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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 2023**

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 (collectively the “**Group**”) for the year ended 31 December 2023 together with comparative figures for the year ended 31 December 2022 as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	NOTES	2023 HK\$'000	2022 HK\$'000 (Restated)
Revenue	2	348,711	374,049
Cost of goods sold		(246,507)	(259,380)
Gross profit		102,204	114,669
Other income		5,272	3,471
Other gains and losses, net		(2,909)	2,885
Impairment losses under expected credit loss model, net		(1,042)	(20,661)
Selling and distribution costs		(13,590)	(10,773)
General and administrative expenses		(45,580)	(49,260)
Finance costs		(1,061)	(1,003)
Share of result of a joint venture		(35)	—
Share of result of an associate		—	(884)
Profit before taxation	3	43,259	38,444
Taxation	4	(9,101)	(11,029)

	<i>NOTE</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
Profit for the year		<u>34,158</u>	<u>27,415</u>
Other comprehensive expense for the year			
Items that will not be reclassified to profit or loss:			
Equity instruments at fair value through other comprehensive income			
— Change in fair value		(347)	—
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		<u>(9,676)</u>	<u>(38,208)</u>
Other comprehensive expense for the year		<u>(10,023)</u>	<u>(38,208)</u>
Total comprehensive income/(expense) for the year		<u>24,135</u>	<u>(10,793)</u>
Profit/(loss) for the year attributable to:			
Owners of the Company		34,364	29,400
Non-controlling interests		(206)	(1,985)
		<u>34,158</u>	<u>27,415</u>
Total comprehensive income/(expense) for the year attributable to:			
Owners of the Company		24,529	(8,795)
Non-controlling interests		(394)	(1,998)
		<u>24,135</u>	<u>(10,793)</u>
		<i>HK Cents</i>	<i>HK Cents</i>
Earnings per share	6		
— Basic		<u>2.56</u>	<u>2.18</u>
— Diluted		<u>2.56</u>	<u>2.18</u>

Consolidated Statement of Financial Position

At 31 December 2023

	NOTES	2023 HK\$'000	2022 HK\$'000 (Restated)
Non-current assets			
Property, plant and equipment		93,351	60,115
Right-of-use assets		7,894	8,858
Investment properties	7	—	283,267
Interest in an associate		—	—
Interest in a joint venture		185	—
Equity instruments at fair value through other comprehensive income		696	1,043
Prepayment for property, plant and equipment		—	5,872
Rental deposits		—	232
Deferred tax assets		1,139	429
		<u>103,265</u>	<u>359,816</u>
Current assets			
Inventories		140,050	152,061
Properties held for sale	8	350,459	129,735
Trade and other receivables	9	87,575	71,780
Loan receivable from an associate		7,268	9,343
Financial assets at fair value through profit or loss		6,131	7,551
Bank deposits		66,736	63,632
Cash and cash equivalents		76,041	53,870
		<u>734,260</u>	<u>487,972</u>
Current liabilities			
Trade and other payables	10	56,510	74,084
Contract liabilities		4,055	7,398
Lease liabilities		35	1,725
Taxation payable		76,903	66,576
Bank loans		25,029	20,203
Bank overdrafts		—	1,610
		<u>162,532</u>	<u>171,596</u>
Net current assets		<u>571,728</u>	<u>316,376</u>
Total assets less current liabilities		<u>674,993</u>	<u>676,192</u>

	<i>NOTE</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
Non-current liabilities			
Lease liabilities		908	110
Provision for long service payments		898	898
Deferred tax liabilities		23,483	30,432
		<u>25,289</u>	<u>31,440</u>
Net assets		<u>649,704</u>	<u>644,752</u>
Share capital and reserve			
Share capital	11	4,470	4,470
Reserves		638,197	638,235
Equity attributable to owners of the Company		642,667	642,705
Non-controlling interests		7,037	2,047
		<u>649,704</u>	<u>644,752</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 2023 for the preparation of the 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 has 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.

Changes in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund (“MPF”)-Long Service Payment (“LSP”) offsetting mechanism in Hong Kong

In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”) which abolishes the use of the accrued benefits derived from employers’ mandatory MPF contributions to offset severance payment and LSP (the “Abolition”). The Abolition will officially take effect on 1 May 2025 (the “Transition Date”). In addition, under the Amendment Ordinance, the last month’s salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The Group considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee's LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA's guidance, as a result of the Abolition, these contributions are no longer considered "linked solely to the employee's service in that period" since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as "independent of the number of years of service" and the practical expedient in paragraph 93(b) of HKAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19. Accordingly, the Group has recognised a cumulative catch-up adjustment in profit or loss for the service cost, interest expense and remeasurement effect from changes in actuarial assumptions for the year ended 31 December 2022, with corresponding adjustment to the LSP obligation. The cumulative catch-up adjustment is calculated as the difference at the enactment date (16 June 2022) between the carrying amount of the LSP liability calculated under paragraph 93(b) of HKAS 19 before the Abolition and the carrying amount of the LSP liability calculated under paragraph 93(a) of HKAS 19 after the Abolition.

To better reflect the substance of the abolition of the offsetting mechanism, the Group has changed its accounting policy in connection with its LSP liability and has applied the HKICPA guidance retrospectively.

However, since the amounts of the catch-up profit or loss adjustment for the year ended 31 December 2022 and provision for current year were immaterial with reference to the assessment by the external specialist engaged by the Group, this change in accounting policy did not result in material impact on the opening balance of equity at 1 January 2022, and the results, cash flows and earnings per share for the year ended 31 December 2022 and the consolidated financial position as at 31 December 2022.

As at 31 December 2023, the Group's contributions to the MPF Scheme and the accrued interest thereon do not exceed the potential liabilities should the required circumstances specified in the Employment Ordinance be met. Consequently, provision for long service payment of HK\$898,000 (2022: HK\$898,000) is not adjusted.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendment to HKAS 1	Non-current Liabilities with Covenants ²
Amendment to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangement ²
Amendments to HKAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or 1 January 2024.

³ Effective for annual periods beginning on or 1 January 2025.

The directors of the Company anticipate that the application of all the above new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Merger accounting and restatements

On 24 May 2023, the Group entered into the sale and purchase agreement with Jiangmen City Hongxin Construction Project Company Limited* (江門市弘信建設工程有限公司) as vendor (the “**Vendor**”), pursuant to which the Group has agreed to acquire and the Vendor has agreed to dispose of 55% of its entire equity Interests of Guangdong Kaisi New Energy Company Limited* (廣東愷斯新能源有限公司) (the “**Target Company**”) for a cash consideration of approximately RMB7,150,000. Following completion of the acquisition on 3 August 2023, the Target Company became an indirect non-wholly owned subsidiary of the Company.

The details of the acquisition of the Target Company are more fully explained in the announcements named “Connected transaction in relation to the acquisition of the target company in the PRC” published by the Company on 24 May 2023 and 3 August 2023. The announcements are available on the Company’s website and the Stock Exchanges’ website.

As the Target Company is ultimately controlled by Mr. Kan Kin Kwong (“**Mr. Kan**”) before and after the acquisition and that control is not transitory, there would be a continuation of the risks and benefits to Mr. Kan and therefore the acquisition was accounted for as a business combination of entities under common control. The consolidated financial statements of the Group have therefore been prepared using the merger basis of accounting as if the acquisition has occurred from the date when Mr. Kan has obtained control. The net assets of the companies comprising the Group have been consolidated using the existing book values from the perspective of Mr. Kan.

Comparative amounts in the consolidated financial statements are restated as if the entities or businesses had been combined at the beginning of the comparative period.

The consolidated statement of profit or loss and other comprehensive income include the results of combining entities or businesses from the earliest date presented. The effects of all transactions between the combining entities or businesses, whether occurring before or after the Acquisitions, are eliminated.

A uniform set of accounting policies is adopted when preparing the consolidated financial statements.

The effects of the application of merger accounting on the consolidated statement of financial position as at 31 December 2022 are as follows:

	As at 31 December 2022 as previously reported <i>HK\$'000</i>	Adjustments for combination using merger accounting <i>HK\$'000</i>	As at 31 December 2022 as restated <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	60,115	—	60,115
Right-of-use assets	8,858	—	8,858
Investment properties	283,267	—	283,267
Interest in an associate	—	—	—
Equity instruments at fair value through other comprehensive income	1,043	—	1,043
Prepayment for property, plant and equipment	—	5,872	5,872
Rental deposits	232	—	232
Deferred tax assets	429	—	429
	<u>353,944</u>	<u>5,872</u>	<u>359,816</u>
Current assets			
Inventories	152,061	—	152,061
Properties held for sale	129,735	—	129,735
Trade and other receivables	71,780	—	71,780
Loan receivable from an associate	9,343	—	9,343
Financial assets at fair value through profit or loss	7,551	—	7,551
Bank deposits	63,632	—	63,632
Cash and cash equivalents	48,481	5,389	53,870
	<u>482,583</u>	<u>5,389</u>	<u>487,972</u>
Current liabilities			
Trade and other payables	60,671	13,413	74,084
Contract liabilities	7,398	—	7,398
Lease liabilities	1,725	—	1,725
Taxation payable	66,576	—	66,576
Bank loans	20,203	—	20,203
Bank overdrafts	1,610	—	1,610
	<u>158,183</u>	<u>13,413</u>	<u>171,596</u>

	As at 31 December 2022 as previously reported <i>HK\$'000</i>	Adjustments for combination using merger accounting <i>HK\$'000</i>	As at 31 December 2022 as restated <i>HK\$'000</i>
Net current assets	324,400	(8,024)	316,376
Total assets less current liabilities	678,344	(2,152)	676,192
Non-current liabilities			
Lease liabilities	110	—	110
Provision for long service payments	898	—	898
Deferred tax liabilities	30,432	—	30,432
	31,440	—	31,440
Net assets	<u>646,904</u>	<u>(2,152)</u>	<u>644,752</u>
Share capital and reserve			
Share capital	4,470	—	4,470
Reserves	642,076	(3,841)	638,235
Equity attributable to owners of the Company	646,546	(3,841)	642,705
Non-controlling interests	358	1,689	2,047
	<u>646,904</u>	<u>(2,152)</u>	<u>644,752</u>

The effects of the application of merger accounting on the consolidated statement of profit or loss for the year ended 31 December 2022 are as follows:

	For the year ended 31 December 2022 as previously reported HK\$'000	Adjustments for combination using merger accounting HK\$'000	For the year ended 31 December 2022 as restated HK\$'000
Revenue	374,049	—	374,049
Cost of goods sold	(259,380)	—	(259,380)
Gross profit	114,669	—	114,669
Other income	3,469	2	3,471
Other gains and losses	2,885	—	2,885
Impairment losses under expected credit loss model	(20,661)	—	(20,661)
Selling and distribution costs	(10,773)	—	(10,773)
General and administrative expenses	(49,258)	(2)	(49,260)
Finance costs	(1,003)	—	(1,003)
Share of result of an associate	(884)	—	(884)
Profit before taxation	38,444	—	38,444
Taxation	(11,029)	—	(11,029)
Profit for the year	<u>27,415</u>	<u>—</u>	<u>27,415</u>
Earnings per share			
—Basic	HK cents <u>2.18</u>	HK cents <u>—</u>	HK cents <u>2.18</u>
—Diluted	HK cents <u>2.18</u>	HK cents <u>—</u>	HK cents <u>2.18</u>

The effects of the application of merger accounting on the consolidated statement of cash flow for the year ended 31 December 2022 are as follows:

	For the year ended 31 December 2022 as previously reported HK\$'000	Adjustments for combination using merger accounting HK\$'000	For the year ended 31 December 2022 as restated HK\$'000
Operating activities			
Profit before taxation	38,444	—	38,444
Adjustments for:			
Share of result of an associate	884	—	884
Loss on changes in fair value of investment properties	2,367	—	2,367
Gain on fair value changes upon transfer of properties held for sale to investment properties	(5,399)	—	(5,399)
Depreciation on property, plant and equipment	2,559	—	2,559
Depreciation on right-of-use assets	1,694	—	1,694
Dividend income from financial assets at fair value through profit or loss	(711)	—	(711)
Impairment losses under expected credit loss model	20,661	—	20,661
Interest income	(755)	—	(755)
Interest expenses	1,003	—	1,003
Loss on changes in fair value of financial assets at fair value through profit or loss	318	—	318
Gain on disposal of property, plant and equipment	(72)	—	(72)
	<hr/>	<hr/>	<hr/>
Operating cash flows before movements in working capital	60,993	—	60,993
Increase in inventories	(2,792)	—	(2,792)
Decrease in properties held for sale	12,614		12,614
Decrease/(increase) in trade and other receivables and deposits	15,102	(5,872)	9,230
Increase in trade and other payables	5,026	5,631	10,657
Decrease in contract liabilities	(26,287)	—	(26,287)
	<hr/>	<hr/>	<hr/>
Cash generated from/(used in) operations	64,656	(241)	64,415
Tax paid	(4,899)	—	(4,899)
	<hr/>	<hr/>	<hr/>
Net cash generated from/(used in) operating activities	<u>59,757</u>	<u>(241)</u>	<u>59,516</u>

	For the year ended 31 December 2022 as previously reported HK\$'000	Adjustments for combination using merger accounting HK\$'000	For the year ended 31 December 2022 as restated HK\$'000
Investing activities			
Placement of bank deposits	(63,632)	—	(63,632)
Purchase of financial assets at fair value through profit or loss	(7,347)	—	(7,347)
Purchase of equity instruments at fair value through other comprehensive income	(1,043)	—	(1,043)
Purchase of property, plant and equipment	(636)	—	(636)
Proceeds on disposal of financial assets at fair value through profit or loss	17,952	—	17,952
Dividend income from financial assets at fair value through profit or loss	711	—	711
Interest received	755	—	755
Proceeds on disposal of property, plant and equipment	78	—	78
	<u>(53,162)</u>	<u>—</u>	<u>(53,162)</u>
Financing activities			
Capital injection	—	3,960	3,960
Dividends paid	(27,000)	—	(27,000)
Repayment of bank loans	(6,188)	—	(6,188)
Payments for repurchase of shares	(1,952)	—	(1,952)
Repayment of lease liabilities	(1,725)	—	(1,725)
Interest paid	(1,003)	—	(1,003)
Contribution from non-controlling shareholders	1,342	1,689	3,031
	<u>(36,526)</u>	<u>5,649</u>	<u>(30,877)</u>
Net cash (used in)/generated from financing activities			
Net (decrease)/increase in cash and cash equivalents	(29,931)	5,408	(24,523)
Cash and cash equivalents at beginning of the year	78,935	—	78,935
Effect of foreign exchange rate changes	(2,133)	(19)	(2,152)
	<u>46,871</u>	<u>5,389</u>	<u>52,260</u>
Bank balances and cash	48,481	5,389	53,870
Bank overdrafts	(1,610)	—	(1,610)
	<u>46,871</u>	<u>5,389</u>	<u>52,260</u>

2. REVENUE AND SEGMENT INFORMATION

Revenue represents amounts received and receivable for the sales of fine jewellery products, net of discounts and returns, sales and rental of properties, provision of property management services during both years, and the Group commenced in the photovoltaic power generation business during the year as the Group acquired a 55% equity interest in a subsidiary in the People's Republic of China (“PRC”) from the controlling shareholder.

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) Manufacturing and sales of jewellery products business represents manufacturing and 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 and property management business (“**Property business**”); and
- (iii) Photovoltaic power generation business represents sales of electricity which is generated from the photovoltaic power generation system owned by the Group (“**Photovoltaic power generation business**”).

(a) Segment revenue and results

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

For the year ended 31 December 2023

	Jewellery business HK\$'000	Property business HK\$'000	Photovoltaic power generation business HK\$'000	Consolidated HK\$'000
Segment revenue	<u>286,426</u>	<u>59,246</u>	<u>3,039</u>	<u>348,711</u>
Segment results	<u>49,225</u>	<u>6,728</u>	<u>1,249</u>	57,202
Impairment losses under ECL model				(1,042)
Unallocated corporate income				250
Unallocated corporate expenses				(12,055)
Unallocated finance costs				(1,061)
Share of result of a joint venture				(35)
Share of result of an associate				—
Profit before taxation				<u>43,259</u>

For the year ended 31 December 2022 (Restated)

	Jewellery business <i>HK\$'000</i>	Property business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	<u>326,575</u>	<u>47,474</u>	<u>374,049</u>
Segment results	<u>43,741</u>	<u>19,949</u>	63,690
Impairment losses under ECL model			(20,661)
Unallocated corporate income			375
Unallocated corporate expenses			(3,073)
Unallocated finance costs			(1,003)
Share of result of an associate			<u>(884)</u>
Profit before taxation			<u>38,444</u>

Segment results represent the profit earned by each segment and hence is arrived at without allocation of (impairment losses)/reversal of impairment losses under ECL model, share of result of a joint venture, share of result of an associate, and certain unallocated corporate income and expenses and finance costs. 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 segments:

At 31 December 2023

	Jewellery business HK\$'000	Property business HK\$'000	Photovoltaic power generation business HK\$'000	Consolidated HK\$'000
Assets				
Segment assets	311,920	464,370	33,292	809,582
Interest in an associate				—
Interest in a joint venture				185
Equity instruments at fair value through other comprehensive income ("FVTOCI")				696
Deferred tax assets				1,139
Unallocated corporate assets				25,923
Consolidated total assets				837,525
Liabilities				
Segment liabilities	48,327	20,134	17,119	85,580
Taxation payable				76,903
Deferred tax liabilities				23,483
Unallocated corporate liabilities				1,855
Consolidated total liabilities				187,821

At 31 December 2022 (Restated)

	Jewellery business <i>HK\$'000</i>	Property business <i>HK\$'000</i>	Photovoltaic power generation business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets				
Segment assets	328,547	494,501	11,261	834,309
Interest in an associate				—
Equity instruments at FVTOCI				1,043
Deferred tax assets				429
Unallocated corporate assets				<u>12,007</u>
Consolidated total assets				<u><u>847,788</u></u>
Liabilities				
Segment liabilities	68,170	23,411	13,413	104,994
Taxation payable				66,576
Deferred tax liabilities				30,432
Unallocated corporate liabilities				<u>1,034</u>
Consolidated total liabilities				<u><u>203,036</u></u>

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

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

Geographical information

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
Revenue		
— Hong Kong	197,009	227,483
— Dubai	88,651	68,045
— PRC	63,051	78,521
	348,711	374,049

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A in jewellery segment	42,695	52,579

An analysis of the Group's non-current assets (other than interest in an associate, interest in a joint venture, equity instruments at FVTOCI and deferred tax assets) by their physical geographical location is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
PRC	100,289	357,027
Hong Kong	565	853
Dubai	391	464
	101,245	358,344

3. PROFIT BEFORE TAXATION

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Directors' remuneration	8,270	8,202
Other staff's salaries and other benefits	20,795	20,104
Other staff's retirement benefits scheme contributions	<u>1,631</u>	<u>1,364</u>
Total staff costs	<u>30,696</u>	<u>29,670</u>
Auditor's remuneration		
— Audit services	910	1,230
— Non-audit services	230	60
Depreciation of property, plant and equipment	3,264	2,559
Depreciation of right-of-use assets	953	1,694
Cost of inventories recognised as expenses (included in cost of goods sold)	<u>238,164</u>	<u>253,072</u>

4. TAXATION

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
The taxation charge comprises:		
Hong Kong Profits Tax	3,143	3,560
PRC Enterprise Income Tax ("EIT")	7,349	4,207
PRC Land Appreciation Tax ("LAT")	7,565	2,501
Overprovision in prior years	<u>(1,941)</u>	<u>—</u>
	16,116	10,268
Deferred tax (credit)/charge	<u>(7,015)</u>	<u>761</u>
	<u>9,101</u>	<u>11,029</u>

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of assessable profits of the qualifying group entity will be taxed at 8.25%, and assessable 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's manufacturing of fine jewellery products is conducted through its 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 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 properties development.

5. DIVIDEND

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividends recognised as distribution during the year:		
Final dividend for 2022 of HK\$0.02 (2021: HK\$0.02) per share	<u>26,822</u>	<u>27,000</u>

The directors proposed to declare a final dividend of HK\$0.02 per share, totalling approximately HK\$26,820,180 in respect of the year ended 31 December 2023, payable to the shareholders whose names appear on the Company's register of members on 13 June 2024.

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:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
Profit for the year attributable to owners of the Company and earnings for the purposes of calculating basic and diluted earnings per share	<u>34,364</u>	<u>29,400</u>
	Number of shares	
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of calculating both basic and diluted earnings per share	<u>1,341,009</u>	<u>1,348,077</u>

The computation of diluted earnings per share for both years 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 years.

7. INVESTMENT PROPERTIES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
FAIR VALUE		
At 1 January	283,267	300,256
Exchange realignment	(6,150)	(24,143)
Disposals	(18,316)	—
Changes in fair value recognised in profit or loss	(198)	(2,367)
Transfer (to)/from properties held for sale (<i>note (i)</i>)	(255,990)	9,521
Transfer to property, plant and equipment (<i>note (ii)</i>)	(2,613)	—
	<u>—</u>	<u>—</u>
At 31 December	<u>—</u>	<u>283,267</u>

Notes:

- (i) During the year ended 31 December 2022, properties with fair value at the date of transfer of approximately HK\$9,521,000 were transferred from properties held for sale to investment properties due to change in use as a result of commencement of relevant leases. The fair value at the date of transfer was determined by an independent and qualified professional valuer and the excess over the carrying amount of approximately HK\$5,399,000 was recognised in other gains and losses at the date of transfer.

During the year ended 31 December 2023, properties with fair value at the date of transfer of approximately HK\$255,990,000 were transferred from investment properties to properties held for sale as a result of change in use. The fair value at the date of transfer was determined by an independent and qualified professional valuer.

- (ii) During the year ended 31 December 2023, investment properties at the date of transfer with fair value of approximately HK\$2,613,000 were transferred to owner-occupied properties under properties, plant and equipment as a result of change in use. The fair value at the date of transfer were determined by an independent and qualified professional valuer.

All of the Group's properties held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and measured using the fair value model as at 31 December 2022.

8. PROPERTIES HELD FOR SALE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Properties held for sale	<u>350,459</u>	<u>129,735</u>

During the year ended 31 December 2023, properties held for sale with carrying amount of approximately HK\$29,356,000 (2022: HK\$12,614,000) were sold to third parties.

As at 31 December 2023, properties held for sale with carrying amount of approximately HK\$74,559,000 (2022: Nil) are restricted for local rental purpose according to a letter from the Foshan Shunde District Housing, Urban-Rural Development and Water Conservancy Bureau* (佛山市順德區住房城鄉建設和水利局) dated 13 October 2023.

As at 31 December 2023, certain of the Group's properties held for sale with a net carrying amount of approximately HK\$44,889,000 (2022: Nil) were pledged to secure a bank loan newly granted to a PRC subsidiary during the year.

9. TRADE AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
Trade receivables	84,058	80,717
Less: Allowance for expected credit losses	<u>(22,658)</u>	<u>(24,092)</u>
	61,400	56,625
Other receivables, prepayments and deposits	24,426	20,661
Amount due from a joint venture	1,487	—
Amount due from an associate	<u>262</u>	<u>366</u>
	<u>87,575</u>	<u>77,652</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.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0–30 days	15,796	12,684
31–60 days	13,310	11,494
61–180 days	27,580	25,888
181–365 days	4,714	5,108
Over 1 year	<u>—</u>	<u>1,451</u>
	<u>61,400</u>	<u>56,625</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 the customer base being large and unrelated.

As at 31 December 2022, following the assessment of individual balances based on the Group's historical default experiences and the individual characteristics of each customer including but not limited to the aging profile and financial position together with other forward looking factors, the Group has provided an impairment loss on ECL of approximately HK\$16,888,000 on trade receivables for the year.

As at 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$41,152,000 (2022: HK\$33,585,000) which are past due as at the reporting date. Included in the past due balances of HK\$16,661,000 (2022: HK\$9,140,000) has been past due 90 days or more and is not considered as in default based on good repayment records for those customers and continuous business with the Group. The grouping is regularly reviewed by management of the Group to ensure relevant information about specific debtors is updated.

Other receivables, prepayments and deposits mainly consists of value-added tax recoverable.

10. TRADE AND OTHER PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (Restated)
Trade payables	32,481	40,031
Accruals and other payables	24,029	34,053
	<u>56,510</u>	<u>74,084</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0–60 days	13,616	28,761
61–90 days	3,556	1,551
Over 90 days	15,309	9,719
	<u>32,481</u>	<u>40,031</u>

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

11. SHARE CAPITAL

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Authorised:		
3,000,000,000 ordinary shares of one third Hong Kong cent each (2022: 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 (2022: 1,341,009,000 ordinary shares of one third Hong Kong cent each)	<u>4,470</u>	<u>4,470</u>

The movements in the Company's share capital for the years ended 31 December 2022 and 2023 were as follows:

	Number of ordinary shares	Nominal value of ordinary shares <i>HK\$'000</i>
Authorised:		
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	<u>3,000,000,000</u>	<u>10,000</u>
Issued and fully paid:		
At 1 January 2022	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, 1 January 2023 and 31 December 2023	<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

Material acquisitions and disposals of subsidiaries and affiliated companies

On 24 May 2023, Perfect Jewellery (China) Co. Limited (“**Perfect Jewellery (China)**”), an indirect wholly-owned subsidiary of the Company, entered into an acquisition agreement (the “**Agreement**”) with Jiangmen City Hongxin Construction Project Co., Ltd.* (江門市弘信建設工程有限公司) (“**Jiangmen City Hongxin**”), a company wholly-owned by Mr. Kan Kin Kwong (who is an executive Director and a controlling shareholder of the Company) (“**Mr. Kan**”), in relation to the acquisition of the 55% equity interests in Guangdong Kaisi New Energy Co., Ltd. (“**Guangdong Kaisi**”), which was principally engaged in the Photovoltaic Power Generation Business, from Jiangmen City Hongxin for a consideration of approximately RMB7.15 million (the “**Acquisition of Guangdong Kaisi**”). As at the date of the Agreement, Jiangmen City Hongxin was wholly-owned by Mr. Kan. Accordingly, Jiangmen City Hongxin is a connected person of the Company and the Acquisition of Guangdong Kaisi constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the Agreement and the transactions contemplated thereunder were more than 0.1% but less than 5%, the Agreement and the transaction contemplated thereunder were subject to the reporting and announcement requirements but exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules. The Acquisition of Guangdong Kaisi was completed in August 2023. For further details, please refer to the Company’s announcements dated 24 May 2023 and 3 August 2023.

As disclosed in note 1 to the consolidated financial statements, given the Company and Guangdong Kaisi are ultimately controlled by Mr. Kan before and after the Acquisition of Guangdong Kaisi and that control is not transitory, there would be a continuation of the risks and benefits to Mr. Kan and therefore the Acquisition of Guangdong Kaisi was accounted for a business combination of entities under common control.

The consolidated financial statements of the Group have therefore been prepared using the merger basis of accounting as if acquisition has occurred from the date when Mr. Kan has obtained control. The net assets of the companies comprising the Group have been consolidated using the existing book values from the perspective of Mr. Kan.

Comparative amounts in the consolidated financial statements are presented restated as if the entities or businesses had been combined at the beginning of the comparative period.

The effect of merger accounting has the impact of including the profit of Guangdong Kaisi amounted to nil and approximately HK\$0.9 million for the years ended 31 December 2022 and 2023 respectively. Without the Acquisition of Guangdong Kaisi, the profit attributable to the shareholders of the Company (the “**Shareholder(s)**”) was approximately HK\$29.4 million which remained unchanged as compared to that of year ended 31 December 2022.

Save as disclosed above, the Group did not have any material acquisitions or disposals of subsidiaries and associates during the year ended 31 December 2023 and up to the date of this announcement.

Business review, outlook and prospects

The principal businesses of the Group are (a) designing, manufacturing and sales of high-end fine jewellery (primarily mounted with diamonds) (the “**Jewellery Business**”); (b) investment in and the 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 People’s Republic of China (the “**PRC**”) (the “**Property Business**”) as an integrated and comprehensive industry park (the “**Perfect Group Jewellery Industry Park**”); and (c) sales of electricity generated from the photovoltaic power generation system (the “**Photovoltaic Power Generation Business**”) with the Acquisition of Guangdong Kaisi.

The Jewellery Business

During the year ended 31 December 2023, the Jewellery Business continued to be affected by a macroeconomic environment of heightened geopolitical tensions, complex relationship between the PRC and the United States, increasing interest rates and declining economic growth expectation which weakened the customer sentiment significantly. Despite the market uncertainties and externalities beyond our control, the Group were committed to participating actively in various shows, fairs and exhibitions held in both Hong Kong and overseas. In addition, our sales team was devoted to visiting the overseas customers and soliciting more sales orders from existing and potential customers.

Outlook for the Jewellery Business

In the first quarter of 2024, the Group is still affected by the above continuous macroeconomic environment, and it is expected that the Jewellery Business in the future will still face challenges. The Group will be committed to enhancing the deployment of jewellery fairs and exhibitions in Hong Kong and overseas and developing competitive jewellery styles in the market for the purpose of attracting new customers and consolidating the Jewellery Business.

The Group will continue to take a proactive and responsive approach informed by our extensive experience and deep insight into the Jewellery Business. The Group aims to strengthen business resilience by staying vigilant and actively monitoring the dynamic and fast evolving market conditions. The Group will remain cautiously optimistic about the Jewellery Business in the coming months.

The Property Business

Pursuant to the Group's accounting policy, revenue is recognised when the control over the ownership or physical possession of the property is transferred to customers, being the point in time when the Group satisfies its performance obligations under contracts. Since the second half of 2018, the Group has started to deliver the completed units, including industrial units and staff quarter, to its customers. As the units sold have been delivered, revenue recognition has proceeded as scheduled. The Group has also leased out part of the units, including industrial units, shops, canteen, car parks and dormitory. The leasing of properties and the provision of management services in the Perfect Group Jewellery Industry Park have generated stable income for the Group.

Outlook for the Property Business

It is expected that the properties held by the Group will continue to be sold or leased. The rental and management fee income will continue to make stable contributions to the Property Business. In the first quarter of 2024, the Group's occupancy rate of executive dormitories has significantly improved. In addition, the Group will also be committed to optimizing the car park leasing business in the Perfect Group Jewellery Industry Park, which will help enhance the profitability of the Property Business.

The Photovoltaic Power Generation Business

The Group, while not only actively making its efforts to strengthen the development of both the Jewellery Business and the Property Business, it is also on the lookout for and explores new business opportunities to diversify its existing revenue streams and to improve its overall profitability of the Group. With the Acquisition of Guangdong Kaisi, the photovoltaic power generation became a new business segment of the Group in the PRC. This business involves sales of electricity which is generated from the photovoltaic power generation system owned by the Group and Guangdong Kaisi charges users for approximately 70% to 90% of the official charge rate stipulated by the local electricity bureau. In case the customers could not utilise all the electricity generated, the unutilised electricity would be sold to the local electricity bureau at a reduced rate.

During the year ended 31 December 2023, the Group completed the grid connection of eight projects in the PRC with an aggregate maximum capacity of approximately 5,882 kilo-Watt and the power generation was approximately 3.6 million units during the year ended 31 December 2023.

Outlook for the Photovoltaic Power Generation Business

In recent years, in order to address frequent global extreme climate change and mitigate the impact of rising fossil fuel prices, renewable and clean energy, represented by photovoltaics, has become a trend of the world. With the long-term PRC government strategic support, continuous technological advances and cost reductions, photovoltaic power is now the renewable energy with the greatest development potential. With lower cost as compared with the inflated fossil fuel prices, demand for photovoltaic products in the future is expected to increase. Moreover, the Group is also actively researching the plan for the photovoltaic energy storage system in the hope of creating synergies between the Photovoltaic Power Generation Business and the energy storage business.

Financial review

Overall Revenue

	2023		2022		Increase/(Decrease)	
	<i>HK\$'000</i>	%	<i>HK\$'000</i> (Restated)	%	<i>HK\$'000</i>	%
Jewellery Business	286,426	82.1	326,575	87.3	(40,149)	12.3
Property Business	59,246	17.0	47,474	12.7	11,772	24.8
Photovoltaic Power Generation Business	3,039	0.9	—	—	3,039	N/A
	<u>348,711</u>	100.0	<u>374,049</u>	100.0	<u>(25,338)</u>	(6.8)

The revenue decreased from approximately HK\$374.0 million from the year ended 31 December 2022 to approximately HK\$348.7 million for the year ended 31 December 2023, representing a decrease of approximately HK\$25.3 million or 6.8%. The decrease was primarily due to the decrease in revenue from the Jewellery Business of approximately HK\$40.1 million and such impact was partially offset by the increase in revenue from the Property Business of approximately HK\$11.8 million and the Photovoltaic Business of approximately HK\$3.0 million.

The revenue from the Jewellery Business, the Property Business and the Photovoltaic Power Generation Business represented approximately 82.1% (for the year ended 31 December 2022: approximately 87.3%), approximately 17.0% (for the year ended 31 December 2022: approximately 12.7%) and approximately 0.9% (for the year ended 31 December 2022: Nil), respectively, of the revenue for the year ended 31 December 2023.

	2023	2022	Increase(Decrease)	
	HK\$'000	HK\$'000	HK\$'000	%
		(Restated)		
Hong Kong	197,009	227,483	(30,474)	(13.4)
Dubai	88,651	68,045	20,606	30.3
PRC	63,051	78,521	(15,470)	(19.7)
	<u>348,711</u>	<u>374,049</u>	<u>(25,338)</u>	<u>(6.8)</u>

The revenue from Hong Kong decreased from approximately HK\$227.5 million for the year ended 31 December 2022 to approximately HK\$197.0 million for the year ended 31 December 2023, representing a decrease of approximately HK\$30.5 million or 13.4%.

The revenue from Dubai increased from approximately HK\$68.1 million for the year ended 31 December 2022 to approximately HK\$88.7 million for the year ended 31 December 2023, representing an increase of approximately HK\$20.6 million or 30.3%.

The revenue from the PRC decreased from approximately HK\$78.5 million for the year ended 31 December 2022 to approximately HK\$63.1 million for the year ended 31 December 2023, representing a decrease of approximately HK\$15.4 million or 19.7%.

The decrease in revenue in Hong Kong and the PRC was mainly due to the weak customer sentiment during the year ended 31 December 2023. The revenue increase in Dubai was primarily due to the effort attributed by our sales team visiting our overseas customers more frequently during the year ended 31 December 2023.

Overall gross profit and gross profit margin

	2023		2022		Increase (Decrease)			
	Gross profit (loss)	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin		
	HK\$'000	%	HK\$'000	%	HK\$'000	%	Percentage point	%
			(Restated)	(Restated)				
Jewellery Business	80,495	28.1	85,120	26.1	(4,625)	(5.4)	2.0	7.7
Property Business	20,010	33.8	29,549	62.2	(9,539)	(32.2)	(28.5)	(45.7)
Photovoltaic Power Generation Business	1,707	56.2	—	—	1,707	N/A	56.2	N/A
Unallocated	(8)	—	—	—	(8)	N/A	N/A	N/A
	<u>102,204</u>	<u>29.3</u>	<u>114,669</u>	30.7	(12,457)	(10.9)	(1.4)	(4.6)

The overall gross profit decreased from approximately HK\$114.7 million for the year ended 31 December 2022 to approximately HK\$102.2 million for the year ended 31 December 2023, representing a decrease of approximately HK\$12.5 million or 10.9%. The gross profit composed of approximately HK\$80.5 million from the Jewellery Business for the year ended 31 December 2023, representing a decrease of approximately HK\$4.6 million or 5.4% as compared to the year ended 31 December 2022; approximately HK\$20.0 million from the Property Business for the year ended 31 December 2023, representing a decrease of approximately HK\$9.5 million or 32.2% as compared to the year ended 31 December 2022; and approximately HK\$1.7 million from the Photovoltaic Power Generation Business.

The overall gross profit margin decreased slightly from approximately 30.7% for the year ended 31 December 2022 to approximately 29.3% for the year ended 31 December 2023, representing a decrease of approximately 1.4 percentage point or 4.6%.

The Jewellery Business

Revenue

The revenue from the Jewellery Business decreased from approximately HK\$326.6 million for the year ended 31 December 2022 to approximately HK\$286.4 million for the year ended 31 December 2023, representing a decrease of approximately HK\$40.2 million or 12.3% for the Jewellery Business. The decrease was mainly due to the decrease in revenue from Hong Kong and the PRC and such impact was partially offset by the increase in revenue from the Dubai region.

Gross profit and gross profit margin

The gross profit decreased from approximately HK\$85.1 million for the year ended 31 December 2022 to approximately HK\$80.5 million for the year ended 31 December 2023, representing a decrease of approximately HK\$4.6 million or 5.4%, which was in line with the decrease in sales in the Jewellery Business in Hong Kong and the PRC. The gross profit margin increased from approximately 26.1% for the year ended 31 December 2022 to approximately 28.1% for the year ended 31 December 2023, representing an increase of approximately 2.0 percentage point or 7.7%. The increase in gross profit margin was in line with the decrease in revenue and gross profit from the PRC which gross profit margin is relatively lower.

The Property Business

Revenue

	2023	2022	Increase (Decrease)	
	HK\$'000	HK\$'000	HK\$'000	%
Sales of properties	34,195	25,042	9,153	36.6
Rental income	14,069	15,913	(1,844)	(11.6)
Property management fee income	10,982	6,519	4,463	68.5
	<u>59,246</u>	<u>47,474</u>	<u>11,772</u>	<u>24.8</u>

The revenue from the Property Business increased from approximately HK\$47.5 million for the year ended 31 December 2022 to approximately HK\$59.3 million for the year ended 31 December 2023, representing an increase of approximately HK\$11.8 million or 24.8%. The increase was mainly due to the increase in sales of properties and property management fee income. During the year ended 31 December 2023, the number of units of properties delivered to customers is 17 (for the year ended 31 December 2022: 15) and the saleable gross floor area sold and delivered is approximately 7,313 square metres (for the year ended 31 December 2022: approximately 4,903 square metres). Rental income for the year ended

31 December 2023 was approximately HK\$14.1 million (for the year ended 31 December 2022: approximately HK\$15.9 million, representing a decrease of approximately HK\$1.8 million or 11.6%). The decrease in rental income was mainly due to certain properties being purchased by the tenants and thus less rental income being generated during the year ended 31 December 2023.

Property management fee income for the year ended 31 December 2023 was approximately HK\$11.0 million (for the year ended 31 December 2022: approximately HK\$6.5 million, representing an increase of approximately HK\$4.5 million or 68.5%). The increase in property management fee income was mainly due to the increase in gross floor area under management during the year ended 31 December 2023.

Gross profit and gross profit margin

The gross profit recognised for the year ended 31 December 2023 was approximately HK\$20.0 million (for the year ended 31 December 2022: approximately HK\$29.6 million) and the gross profit margin was approximately 33.8% (for the year ended 31 December 2022: approximately 62.2%). The decrease in both gross profit and gross profit margin was mainly resulted from the sale of certain properties, which were recognised as investment properties at fair value vis-s-vis market value, were transferred from investment properties to properties held for sale as a result of change in use during the year ended 31 December 2023. As revaluation gain had been recognised in previous years, the cost of such properties recorded was higher than the original cost of such properties, and therefore a lower gross profit and gross profit margin recorded from sale of such properties.

The Photovoltaic Power Generation Business

Revenue, gross profit and gross profit margin

The revenue from the Photovoltaic Power Generation Business was approximately HK\$3.0 million for the year ended 31 December 2023 (2022: Nil). The gross profit and gross profit margin was approximately HK\$1.7 million (2022: Nil) and 56.2% respectively.

Other income

The other income increased from the approximately HK\$3.4 million for the year ended 31 December 2022 to approximately HK\$5.3 million for the year ended 31 December 2023, representing an increase of approximately HK\$1.9 million or 55.9%. The increase was primarily due to the increase in interest income from approximately HK\$0.8 million for the year ended 31 December 2022 to approximately HK\$3.2 million for the year ended 31 December 2023 resulting from the increase in interest rates from the bank deposits and the increase in average balances of bank deposits during the year ended 31 December 2023.

Other gains and losses

The other losses was approximately HK\$2.9 million for the year ended 31 December 2023 (for the year ended 31 December 2022: other gains of approximately HK\$3.0 million), representing a decrease of approximately HK\$5.9 million or 196.7% for the year ended 31 December 2023. The decrease was mainly due to (i) the increase in loss on changes in fair value of financial assets at fair value through profit or loss from approximately HK\$0.3 million for the year ended 31 December 2022 to approximately HK\$1.4 million for the year ended 31 December 2023; (ii) the loss from disposal of investment properties of approximately HK\$1.6 million (for the year ended 31 December 2022: Nil); and (iii) the gain from changes in fair value upon transfer of properties held for sale to investment properties of approximately HK\$5.4 million being recognised during the year ended 31 December 2022 whilst there was no such gain recorded during the year ended 31 December 2023.

Impairment losses under expected credit loss model

The impairment losses under expected credit loss model mainly include reversal of impairment losses resulting from trade receivables of approximately HK\$0.8 million (for the year ended 31 December 2022: approximately HK\$16.9 million) and impairment provision resulting from a loan receivable from an associate in the PRC of approximately HK\$1.9 million (for the year ended 31 December 2022: approximately HK\$3.8 million).

Finance costs

The finance costs of approximately HK\$1.1 million for the year ended 31 December 2023 (for the year ended 31 December 2022: approximately HK\$1.0 million) related to interest expenses on bank loans and lease liabilities for the operations of the Jewellery Business, the Property Business and the Photovoltaic Power Generation Business.

Selling and distribution costs

The selling and distribution costs increased from approximately HK\$10.8 million for the year ended 31 December 2022 to approximately HK\$13.6 million for the year ended 31 December 2023, representing an increase of approximately HK\$2.8 million or 25.9%. The increase was mainly due to the increase in jewellery show, fair and exhibition expenses for the year ended 31 December 2023.

General and administrative expenses

The general and administrative expenses decreased from approximately HK\$49.3 million for the year ended 31 December 2022 to approximately HK\$45.6 million for the year ended 31 December 2023, representing a decrease of approximately HK\$3.7 million or 7.5%. The decrease was mainly due to the tightening expenditure control of certain subsidiaries for the year ended 31 December 2023.

Profit for the year

As a result of the above factors, the profit after taxation for the year ended 31 December 2023 was approximately HK\$34.2 million (for the year ended 31 December 2022: approximately HK\$27.4 million), representing an increase of approximately HK\$6.8 million or 24.8%.

Financial position

Non-current Assets

The property, plant and equipment as at 31 December 2023 of approximately HK\$93.4 million (as at 31 December 2022: approximately HK\$60.1 million) mainly represented leasehold land and buildings of approximately HK\$57.5 million (as at 31 December 2022: HK\$57.8 million), plant and machinery of approximately HK\$32.4 million (as at 31 December 2022: Nil), and furniture and fixtures and motor vehicles of approximately HK\$3.5 million (2022: approximately HK\$2.3 million). The increase in property, plant and machinery was mainly due to the installation of photovoltaic equipment for the Photovoltaic Power Generation Business and certain plant and machinery for the newly developed Environmental Protection Centre (環保中心) located in the Perfect Group Jewellery Industry Park during the year ended 31 December 2023.

During the year ended 31 December 2023, properties with fair value at the date of transfer of approximately HK\$256.0 million were transferred from investment properties to properties held for sale as a result of change in use. The fair value at the date of transfer was determined by an independent and qualified professional valuer (as at 31 December 2022: approximately HK\$9.5 million were transferred from leasehold land and buildings to investment properties for leasing to independent third parties).

Current assets

The current assets increased from approximately HK\$488.0 million as at 31 December 2022 to approximately HK\$734.3 million as at 31 December 2023, representing an increase of approximately HK\$246.3 million or 50.5%. The increase was mainly due to properties with fair value at the date of transfer of approximately HK\$256.0 million being transferred from investment properties included under non-current assets to properties held for sale as a result of change in use during the year ended 31 December 2023.

Current liabilities

The current liabilities decreased from approximately HK\$171.6 million as at 31 December 2022 to approximately HK\$162.5 million as at 31 December 2023, representing a decrease of approximately HK\$9.1 million or 5.3%.

The trade and other payables which amounted to approximately HK\$56.5 million as at 31 December 2022 (as at 31 December 2022: approximately HK\$74.1 million) comprised trade payables of approximately HK\$32.5 million (as at 31 December 2022: approximately HK\$40.0 million) and accruals and other payables of approximately HK\$24.0 million (as at 31 December 2022: approximately HK\$34.1 million). The accruals and other payables mainly consist of amounts payable for staff salaries and benefits and provision for certain construction obligations. The decrease in trade and other payables was mainly due to the settlement of balances during the year ended 31 December 2023 and the restatement of the other payables including the consideration of approximately RMB7.15 million (equivalent to approximately HK\$7.94 million) arisen from the Acquisition of Guangdong Kaisi as at 31 December 2022 which was settled during the year ended 31 December 2023.

Included in contract liabilities was mainly the deposit received from customers of properties in the PRC, which amounted to approximately HK\$4.1 million as at 31 December 2023 (as at 31 December 2022: approximately HK\$6.3 million). The decrease was mainly due to the delivery of completed properties to customers.

Liquidity and financial resources

As at 31 December 2023, the current assets of the Group amounted to approximately HK\$734.3 million (as at 31 December 2022: approximately HK\$488.0 million). The reason for the increase in current assets is set out in the paragraph headed “Current assets” above. The current liabilities of the Group amounted approximately HK\$162.5 million (as at 31 December 2022: approximately HK\$171.6 million). Accordingly, the current ratio, which is the ratio of current assets to current liabilities, was approximately 4.5 as at 31 December 2023 (as at 31 December 2022: approximately 2.8).

Gearing ratio

Based on total borrowings divided by equity attributable to owners of the Company, the gearing ratio was approximately 0.04 (as at 31 December 2022: approximately 0.03).

Charge on assets

As at 31 December 2023, certain of the Group’s buildings and properties held for sale with a net carrying amount of approximately HK\$4.6 million and HK\$44.9 million respectively (2022: Nil) were pledged to secure a bank loan newly granted to a PRC subsidiary during the year.

Capital commitments

As at 31 December 2023, the Group had capital commitments in respect of the plant and machinery contracted but not provided for amounting to HK\$0.6 million (as at 31 December 2022: Nil).

Segment reporting

Details of the segment reporting of the Group for the year ended 31 December 2023 are set out in note 2 to the consolidated financial statements.

Contingent liabilities

The Group provided guarantees amounting to approximately RMB60.2 million (equivalent to approximately HK\$66.3 million) as at 31 December 2023 (as at 31 December 2022: approximately RMB13.0 million (equivalent to approximately HK\$14.7 million)) to facilitate mortgage bank loan applications of the 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 default of the parties involved is remote. Accordingly, no value has been recognised at the inception of the guarantee contracts and at the end of the reporting period as at 31 December 2023 and 31 December 2022.

Subsequent event

Subsequent to 31 December 2023 and up to the date of this announcement, there was no important event affecting the Group.

Employee and remuneration policy

As at 31 December 2023, the Group had a total of 159 employees (as at 31 December 2022: 150 employees) in Hong Kong and the PRC. The total salaries and related costs for the year ended 31 December 2023 amounted to approximately HK\$30.7 million (for the year ended 31 December 2022: approximately HK\$29.7 million).

The Group offers competitive remuneration package to incentivise the staff to improve their work performance. The Company has a share option scheme in place as a means of encouraging and rewarding 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 2023 (for the six months ended 30 June 2022: Nil).

The Board proposes the payment of HK\$0.02 per share as the final dividend for the year ended 31 December 2023 (for the year ended 31 December 2022: HK\$0.02 per share).

The proposed final dividend is subject to the approval by 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 the 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, 6 June 2024. The register of members of the Company will be closed from Friday, 7 June 2024 to Thursday, 13 June 2024, 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 Wednesday, 19 June 2024 to the Shareholders whose names appear on the register of members of the Company on Thursday, 13 June 2024.

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 Appendix C1 (formerly Appendix 14) to the Listing Rules. Since the date of listing of the shares of the Company on the Stock Exchange and up to the date of this announcement, the Company has met the applicable code provisions set out in Part 2 of the CG Code, except for the deviation from code provision C.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 operations and growth of its business.

According to code provision C.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. The role of the chairman of the Board has been assumed by Mr. Kan Kin Kwong, who is also the chief executive officer of the Company. 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 roles of the chairman of the Board and the chief executive officer of the Company in the same individual is beneficial to the management and business development of the Group. The balance of power and authority is ensured by the operations of the Board and the senior management, which comprise experienced and high calibre individuals. The Board will continue to review and consider splitting the roles of the chairman of the Board and the chief executive officer of the Company 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 by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 (formerly Appendix 10) to the Listing Rules as the code of conduct for the Directors in their dealings in the securities of the Company. Having made specific enquiry of all Directors, the Directors complied with the Model Code and the Company’s code of conduct during the year ended 31 December 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 Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Purchase, sale or redemption of listed securities

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities (for the year ended 31 December 2022: the Company repurchased 8,991,000 of its own shares from the market which were subsequently cancelled).

Sufficiency of public float

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

Audit committee

The audit committee of the Board (the “**Audit Committee**”) has been established in compliance with Rules 3.21 and 3.22 of the Listing Rules with written terms of reference in compliance with the CG Code. The primary roles of the Audit Committee include, but are not limited to, (a) making recommendations to the Board on the appointment, reappointment and removal of external auditors, and approving remuneration and terms of engagement of external auditors, and any questions of their resignation or dismissal; (b) monitoring integrity of the Company’s financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly report, and reviewing significant financial reporting judgements contained therein; and (c) reviewing the Company’s financial controls, and risk management and internal control systems. The Audit Committee has reviewed and confirmed the accounting principles and practices adopted by the Group and discussed the auditing, internal control, risk management and financial reporting matters. The annual results of the Group for the year ended 31 December 2023 have also been reviewed by 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 serves as the chairman of the Audit Committee.

Scope of works of the auditor

The figures above in respect of this annual results announcement for the year ended 31 December 2023 have been agreed with the Company’s auditor, Moore CPA Limited (“**Moore**”), to be consistent with the amounts set out in the Group’s consolidated financial statements for the year. The works performed by Moore 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 Moore on this announcement.

Publication of annual results announcement and annual report

This annual results announcement is published on the 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 2023 containing all the information required by the Listing Rules will also be available at the Company's and the Stock Exchange's websites and despatched to the Shareholders in due course.

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

Hong Kong, 25 March 2024

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.

** The English names of the companies established in the PRC represent management's translation of the Chinese names of such companies and are for information purpose only.*