Sales of properties

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

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

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

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

(a) Segment revenue and results

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

For the six months ended 30 June 2023 (unaudited)

	Jewellery business	Property business	Consolidated
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Segment revenue	<u>155,244</u>	<u>18,224</u>	<u>173,468</u>
Segment results	<u>27,582</u>	<u>6,367</u>	33,949
Loss on fair value changes of financial assets at FVTPL			(840)
Unallocated corporate income			200
Unallocated corporate expenses			<u>(6,183)</u>
Profit before taxation			<u>27,126</u>

For the six months ended 30 June 2022 (unaudited)

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

Segment results represent the profit earned by each segment and is arrived at without allocation of gain/(loss) on fair value changes of financial assets at FVTPL, certain unallocated income and expenses, finance costs and share of result of an associate. This is the measure reported to the CODM of the Company, 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 30 June 2023 (unaudited)

	Jewellery business	Property business	Consolidated
	HK\$'000	HK\$'000	HK\$'000
Assets			
Segment assets	336,057	470,777	806,834
Interest in an associate			—
Deferred tax assets			416
Equity instruments at FVTOCI			802
Unallocated corporate assets			18,503
Consolidated total assets			826,555
Liabilities			
Segment liabilities	65,958	31,539	97,497
Taxation payable			68,996
Deferred tax liabilities			28,868
Unallocated corporate liabilities			1,404
Consolidated total liabilities			196,765

At 31 December 2022 (audited)

	Jewellery business	Property business	Consolidated
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Assets			
Segment assets	328,547	494,501	823,048
Interest in an associate			—
Deferred tax assets			429
Equity instruments at FVTOCI			1,043
Unallocated corporate assets			<u>12,007</u>
Consolidated total assets			<u><u>836,527</u></u>
Liabilities			
Segment liabilities	68,170	23,411	91,581
Taxation payable			66,576
Deferred tax liabilities			30,432
Unallocated corporate liabilities			<u>1,034</u>
Consolidated total liabilities			<u><u>189,623</u></u>

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

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

4. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment included in:		
– cost of goods sold	11	34
– general and administrative expenses	1,038	1,292
– selling and distribution costs	16	18
	<u>1,065</u>	<u>1,344</u>
Depreciation of right-of-use-assets	874	973
	<u>1,939</u>	<u>2,317</u>
Total depreciation		
Directors' remuneration		
– fee	324	324
– salaries and other benefits	3,773	3,750
– retirement benefit scheme contributions	27	27
	<u>4,124</u>	<u>4,101</u>
Other staff's salaries and other benefits	9,983	10,157
Other staff's retirement benefits scheme contributions	796	190
	<u>14,903</u>	<u>14,448</u>
Total staff costs		
Auditor's remuneration	233	600
Cost of inventories recognised as expenses (included in cost of goods sold)	<u>113,877</u>	<u>155,817</u>

5. TAXATION

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
The taxation charge comprises:		
Hong Kong Profits Tax		
– Current period	1,737	2,237
PRC Enterprise Income Tax (“EIT”)		
– Current period	1,696	3,228
PRC Land Appreciation Tax (“LAT”)	1,088	4,140
Overprovision in prior years	(1,941)	—
	2,580	9,605
Deferred tax credit	(349)	(2,004)
	2,231	7,601

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

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

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

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

6. DIVIDEND

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Dividends recognised as distribution during the period		
Final dividend for 2022 of HK\$0.02 (2021:		
HK\$0.02) per share	<u><u>26,822</u></u>	<u><u>27,000</u></u>

The directors of the Company had not declared any interim dividend for the six months ended 30 June 2022 and 2023.

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the		
Company for the purposes of calculating basic and		
diluted earnings per share	<u><u>25,656</u></u>	<u><u>25,347</u></u>

	Number of shares	
	<u>'000</u>	<u>'000</u>
Shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	<u>1,341,009</u>	<u>1,350,000</u>

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

8. TRADE AND OTHER RECEIVABLES

	At 30 June 2023 <i>HK\$'000</i> (Unaudited)	At 31 December 2022 <i>HK\$'000</i> (Audited)
Trade receivables	94,946	80,717
Less: Allowance for ECL	<u>(22,333)</u>	<u>(24,092)</u>
	72,613	56,625
Other receivables, prepayments and deposits	24,767	14,789
Amount due from an associate	<u>364</u>	<u>366</u>
	<u>97,744</u>	<u>71,780</u>

The basis of determining the inputs and assumptions and the estimation techniques used in the impairment assessment of financial assets subject to expected credit loss model in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

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

	At 30 June 2023 <i>HK\$'000</i> (Unaudited)	At 31 December 2022 <i>HK\$'000</i> (Audited)
0–30 days	18,685	12,684
31–60 days	25,034	11,494
61–180 days	27,200	25,888
181–365 days	1,585	5,108
Over 1 year	109	1,451
	<u>72,613</u>	<u>56,625</u>

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

9. TRADE AND OTHER PAYABLES

	At 30 June 2023 <i>HK\$'000</i> (Unaudited)	At 31 December 2022 <i>HK\$'000</i> (Audited)
Trade payables	44,535	40,031
Accruals and other payables	24,458	20,640
	<u>68,993</u>	<u>60,671</u>

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

	At 30 June 2023 <i>HK\$'000</i> (Unaudited)	At 31 December 2022 <i>HK\$'000</i> (Audited)
0–60 days	25,890	28,761
61–90 days	6,231	1,551
Over 90 days	12,414	9,719
	<u>44,535</u>	<u>40,031</u>

10. SHARE CAPITAL

	At 30 June 2023 <i>HK\$'000</i> (Unaudited)	At 31 December 2022 <i>HK\$'000</i> (Audited)
Authorised:		
3,000,000,000 ordinary shares of one third Hong Kong cent each	<u>10,000</u>	<u>10,000</u>
Issued and fully paid:		
1,341,009,000 ordinary shares of one third Hong Kong cent each	<u>4,470</u>	<u>4,470</u>

	Number of ordinary shares	Nominal value of ordinary shares <i>HK\$'000</i>
Authorised:		
At 1 January 2022 (audited), 31 December 2022 (audited) and 30 June 2023 (unaudited)	<u>3,000,000,000</u>	<u>10,000</u>
Issued and fully paid:		
At 1 January 2022 (audited)	1,350,000,000	4,500
Repurchase and cancellation of shares (<i>note</i>)	<u>(8,991,000)</u>	<u>(30)</u>
At 31 December 2022 (audited) and 30 June 2023 (unaudited)	<u>1,341,009,000</u>	<u>4,470</u>

Note: During the year ended 31 December 2022, the Company repurchased 8,991,000 of its own shares from the market which were subsequently cancelled. The shares were acquired at prices ranging from HK\$0.205 to HK\$0.23, with an average price of HK\$0.216 per share.

MANAGEMENT DISCUSSION AND ANALYSIS

Business outlook and prospects

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

Throughout the six months ended 30 June 2023, the Group continued to be affected by the slow recovery from containment of the outbreak of the 2019 Novel Coronavirus (the “**Covid-19**”). However, the Group’s sales team was able to visit overseas customers more frequently as a result of less restrictions on travel which in turn generated more sale orders during the six months ended 30 June 2023 as compared to the six months ended 30 June 2022.

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

FINANCIAL REVIEW

Overall Revenue

The revenue for the six months ended 30 June 2023 was approximately HK\$173.5 million (six months ended 30 June 2022: approximately HK\$226.6 million), representing a decrease of approximately HK\$53.1 million or 23.4% from the corresponding period of 2022. The decrease was mainly due to the significant decrease in the recognition of revenue amounting to approximately HK\$38.6 million or 19.9% from the corresponding period from the Jewellery Business.

The revenue of each of the Jewellery Business and the Property Business represents approximately 89.5% and 10.5% of the revenue for the six months ended 30 June 2023, respectively (six months ended 30 June 2022: 85.5% and 14.5%).

Jewellery Business

Revenue

The revenue of the Jewellery Business for the six months ended 30 June 2023 was approximately HK\$155.2 million (six months ended 30 June 2022: approximately HK\$193.8 million), representing a decrease of approximately HK\$38.6 million or 19.9% from the corresponding period of 2022. The decrease was mainly due to the significant decrease in sales in the PRC from approximately HK\$28.4 million to approximately HK\$0.5 million. The significant decrease was mainly due to the negative impact of Covid-19.

Gross profit and gross profit margin

The gross profit decreased from approximately HK\$48.3 million to HK\$45.7 million, representing a decrease of approximately HK\$2.6 million or 5.4% from the corresponding period of 2022, which is in line with the decrease in overseas sales of the Jewellery Business. The gross profit margin was approximately 29.5% for the six months ended 30 June 2023 (six months ended 30 June 2022: 24.9%), which is greater than that for the six months ended 30 June 2022 mainly due to a higher mix of overseas sales with relatively higher gross profit margin.

Property Business

Revenue, gross profit and gross profit margin

The revenue of the Property Business for the six months ended 30 June 2023 was approximately HK\$18.2 million (six months ended 30 June 2022: HK\$32.9 million), representing a significant decrease of approximately HK\$14.7 million or 44.7% from the corresponding period in 2022. The significant decrease was mainly due to the fact that most of the properties were sold and delivered to the purchasers in previous years. The gross profit recognised for the six months ended 30 June 2023 was approximately HK\$11.9 million (six months ended 30 June 2022: HK\$19.7 million) and the gross profit margin was approximately 65.3% (six months ended 30 June 2022: approximately 60.0%). The increase in gross profit margin was mainly due to the increase in property management fee income which generated higher gross profit margin.

Overall gross profit and gross profit margin

The overall gross profit decreased from approximately HK\$68.0 million to HK\$57.6 million, representing a decrease of approximately HK\$10.4 million or 15.3% from the corresponding period of 2022. With respect to the gross profit, approximately HK\$45.7 million was related to the Jewellery Business, representing a decrease of approximately 5.4% from the corresponding period of 2022, and approximately HK\$11.9 million was related to the Property Business, representing a significant decrease of approximately 39.7% from the corresponding period of 2022.

Other income

The other income increased from approximately HK\$1.5 million to approximately HK\$2.6 million, representing an increase of approximately HK\$1.1 million or 73.3% from the corresponding period of 2022. The other income comprised primarily of interest income and dividend income from short term investment of approximately HK\$1.6 million (six months ended 30 June 2022: approximately HK\$0.8 million), government grants of approximately HK\$0.1 million (six months ended 30 June 2022: HK\$0.4 million) and sundry income (others) of approximately HK\$0.9 million (six months ended 30 June 2022: HK\$0.3 million). The remaining other income was mainly attributed to the one-off sales of scrap materials of the approximately HK\$0.5 million (six months ended 30 June 2022: nil) and the rental of cars to third parties of approximately of HK\$0.1 million (six months ended 30 June 2022: HK\$0.1 million).

Other gains and losses

The other gains and losses decreased from a loss of approximately HK\$7.2 million to a loss of approximately HK\$0.9 million, representing a decrease of approximately HK\$6.3 million or 87.5% from the corresponding period of 2022. The other gains and losses comprised primarily of loss from changes in fair value of investment properties of approximately HK\$0.2 million (six months ended 30 June 2022: loss of approximately HK\$11.1 million) and loss on changes in fair value of financial assets at FVTPL of approximately HK\$0.9 million (six months ended 30 June 2022: gain on change in fair value of financial assets at FVTPL of approximately HK\$0.7 million). There is no gain or loss from changes in fair value upon transfer of properties held for sales to investment properties during the six months ended 30 June 2023 as there is no transfer of properties held for sales to investment properties (six months ended 30 June 2022: gain of approximately HK\$3.1 million).

Finance costs

The finance costs of approximately HK\$0.6 million for the six months ended 30 June 2023 (for the six months ended 30 June 2022: approximately HK\$0.4 million) related to interest expenses on bank loans and lease liabilities for the operations of the Jewellery Business and the Property Business. During the six months ended 30 June 2023, finance cost of approximately HK\$0.2 million have been capitalised (six months ended 30 June 2022: Nil).

Selling and distribution costs

The selling and distribution costs significantly increased from approximately HK\$5.3 million for the six months ended 30 June 2022 to approximately HK\$7.9 million for the six months ended 30 June 2023, representing a significant increase of approximately HK\$2.6 million or 49.1%. The significant increase was mainly due to increase in jewellery show, fair and exhibition expenses of approximately HK\$2.8 million for the six months ended 30 June 2023.

General and administrative expenses

The general and administrative expenses decreased from approximately HK\$24.0 million for the six months ended 30 June 2022 to approximately HK\$23.7 million for the six months ended 30 June 2023, representing a decrease of approximately HK\$0.3 million or 1.3%.

Profit for the period

As a result of the above factors, profit for the six months ended 30 June 2023 was approximately HK\$24.9 million (six months ended 30 June 2022: approximately HK\$24.7 million), representing an increase of approximately 0.8%.

Liquidity and financial resources

As at 30 June 2023, the current assets amounted to approximately HK\$479.3 million (as at 31 December 2022: approximately HK\$482.6 million) and the current liabilities amounted to approximately HK\$167.0 million (as at 31 December 2022: approximately HK\$158.2 million). Accordingly, the current ratio, which is the ratio of current assets to current liabilities, was approximately 2.9 as at 30 June 2023 (as at 31 December 2022: approximately 3.1).

As at 30 June 2023, bank deposits and cash and cash equivalents amounted to approximately HK\$49.1 million (as at 31 December 2022: HK\$63.6 million) and HK\$49.0 million (as at 31 December 2022: HK\$48.5 million), respectively, while bank loans and overdrafts amounted to a total of approximately HK\$17.1 million only (as at 31 December 2022: HK\$21.8 million). In view of the financial position of the Group as at 30 June 2023 as illustrated above, the Directors believe that the Group has adequate working capital to support its ongoing operations and business development.

Gearing ratio

The gearing ratio, which is calculated by dividing total borrowings by equity, was approximately 0.03 (as at 31 December 2022: approximately 0.03).

Charge of assets

There was no charge on the Group's assets as at 30 June 2023 (as at 31 December 2022: nil).

Capital commitments

As at 30 June 2023, the Group did not have any significant commitments contracted for but not provided in the condensed consolidated financial statements.

Contingent liabilities

As at 30 June 2023, the Group provided guarantees amounting to approximately RMB174.8 million (equivalent to approximately HK\$188.9 million) (31 December 2022: approximately RMB13.0 million (equivalent to approximately HK\$14.7 million)) to facilitate mortgage loans applications of purchasers of the properties that were developed by the Group. Such guarantees will be released by banks upon delivery of the properties to the purchasers and completion of registration of the relevant mortgaged properties. In the opinion of the Directors, the fair values of these guarantee contracts of the Group are insignificant at initial recognition and the Directors consider that the possibility of financial loss is remote. Accordingly, no value has been recognised at the inception of the guarantee contracts and at the end of the reporting periods as at 31 December 2022 and 30 June 2023.

Subsequent event

On 24 May 2023, the Group entered into the sale and purchase agreement with Jiangmen City Hongxin Construction Project Company Limited (the “**Vendor**”), pursuant to which the Group has agreed to acquire and the Vendor has agreed to dispose of 55% of the entire equity interests in Guangdong Kaisi New Energy Company Limited (the “**Target Company**”) for a cash consideration of approximately RMB7,150,000 (equivalent to approximately HK\$7,940,000). Following completion of the acquisition on 3 August 2023, the Target Company became an indirect non-wholly owned subsidiary of the Company. Relevant details are disclosed in announcements of the Company dated 24 May 2023 and 3 August 2023.

Employee and remuneration policy

As at 30 June 2023, the Group had a total of 154 employees (31 December 2022: 150 employees) in Hong Kong and the PRC. The total salaries and related costs for the six months ended 30 June 2023 amounted to approximately HK\$14.9 million (six months ended 30 June 2022: approximately HK\$14.4 million).

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

Future plans

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

Going forward, the recognition of sales of properties will primarily be the delivery of the remaining sold but undelivered units and the sales of remaining unsold units to the purchasers. The rental and management fee income is expected to make stable contributions to the Property Business. The performance of the Jewellery Business will be highly dependent on the state of recovery of the global economy following the relaxation of travel restrictions and the number of exhibitions and shows being held worldwide. It is anticipated that the Jewellery Business will remain stable for the second half of the year compared with the first half.

Interim dividend

The Board, after considering the current market situation and the operations of the Group, resolved not to declare any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

Corporate governance code

The Company is committed to maintaining good standard of corporate governance to safeguard the interest of its shareholders and to enhance corporate value and responsibility. During the six months ended 30 June 2023, the Company adopted and complied with the code provisions set out in Part 2 of the Corporate Governance Code (the “**CG Code**”) in Appendix 14 to the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), except the deviation from code provision A.2.1 of the CG Code as explained below.

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

Model code for securities transactions of Directors

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

Having made specific enquiry of all Directors, the Directors complied with the Model Code during the six months ended 30 June 2023.

Pre-emptive rights

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

Purchase, sale or redemption of listing securities

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2023.

Sufficiency of public float

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

Audit committee

The audit committee of the Board comprises three independent non-executive Directors namely, Mr. Fan Chor Ho, Mr. Lee Ka Wing and Mr. Wong Wai Keung Frederick. Mr. Wong Wai Keung Frederick is the chairman of the audit committee. The audit committee and the Company's auditors have reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2023.

Publication of interim results announcement

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

The interim report of the Company for the six months ended 30 June 2023 containing all the information required by the Listing Rules will be available at the Company's and the Stock Exchange's websites and dispatched to the Company's shareholders in due course.

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

Hong Kong, 21 August 2023

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