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PERFECT GROUP

保發集團

PERFECT GROUP INTERNATIONAL HOLDINGS LIMITED

保發集團國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3326)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

The board (the “**Board**”) of directors (the “**Directors**”) of Perfect Group International Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2021 together with comparative figures from the previous year as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	<i>NOTES</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
Revenue	2	401,541	371,970
Cost of goods sold		(301,585)	(214,548)
Gross profit		99,956	157,422
Other income		7,303	8,907
Other gains and losses		23,029	13,954
Net impairment reversal (losses) under expected credit loss model		1,427	(8,473)
Selling and distribution costs		(10,612)	(6,803)
General and administrative expenses		(46,138)	(41,959)
Finance costs		(797)	(1,295)
Share of result of an associate		40	(77)
Profit before taxation	3	74,208	121,676
Taxation	4	(35,931)	(45,186)
Profit for the year		38,277	76,490

	<i>NOTE</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other comprehensive income (expense) for the year			
Items that will not be reclassified to profit or loss:			
Revaluation of property, plant and equipment upon transfer to investment properties			
— Surplus on revaluation		9,610	21,560
— Deferred taxation		(2,403)	(5,390)
		<u>7,207</u>	<u>16,170</u>
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		13,736	26,559
Other comprehensive income for the year		<u>20,943</u>	<u>42,729</u>
Total comprehensive income for the year		<u>59,220</u>	<u>119,219</u>
Profit (loss) for the year attributable to:			
Owners of the Company		38,758	76,527
Non-controlling interests		(481)	(37)
		<u>38,277</u>	<u>76,490</u>
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		59,672	119,253
Non-controlling interests		(452)	(34)
		<u>59,220</u>	<u>119,219</u>
Earnings per share	6		
— Basic		<u>2.87 HK cents</u>	<u>5.67 HK cents</u>
— Diluted		<u>2.87 HK cents</u>	<u>5.67 HK cents</u>

Consolidated Statement of Financial Position

At 31 December 2021

	<i>NOTES</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		67,285	79,864
Right-of-use assets		11,411	14,226
Investment properties		300,256	220,795
Interest in an associate		932	865
Rental deposits		252	251
Deferred tax assets		432	406
		380,568	316,407
Current assets			
Inventories		150,583	161,719
Properties held for sale		158,625	206,521
Trade and other receivables	7	105,789	72,377
Loan receivable from an associate		14,132	13,718
Financial assets at fair value through profit or loss		18,474	—
Derivative financial instruments		—	1,023
Bank balances and cash		78,935	81,201
		526,538	536,559
Current liabilities			
Trade and other payables	8	57,268	51,007
Contract liabilities		35,612	77,709
Lease liabilities		1,818	4,055
Taxation payable		65,569	40,445
Bank loans		26,391	—
		186,658	173,216
Net current assets		339,880	363,343
Total assets less current liabilities		720,448	679,750

	<i>NOTE</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current liabilities			
Lease liabilities		1,994	3,701
Provision for long service payments		898	898
Deferred tax liabilities		32,268	23,518
		<u>35,160</u>	<u>28,117</u>
Net assets		<u>685,288</u>	<u>651,633</u>
Share capital and reserve			
Share capital	9	4,500	4,500
Reserves		679,774	647,102
Equity attributable to owners of the Company		684,274	651,602
Non-controlling interests		1,014	31
		<u>685,288</u>	<u>651,633</u>

NOTES:

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

The application of the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue

HKFRS 17	Insurance Contracts and the related Amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ²

¹ Effective for annual periods beginning on or after 1 April 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

2. REVENUE AND SEGMENT INFORMATION

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

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

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

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

In the current year, rental income which is derived from the Group's ordinary course of business is presented as revenue. Accordingly, the rental income included in other income in the prior year has been reclassified to revenue consistent with current year's presentation.

(a) Segment revenue and results

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

For the year ended 31 December 2021

	Jewellery business HK\$'000	Property business HK\$'000	Consolidated HK\$'000
Segment revenue	<u><u>338,525</u></u>	<u><u>63,016</u></u>	<u><u>401,541</u></u>
Segment results	<u><u>27,694</u></u>	<u><u>49,668</u></u>	77,362
Net impairment reversal under ECL model			1,427
Unallocated corporate income			734
Unallocated corporate expenses			(4,558)
Unallocated finance costs			(797)
Share of result of an associate			<u>40</u>
Profit before taxation			<u><u>74,208</u></u>

For the year ended 31 December 2020 (Restated)

	Jewellery business <i>HK\$'000</i>	Property business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	<u>141,826</u>	<u>230,144</u>	<u>371,970</u>
Segment results	<u>3,227</u>	<u>133,766</u>	136,993
Net impairment losses under ECL model			(8,473)
Unallocated corporate income			351
Unallocated corporate expenses			(6,751)
Unallocated finance costs			(367)
Share of result of an associate			<u>(77)</u>
Profit before taxation			<u>121,676</u>

Segment results represent the profit earned or loss incurred by each segment and hence is arrived at without allocation of net impairment reversal (losses) under ECL model, share of result of an associate, and certain unallocated income and expenses. This is the measure reported to the CODM of the Company, for the purposes of resources allocation and assessment of segment performance.

The comparative figures of revenue, loss from changes in fair value of investment properties and gain from changes in fair value upon transfer of properties held for sale to investment properties in the segment revenue and results have been re-presented consistent with current year's presentation.

(b) Segment assets and liabilities

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

At 31 December 2021

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

At 31 December 2020 (Restated)

	Jewellery business <i>HK\$'000</i>	Property business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets			
Segment assets	285,956	561,941	847,897
Interest in an associate			865
Deferred tax assets			406
Unallocated corporate assets			<u>3,798</u>
Consolidated total assets			<u><u>852,966</u></u>
Liabilities			
Segment liabilities	27,585	109,081	136,666
Taxation payable			40,445
Deferred tax liabilities			23,518
Unallocated corporate liabilities			<u>704</u>
Consolidated total liabilities			<u><u>201,333</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 and unallocated corporate assets.
- all liabilities are allocated to operating segments other than taxation payable, deferred tax liabilities and unallocated corporate liabilities.

The comparative figures of segment liabilities and taxation payable have been re-presented consistent with current year's presentation.

Geographical information

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i> (Restated)
Revenue		
— Hong Kong	180,527	76,019
— Dubai	68,122	40,066
— The PRC	152,892	255,885
	<u>401,541</u>	<u>371,970</u>

Revenue from major customers which accounts for 10% or more of the Group's revenue is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	84,461	N/A*
Customer B	47,444	N/A*
Customer C	N/A*	52,100
	<u>N/A*</u>	<u>52,100</u>

* Revenue from the customer is less than 10% of the total revenue of the Group during the year.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	1,224	1,094
The PRC	377,960	313,973
Dubai	20	69
	<u>379,204</u>	<u>315,136</u>

3. PROFIT BEFORE TAXATION

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment		
— cost of goods sold	97	211
— general and administrative expenses	2,957	2,542
— selling and distribution costs	36	24
	<u>3,090</u>	<u>2,777</u>
Depreciation of right-of-use assets	4,313	8,144
	<u>7,403</u>	<u>10,921</u>
Total depreciation		
	<u>7,403</u>	<u>10,921</u>
Directors' remuneration	8,202	6,852
Other staff's salaries and other benefits	18,520	15,343
Other staff's retirement benefits scheme contributions	1,468	969
	<u>28,190</u>	<u>23,164</u>
Total staff costs		
	<u>28,190</u>	<u>23,164</u>
Auditor's remuneration	1,206	1,040
Cost of inventories recognised as expenses (included in cost of goods sold)	301,488	214,337
	<u><u>301,488</u></u>	<u><u>214,337</u></u>

4. TAXATION

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
The taxation charge comprises:		
Hong Kong Profits Tax		
— Current year	1,705	—
— Overprovision in prior year	—	(797)
PRC Enterprise Income Tax (“EIT”)		
— Current year	6,705	24,528
PRC Land Appreciation Tax (“LAT”)	22,025	18,035
	<u>30,435</u>	<u>41,766</u>
Deferred tax charge	5,496	3,420
	<u><u>35,931</u></u>	<u><u>45,186</u></u>

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, 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 fine 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 years. In addition, the processing factories 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 properties development.

5. DIVIDEND

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
Final dividend for 2020 of HK\$0.02 (2019: HK\$0.02) per share	<u>27,000</u>	<u>27,000</u>

The directors proposed to declare a final dividend of HK\$0.02 per share, totalling HK\$27,000,000 in respect of the year ended 31 December 2021, payable to the shareholders whose names appear on the Company's register of members on 15 June 2022.

6. EARNINGS PER SHARE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit for the year attributable to owners of the Company and earnings for the purposes of calculating basic and diluted earnings per share	<u><u>38,758</u></u>	<u><u>76,527</u></u>
	Number of shares	
	'000	'000
Weighted average number of ordinary shares for the purpose of calculating both basic and diluted earnings per share	<u><u>1,350,000</u></u>	<u><u>1,350,000</u></u>

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

7. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	94,452	61,443
Less: Allowance for expected credit losses	<u>(7,204)</u>	<u>(10,190)</u>
	87,248	51,253
Other receivables, prepayments and deposits	17,896	20,805
Amount due from an associate	<u>645</u>	<u>319</u>
	<u><u>105,789</u></u>	<u><u>72,377</u></u>

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	35,207	21,364
31–60 days	34,152	13,143
61–180 days	16,943	11,971
181–365 days	904	2,694
Over 1 year	42	2,081
	<hr/>	<hr/>
	<u>87,248</u>	<u>51,253</u>

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

Before accepting any new customers, the Group has an internal credit control system to assess the potential customers' credit quality and the board of directors has delegated management to be responsible for the determination of credit limits and credit approvals for customers. Limits attributed to customers are reviewed periodically.

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

8. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	40,553	31,705
Accruals and other payables	<u>16,715</u>	<u>19,302</u>
	<u>57,268</u>	<u>51,007</u>

Accruals and other payables mainly consist of payable of staff salaries and benefits.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0–60 days	25,502	21,815
61–90 days	1,632	—
Over 90 days	<u>13,419</u>	<u>9,890</u>
	<u>40,553</u>	<u>31,705</u>

9. SHARE CAPITAL

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Authorised:		
3,000,000,000 ordinary shares of one third Hong Kong cent each (2020: 3,000,000,000 ordinary shares of one third Hong Kong cent each)	<u><u>10,000</u></u>	<u><u>10,000</u></u>
Issued and fully paid:		
1,350,000,000 ordinary shares of one third Hong Kong cent each (2020: 1,350,000,000 ordinary shares of one third Hong Kong cent each)	<u><u>4,500</u></u>	<u><u>4,500</u></u>

The Company's share capital as at 31 December 2020 and 2021 were as follows:

	Number of ordinary shares	Nominal value of ordinary shares <i>HK\$'000</i>
Authorised:		
At 1 January 2020, 31 December 2020 and 31 December 2021	<u><u>3,000,000,000</u></u>	<u><u>10,000</u></u>
Issued and fully paid:		
At 1 January 2020, 31 December 2020 and 31 December 2021	<u><u>1,350,000,000</u></u>	<u><u>4,500</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business review, outlook and future prospects

The principal business of the Group is designing, manufacturing and sales of high-end fine jewellery (primarily mounted with diamonds) (the “**Jewellery Business**”) and the investment in and development and sales and rental of properties for the Group’s integrated and comprehensive industry park located at 1st Ring Road South Extension Foshan, Guangdong Province, the PRC (the “**Property Business**”) as an integrated and comprehensive industry park (the “**Perfect Group Jewellery Industry Park**”).

Jewellery Business

Throughout the year ended 31 December 2021, the Group continued to be affected by the outbreak of the 2019 Novel Coronavirus (“**Covid-19**”) which restrained the Group from participation in various shows, fairs and exhibitions held both in Hong Kong and overseas. However, our sales team was able to visit our overseas customers more frequently which in turn generated more sale orders during the year ended 31 December 2021 as compared to the year of 2020.

Property Business

Construction work of the Perfect Group Jewellery Industry Park has already been completed. Pursuant to the Group’s accounting policy, revenue is recognised at a point in time when the customer obtains control of the property and the Group’s present right to payment and consideration is probable. Since the second half of 2018, the Group has started to deliver the completed units in Perfect Group Jewellery Industry Park to its customers. As the units sold have been delivered, revenue recognition have proceeded as scheduled. The Group has also leased out part of the units of 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 sold units pending delivery and the sales of remaining unsold units to the purchasers. The rental and management fee income is expected to make stable contributions to the Property Business. The performance of the Jewellery Business will be highly dependent on the state of recovery of the global economy, the relaxation of travel restrictions and the number of exhibitions and shows being held in various locations.

Financial review

Overall Revenue

The Group's revenue for the year ended 31 December 2021 was approximately HK\$401.5 million (for the year ended 31 December 2020: approximately HK\$372.0 million), representing a moderate increase of approximately HK\$29.5 million or 7.9% from the corresponding year of 2020. The increase in the Group's revenue was primarily due to the increase in revenue from sale of Jewellery Business which was offset by the decrease in recognition of revenue from sale of properties in the PRC of which a significant portion was recognised in the year ended 31 December 2020.

Revenue from Jewellery Business and Property Business represents approximately 84.3% (for the year ended 31 December 2020: approximately 38.1%) and 15.7% (for the year ended 31 December 2020: approximately 61.9%), respectively, of total revenue for the year ended 31 December 2021.

Jewellery Business

Revenue

The Group's revenue from Jewellery Business for the year ended 31 December 2021 was approximately HK\$338.5 million (for the year ended 31 December 2020: approximately HK\$141.8 million), representing a significant increase of approximately HK\$196.7 million or 138.7% over the corresponding year of 2020.

Sales to Hong Kong and Dubai increased significantly to approximately HK\$180.5 million (for the year ended 31 December 2020: approximately HK\$76.0 million) and approximately HK\$68.1 million (for the year ended 31 December 2020: approximately HK\$40.1 million), respectively, representing a significant increase of 137.5% and increase of 69.8%. Sales to the PRC was approximately HK\$89.9 million (for the year ended 31 December 2020: approximately HK\$25.7 million), representing a significant increase of approximately HK\$64.2 million, or 249.8%, over the corresponding year of 2020. The significant increase in the sales to the PRC was mainly due to the Group's expansion of the wholesale jewellery market in the PRC.

Gross profit and gross profit margin

Gross profit increased significantly from approximately HK\$28.5 million for the year ended 31 December 2020 to approximately HK\$66.1 million for the year ended 31 December 2021, representing a significant increase of approximately HK\$37.6 million, or 131.9%, which is in line with the sales generated from Jewellery Business. The gross profit margin was approximately 24.6% in the Hong Kong and Dubai Region which increased when comparing with the corresponding year of 2020 (for the year ended 31 December 2020: approximately 23.7%). However, the overall gross profit margin was dragged down as during the year ended 31 December 2021 the PRC market constituted a greater portion of the revenue for the Jewellery Business and their gross profit margin was significantly lower as the Group was at the stage of exploring the market.

Property Business

Revenue, gross profit and gross profit margin

Revenue for the year ended 31 December 2021 was approximately HK\$63.0 million (for the year ended 31 December 2020: approximately HK\$225.1 million), representing a significant decrease of approximately HK\$162.1 million, or 72%, for the Property Business. The significant decrease in revenue was mainly due to the decrease in number of units of properties delivered to customers as a significant number of units were delivered and thus revenue was recognised in the year ended 31 December 2020. Rental income for the year ended 31 December 2021 was approximately HK\$14.3 million (for the year ended 31 December 2020: approximately HK\$5.0 million), representing a significant increase of approximately HK\$9.3 million, or 186%. Gross profit recognised for the year ended 31 December 2021 was approximately HK\$33.9 million (for the year ended 31 December 2020: approximately HK\$123.9 million) and the gross profit margin was approximately 53.8% (for the year ended 31 December 2020: approximately 54.9%).

Overall gross profit and gross profit margin

Overall gross profit decreased significantly from approximately HK\$157.4 million for the year ended 31 December 2020 to approximately HK\$100.0 million for the year ended 31 December 2021, representing a decrease of approximately HK\$57.4 million, or 36.5%. Gross profit was composed of, approximately HK\$66.1 million from the Jewellery Business, representing a significant increase of approximately HK\$37.6 million or 131.9%, and approximately HK\$33.9 million from Property Business for the year ended 31 December 2021, representing a significant decrease of approximately HK\$90 million, or 72.6% as compared to the corresponding year ended 31 December 2020.

Other income

Other income decreased from approximately HK\$8.9 million for the year ended 31 December 2020 to approximately HK\$7.3 million for the year ended 31 December 2021, a decrease of approximately HK\$1.6 million or 18.0%. The decrease was mainly due to the decrease of government grants of approximately HK\$1.8 million (for the year ended 31 December 2020: Nil) in respect of Covid-19 related subsidies provided under the Employment Support Scheme of the HKSAR government.

Other gains and losses

Other gains and losses mainly include gain from fair value changes upon transfer of properties held for sale to investment properties of approximately HK\$19.1 million for the year ended 31 December 2021 (for the year ended 31 December 2020: approximately HK\$16.1 million) and gain from changes in fair value of investment properties of approximately HK\$3.0 million for the year ended 31 December 2021 (for the year ended 31 December 2020: loss from changes in fair value of investment properties of approximately HK\$2.3 million).

Finance costs

Finance costs of approximately HK\$0.8 million for the year ended 31 December 2021 (for the year ended 31 December 2020: approximately HK\$1.3 million) related to interest expenses on bank loans and lease liabilities for the operation of the Jewellery Business and the Property Business.

Selling and distribution costs

The increase in selling and distribution costs from approximately HK\$6.8 million for the year ended 31 December 2020 to approximately HK\$10.6 million for the year ended 31 December 2021, representing a significant increase of approximately HK\$3.8 million, or 55.9%. The significant increase was mainly due to additional selling and distribution costs of approximately HK\$2.2 million incurred for the expansion of the business in PRC.

General and administrative expenses

The increase in general and administrative expenses from approximately HK\$42.0 million for the year ended 31 December 2020 to approximately HK\$46.1 million for the year ended 31 December 2021, representing an increase of approximately HK\$4.1 million, or 9.8%, was mainly due to the increase in salaries of approximately HK\$4.5 million for the year ended 31 December 2021 as no directors' salaries were waived for the year ended 31 December 2021 and the increase in staff salaries was in line with growth in the Jewellery Business during the year.

Profit for the year

As a result of the above factors, profit after taxation for the year ended 31 December 2021 was approximately HK\$38.3 million (for the year ended 31 December 2020: approximately HK\$76.5 million), representing a significant decrease of approximately HK\$38.2 million or approximately 50.0% over the corresponding year of 2020.

Financial position

Non-current Assets

Property, plant and equipment as at 31 December 2021 of approximately HK\$67.3 million (as at 31 December 2020: approximately HK\$79.9 million) mainly represented leasehold land and buildings of approximately HK\$64.5 million (as at 31 December 2020: HK\$77.1 million) and plant and machinery, furniture and fixtures and motor vehicles of approximately HK\$2.8 million (2020: approximately HK\$2.8 million). The drop in balance of leasehold land and buildings was mainly due to the net transfer of leasehold land and buildings of approximately HK\$13.3 million to investment properties during the year.

The Group has also changed the use of certain property of approximately HK\$68.8 million (as at 31 December 2020: approximately HK\$90.4 million) from leasehold land and buildings to investment properties for leasing to independent third parties for the year ended 31 December 2021.

Current assets

Current assets as at 31 December 2021 decreased slightly by approximately HK\$10.1 million, or 1.9%, to approximately HK\$526.5 million (as at 31 December 2020: approximately HK\$536.6 million).

Current liabilities

Current liabilities decreased by approximately HK\$13.5 million or 7.8%, to approximately HK\$186.7 million (as at 31 December 2020: approximately HK\$173.2 million).

Trade and other payables which amounted to approximately HK\$57.3 million as at 31 December 2021 (as at 31 December 2020: approximately HK\$51.0 million) comprised of trade payables of approximately HK\$40.6 million (as at 31 December 2020: approximately HK\$31.7 million) and accruals and other payables of approximately HK\$16.7 million (as at 31 December 2020: approximately HK\$19.3 million). Accruals and other payables mainly consist of amount payable for staff salaries and benefits and provision for certain construction obligations. Trade payables increased from approximately HK\$31.7 million for the year ended 31 December 2020 to approximately HK\$40.6 million as at 31 December 2021 mainly due to increase in jewellery sales activities during 2021.

Included in contract liabilities was mainly the deposit received from customers of properties in the PRC, amounted to approximately HK\$32.5 million as at 31 December 2021 (as at 31 December 2020: approximately HK\$75.4 million). The main reason for the decrease of contract liabilities is because of the delivery of the completed properties to the customers.

Liquidity and financial resources

As at 31 December 2021, the Group had current assets of approximately HK\$526.5 million (as at 31 December 2020: approximately HK\$536.6 million) and current liabilities amounted to approximately HK\$186.7 million (as at 31 December 2020: approximately HK\$173.2 million). Accordingly, the current ratio, being the ratio of current assets to current liabilities, was approximately 2.8 as at 31 December 2021 (as at 31 December 2020: approximately 3.2).

Gearing ratio

Based on total borrowings divided by equity, the gearing ratio was 0.04 (as at 31 December 2020: Nil).

Charge on assets

No Group's assets was charged as at 31 December 2021 (as at 31 December 2020: Nil).

Capital commitments

As at 31 December 2021, the Group did not have significant commitments contracted for but not provided in the consolidated financial statements (as at 31 December 2020: Nil).

Employee and remuneration policy

As at 31 December 2021, the Group had approximately 128 employees (as at 31 December 2020: approximately 115 employees) in Hong Kong and the PRC. The total salaries and related costs for the year ended 31 December 2021 amounted to approximately HK\$28.2 million (for the year ended 2020: approximately HK\$23.2 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 eligible employees' (including Directors) contributions to the Group's performance and business developments based on their individual performance. The employees' remuneration, promotion and salary are assessed by reference to their work performance, working experiences, professional qualifications and the prevailing market practices.

Dividend

The Company did not declare any interim dividend for the six months ended 30 June 2021 (2020: Nil).

The Directors propose the payment of HK\$0.02 (as at 31 December 2020: HK\$0.02) per share as the final dividend for the year ended 31 December 2021.

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

Closure of register of members

In order to establish the identity of the Shareholders who are entitled to the proposed final dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, no later than 4:00 p.m. on Thursday, 9 June 2022. The register of members of the Company will be closed from Friday, 10 June 2022 to Wednesday, 15 June 2022, both days inclusive, during which period no transfer of shares will be registered. Subject to the approval by the Shareholders on the proposed final dividend at the annual general meeting to be held, the final dividend will be paid on or around Tuesday, 21 June 2022 to the Shareholders whose names appear on the register of members of the Company on Wednesday, 15 June 2022.

Code on corporate governance practices

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

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

Model code for securities transactions of Directors

The Company adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as the code of conduct for Directors in their dealings in the securities of the Company. Having made specific enquiry of all Directors, the Directors have complied with the Model Code during the year ended 31 December 2021.

Pre-emptive rights

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

Purchase, sale or redemption of listing securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2021.

Sufficiency of public float

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

Audit committee

The audit committee (the “**Audit Committee**”) comprises three independent non-executive Directors namely, Mr. Wong Wai Keung Frederick, Mr. Fan Chor Ho and Mr. Lee Ka Wing. Mr. Wong Wai Keung Frederick is the chairman of the Audit Committee. The Audit Committee has reviewed the audited consolidated financial statements of the Company for the year ended 31 December 2021.

Scope of work of the auditor

The figures above in respect of this annual results announcement for the year ended 31 December 2021 have been agreed with the Company’s auditor, Deloitte Touche Tohmatsu, certified public accountants (“**Deloitte**”), to be consistent with the amounts set out in the Group’s consolidated financial statements for the year. The work performed by Deloitte in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Deloitte on this announcement.

Publication of final results announcement and annual report

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

The annual report of the Company for the year ended 31 December 2021 containing all the information required by the Listing Rules will also be available at the Company's and the Stock Exchange's website and despatched to the Company's shareholders in due course.

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

Hong Kong, 28 March 2022

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