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**AFFLUENT PARTNERS HOLDINGS LIMITED**

**錢唐控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1466)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022**

**RESULTS**

The board of directors (the “**Directors**” or the “**Board**”) of Affluent Partners Holdings Limited (the “**Company**”) hereby announces the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2022, together with the comparative figures for the previous year, as follows:

\* For identification purposes only

# **CONSOLIDATED INCOME STATEMENT**

*For the year ended 31 March 2022*

		<b>2022</b>	2021
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Revenue	4	<b>62,647</b>	43,324
Cost of sales		<b>(51,655)</b>	(51,947)
Gross profit/(loss)		<b>10,992</b>	(8,623)
Other (losses)/gains, net	6	<b>(736)</b>	4,305
Fair value loss on convertible loan notes		–	(4,168)
Fair value loss on unlisted property fund		–	(4,710)
Reversal of/(provision for) allowance for expected credit losses (“ECL”) on trade receivables, net		<b>4,525</b>	(12,905)
Provision for allowance for ECL on other receivables		<b>(10,260)</b>	(289)
Selling expenses		<b>(801)</b>	(582)
Administrative expenses		<b>(14,806)</b>	(20,667)
Operating loss		<b>(11,086)</b>	(47,639)
Finance income		<b>5</b>	7
Finance costs		<b>(4,381)</b>	(4,445)
Finance costs, net		<b>(4,376)</b>	(4,438)
<b>Loss before income tax</b>	7	<b>(15,462)</b>	(52,077)
Income tax credit	8	–	292
<b>Loss for the year attributable to equity holders of the Company</b>		<b>(15,462)</b>	(51,785)
<b>Loss per share</b>	9		(Restated)
Basic and diluted		<b>HK\$(0.04)</b>	HK\$(0.21)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 March 2022*

	<b>2022</b> <b>HK\$'000</b>	2021 <b>HK\$'000</b>
Loss for the year	<b>(15,462)</b>	(51,785)
Other comprehensive income/(loss): <i>Item that may be reclassified subsequently to profit or loss</i>		
— Exchange difference on translation of financial statements of foreign operations	<b>157</b>	(1,140)
<b>Other comprehensive income/(loss) for the year, net of tax</b>	<b>157</b>	(1,140)
<b>Total comprehensive loss for the year attributable to equity holders of the Company</b>	<b>(15,305)</b>	(52,925)

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*As at 31 March 2022*

		<b>2022</b>	2021
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>412</b>	533
Right-of-use assets		<b>2,142</b>	1,216
Investment in associates		–	–
Financial asset at fair value through other comprehensive income		–	–
Unlisted property fund		–	–
		<b>2,554</b>	1,749
<b>Current assets</b>			
Inventories		<b>23,976</b>	24,827
Trade and other receivables, deposits and prepayments	<i>11</i>	<b>31,994</b>	40,765
Cash and cash equivalents		<b>23,585</b>	24,424
		<b>79,555</b>	90,016
<b>Current liabilities</b>			
Trade and other payables, contract liabilities and accruals	<i>12</i>	<b>14,405</b>	13,922
Lease liabilities		<b>1,282</b>	1,271
Other borrowings	<i>13</i>	<b>29,776</b>	30,000
Amount due to immediate holding company		–	339
		<b>45,463</b>	45,532
<b>Net current assets</b>		<b>34,092</b>	44,484
<b>Total assets less current liabilities</b>		<b>36,646</b>	46,233

		<b>2022</b>	2021
	<i>Note</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Non-current liabilities</b>			
Lease liabilities		<u>779</u>	<u>288</u>
<b>Net assets</b>		<u><b>35,867</b></u>	<u>45,945</u>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	14	<b>6,393</b>	5,328
Reserves		<u><b>29,474</b></u>	<u>40,617</u>
<b>Total equity</b>		<u><b>35,867</b></u>	<u>45,945</u>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022

	Attributable to equity holders of the Company					Total HK\$'000
	Share	Share	Translation	Share	Accumulated	
	capital	premium	reserve	option	losses	
	(Note 14) HK\$'000	(Note a) HK\$'000	(Note b) HK\$'000	(Note c) HK\$'000	(Note d) HK\$'000	
Balances at 1 April 2020	3,700	576,509	(1,564)	11,348	(504,861)	85,132
Loss for the year	–	–	–	–	(51,785)	(51,785)
Other comprehensive loss:						
Exchange difference on translation of financial statements of foreign operations	–	–	(1,140)	–	–	(1,140)
Total comprehensive loss for the year	–	–	(1,140)	–	(51,785)	(52,925)
Equity-settled share-based payments	–	–	–	30	–	30
Lapse of share options	–	–	–	(1,917)	1,917	–
Placing of new shares (Note 14(b))	1,628	12,080	–	–	–	13,708
Balances at 31 March 2021	<u>5,328</u>	<u>588,589</u>	<u>(2,704)</u>	<u>9,461</u>	<u>(554,729)</u>	<u>45,945</u>
Balances at 1 April 2021	<b>5,328</b>	<b>588,589</b>	<b>(2,704)</b>	<b>9,461</b>	<b>(554,729)</b>	<b>45,945</b>
Loss for the year	–	–	–	–	(15,462)	(15,462)
Other comprehensive income:						
Exchange difference on translation of financial statements of foreign operations	–	–	157	–	–	157
Total comprehensive loss for the year	–	–	157	–	(15,462)	(15,305)
Lapse of share options	–	–	–	(708)	708	–
Placing of new shares (Note 14(c))	<u>1,065</u>	<u>4,162</u>	–	–	–	<u>5,227</u>
Balances at 31 March 2022	<u><b>6,393</b></u>	<u><b>592,751</b></u>	<u><b>(2,547)</b></u>	<u><b>8,753</b></u>	<u><b>(569,483)</b></u>	<u><b>35,867</b></u>

*Notes:*

- (a) Share premium account of the Company represents the excess of the proceeds received over the nominal value of the Company's shares issued.
- (b) Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of certain subsidiaries whose functional currencies are different from that of presentation currency.
- (c) Share option reserve represents the portion of grant date fair value of the actual or estimated number of unexercised share options of the Company.
- (d) The Peoples Republic of China (the "**PRC**") laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the net profit (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holders. All statutory reserves are created for specific purposes. PRC company is required to appropriate 10% of statutory net profits to statutory surplus reserves, and before distribution of its post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the companies, to expand the companies' production operations, or to increase the capital of the companies. In addition, a company may make further discretionary contribution to the surplus reserve using its post-tax profits in accordance with resolutions of the board of directors. As at 31 March 2022 and 2021, no statutory surplus reserves is provided as the PRC subsidiaries continued to make losses in their operations.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

Affluent Partners Holdings Limited (the “**Company**”, collectively with its subsidiaries, the “**Group**”) was incorporated in the Cayman Islands on 13 May 2014 as an exempted company with limited liability under the Companies Law, Cap 22 (Laws 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company’s principal place of business changed from Office A, 6/F, Valiant Commercial Building, 22-24 Prat Avenue, Tsim Sha Tsui, Kowloon, Hong Kong to Room 906, 9/F., Wings Building, 110-116 Queen’s Road Central, Central, Hong Kong with effect from 12 November 2021.

The Company is an investment holding company. The Group is principally engaged in (i) the purchasing, processing, designing, production and wholesale distribution of pearls and jewellery products and (ii) the operation of strategic investment and financial services segment, with the objective to include investments in real estate agency business and real estate investment funds and other potential investment opportunities.

As at 31 March 2022 and 2021, in the opinion of directors of the Company, the ultimate holding company and the ultimate controlling parties of the Company were Pacific Wish Limited, a company incorporated in Hong Kong with limited liability, and Mr. Chan Vincent Wing Sing and Ms. Hui Ka Man Emily, respectively.

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 17 October 2014.

## 2. BASIS OF PREPARATION AND PRESENTATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange (“**Listing Rules**”).

The consolidated financial statements have been prepared on historical cost basis except for certain financial instruments which are measured at fair values at the end of reporting period.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise stated.

It should be noted that accounting estimates and assumptions have been used in preparation of the consolidated financial statements. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are set out in Note 5 *Critical accounting estimates and judgements*.



### 3. ADOPTION OF AMENDED HKFRSs

#### Amended HKFRSs that are mandatorily effective for the current year

In the current year, the Group has adopted, for the first time, the following amended HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's consolidated financial statements for the accounting period beginning on 1 April 2021.

Amendment to HKFRS 16	COVID-19-Related Rent Concessions
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

The adoption of the amended HKFRSs in the current year has had no material impact on the Group's consolidated financial performance and positions for the current and prior years and/or the disclosure set out in the consolidated financial statements.

#### New and revised HKFRSs in issue but not yet effective

At the date of this announcement, the Group has not early adopted any of the following new and revised HKFRSs, that have been issued but are not yet effective, in these consolidated financial statements:

HKFRS 17	Insurance Contracts and the related Amendments <sup>3</sup>
Amendment to AG 5	Accounting Guideline 5 Merger Accounting for Common Control Combinations (Revised) <sup>2</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>3</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>3</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>3</sup>
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023

The Group has already commenced an assessment of the related impact of adopting the above new and revised HKFRSs. So far, it has concluded that the above new and revised HKFRSs will be adopted at the respective effective dates and the adoption of them is unlikely to have a significant impact on these consolidated financial statements of the Group.

#### 4. REVENUE

Revenue from sales of pearls and jewellery represents the amounts received and receivable from customers in respect of goods sold less returns and allowances.

Interest income on financial assets is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

The Group's revenue recognised during the year is as follows:

	2022 HK\$'000	2021 HK\$'000
Sales of pearls and jewellery from contracts with customers within the scope of HKFRS 15 recognised at a point in time	59,942	41,244
— Sales of pearls	4,956	1,987
— Design and sales jewellery products	54,986	39,257
Revenue from other sources outside the scope of HKFRS 15		
Interest income from strategic investment and financial services	2,705	2,080
	<b>62,647</b>	<b>43,324</b>

The Group has adopted the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for pearls and jewellery products such that information about revenue that the Group will be entitled to when it satisfies the remaining unsatisfied (or partially satisfied) performance obligations under the contracts for all contracts that had an original expected duration of one year or less is not disclosed.

#### 5. SEGMENT INFORMATION

The Group's operating segments have been determined based on the information reported to the executive directors, being the chief operating decision maker of the Group, that are used for performance assessment and to make strategic decisions. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other operating segments. The Group currently has two operating segments:

- |   |  |
|---|--|
| (a) Sales of pearls and jewellery products      | Design and sales of jewellery products, and sales of pearls            |
| (b) Strategic investment and financial services | Real estate financial assets investments and investments in associates |

The executive directors assess the performance of the operating segments based on a measure of segment results. This measurement basis excludes the effects of non-recurring expenditure and of corporate expenses from the operating segments. Other information provided to the executive directors is measured in a manner consistent with that in the consolidated financial statements.

An analysis of the Group's reportable segment revenue, results, assets, liabilities and other selected financial information by operating segments are as follows:

	<b>Sales of pearls and jewellery products <i>HK\$'000</i></b>	<b>Strategic investment and financial services <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
<b>For the year ended 31 March 2022</b>			
<b>Segment revenue</b>	<b><u>59,942</u></b>	<b><u>2,705</u></b>	<b><u>62,647</u></b>
Segment profit/(loss)	<u>1,908</u>	<u>(9,013)</u>	(7,105)
Finance income			5
Finance costs			(4,381)
Unallocated corporate gains			511
Unallocated corporate expenses			<u>(4,492)</u>
Loss before income tax			<u>(15,462)</u>
<b>For the year ended 31 March 2021</b>			
<b>Segment revenue</b>	<b><u>41,244</u></b>	<b><u>2,080</u></b>	<b><u>43,324</u></b>
Segment loss	<u>(39,664)</u>	<u>(2,600)</u>	(42,264)
Finance income			7
Finance costs			(4,445)
Equity-settled share-based payments			(30)
Unallocated corporate expenses			<u>(5,345)</u>
Loss before income tax			<u>(52,077)</u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the years.

Segment results represent profit/(loss) incurred by each segment without allocation of central administrative expenses including directors' emoluments and salaries and other operating expenses incurred by the Company and the investment holding companies, certain other (losses)/gains and finance income and costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

## Segment assets and liabilities

The following is an analysis of the carrying amount of assets and liabilities analysed by the geographical area of operations of the Group:

At 31 March 2022

	Sales of pearls and jewellery products <i>HK\$'000</i>	Strategic investment and financial services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment assets</b>			
— Hong Kong	56,759	105	56,864
— The United Kingdom (the “UK”)	–	20,628	20,628
— The PRC	4,361	–	4,361
	<u>61,120</u>	<u>20,733</u>	81,853
Unallocated corporate assets			<u>256</u>
Total assets			<u>82,109</u>
<b>Segment liabilities</b>			
— Hong Kong	(7,394)	(295)	(7,689)
— The PRC	(1,186)	–	(1,186)
	<u>(8,580)</u>	<u>(295)</u>	(8,875)
Unallocated corporate liabilities			<u>(37,367)</u>
Total liabilities			<u>(46,242)</u>

**At 31 March 2021**

	Sales of pearls and jewellery products <i>HK\$'000</i>	Strategic investment and financial services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Segment assets</b>			
— Hong Kong	52,468	60	52,528
— The UK	—	33,394	33,394
— The PRC	3,227	—	3,227
	<u>55,695</u>	<u>33,454</u>	<u>89,149</u>
Unallocated corporate assets			<u>2,616</u>
Total assets			<u>91,765</u>
<b>Segment liabilities</b>			
— Hong Kong	(4,138)	(1,536)	(5,674)
— The PRC	(1,013)	—	(1,013)
	<u>(5,151)</u>	<u>(1,536)</u>	<u>(6,687)</u>
Unallocated corporate liabilities			<u>(39,133)</u>
Total liabilities			<u>(45,820)</u>

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

- all assets are allocated to operating segments other than certain property, plant and equipment, certain deposits and prepayments, and certain cash and cash equivalents that are not attributable to individual segments.
- all liabilities are allocated to operating segments other than certain accruals and other payables, contract liabilities, an amount due to immediate holding company and other borrowings that are not attributable to individual segments.

## Other segment information

### For the year ended 31 March 2022

	Sales of pearls and jewellery products <i>HK\$'000</i>	Strategic investment and financial services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Amounts included in the measure of segment profit/(loss) and segment assets</b>			
Additions to property, plant and equipment	–	46	46
Depreciation of property, plant and equipment	(185)	(4)	(189)
Depreciation of right-of-use assets	(1,166)	–	(1,166)
Reversal of allowance for ECL on trade receivables, net	4,525	–	4,525
Provision for allowance for ECL on other receivables	–	(10,260)	(10,260)
Provision for impairment losses on inventories, net	(1,459)	–	(1,459)
Impairment loss on property, plant and equipment and right-of-use assets	–	(4)	(4)
	<u>–</u>	<u>(4)</u>	<u>(4)</u>

### For the year ended 31 March 2021

	Sales of pearls and jewellery products <i>HK\$'000</i>	Strategic investment and financial services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Amounts included in the measure of segment loss and segment assets</b>			
Additions to property, plant and equipment	25	–	25
Depreciation of property, plant and equipment	(466)	(62)	(528)
Depreciation of right-of-use assets	(1,236)	(415)	(1,651)
Gain on disposals of property, plant and equipment	156	–	156
Fair value loss on convertible loan notes	–	(4,168)	(4,168)
Fair value loss on unlisted property fund	–	(4,710)	(4,710)
Written off of prepayments	(1,491)	–	(1,491)
Provision for allowance for ECL on trade receivables, net	(12,905)	–	(12,905)
Provision for allowance for ECL on other receivables	–	(289)	(289)
Provision for impairment losses on inventories, net	(9,995)	–	(9,995)
Impairment loss on property, plant and equipment and right-of-use assets	–	(378)	(378)
Written off of property, plant and equipment	(888)	–	(888)
	<u>(888)</u>	<u>(378)</u>	<u>(1,266)</u>

## Geographical Information

The Group mainly operates in Hong Kong, the PRC, the United States of America (“USA”), the UK and Europe. The Group’s revenue from external customers based on the locations of operations and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets*	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
North America <sup>#</sup>				
— The USA	53,595	30,098	—	—
— Others	—	37	—	—
Europe				
— The UK	2,894	2,329	—	—
— Others	1,449	1,328	—	—
Hong Kong	3,352	6,786	2,078	1,098
Asian countries				
— The PRC (excluding Hong Kong)	53	966	476	651
— Japan	—	84	—	—
— Others	69	22	—	—
Others	1,235	1,674	—	—
	<u>62,647</u>	<u>43,324</u>	<u>2,554</u>	<u>1,749</u>

\* Non-current assets included property, plant and equipment and right-of-use assets only.

<sup>#</sup> Included in the sales of pearls and jewellery products segment, revenue from the transactions with one individual customer, which is located in the USA, amounted to approximately HK\$50,954,000 (2021: HK\$25,336,000) which represented approximately 81% (2021: 58%) of total revenue of the Group for the year ended 31 March 2022.

## 6. OTHER (LOSSES)/GAINS, NET

	2022 HK\$'000	2021 HK\$'000
Exchange (loss)/gain, net	(1,105)	6,331
Gain on disposals of property, plant and equipment	–	156
Gain on disposal of a subsidiary	511	–
Written off of property, plant and equipment	–	(888)
Impairment loss on property, plant and equipment and right-of-use assets	(4)	(378)
Gain on early termination of lease premises	–	33
Compensation of early termination of leases*	–	(1,840)
Government grants <sup>#</sup>	–	381
Others	(138)	510
	<u>(736)</u>	<u>4,305</u>

\* During the year ended 31 March 2021, the Group had negotiated with certain landlords for terminating certain lease agreements for the operation of factories in the PRC and office in Hong Kong. The compensation of early termination of leases of approximately HK\$1,840,000 was paid to landlords and recognised as other loss in the consolidated profit or loss.

<sup>#</sup> The government grants were mainly consisted of the sum received from the relevant authorities of the PRC to support enterprise against the negative brought by the COVID-19 pandemic. There were no unfulfilled conditions or contingencies relating to these grants.

## 7. LOSS BEFORE INCOME TAX

	2022 HK\$'000	2021 HK\$'000
Costs of inventories sold, excluding provision for impairment on inventories	48,493	38,362
Provision for impairment loss on inventories, net <sup>#</sup>	1,459	9,995
Employee benefits expense (including directors' emoluments) (Note)	11,159	16,003
Auditor's remuneration		
— Audit services		
— current year	580	550
— Non-audit services	58	10
Depreciation of property, plant and equipment	189	528
Depreciation of right-of-use assets	1,166	1,651
Written off of prepayments	–	1,491
(Reversal of)/provision for allowance for ECL on trade receivables, net (Note 11(a))	(4,525)	12,905
Provision for allowance for ECL on other receivables, net (Note 11(b))	10,260	289
Short-term leases payments, gross	304	174
Exhibition expenses	298	96
Commission expenses	–	53
	<u></u>	<u></u>

<sup>#</sup> The amount was included in the cost of sales in the consolidated profit or loss.

Note:

No forfeited contribution available for offset against existing contributions to pension costs defined contribution plans and social security costs during the year (2021: Nil).



## 8. INCOME TAX CREDIT

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Deferred tax:		
Net credit for current year	—	(292)
Income tax credit	—	(292)

### **Hong Kong Profits Tax**

No provision for Hong Kong Profits Tax has been made as the Group has tax losses brought forward which are available for off-set against the estimated assessable profits for the year. For the year ended 31 March 2021, no provision for Hong Kong Profits Tax had been made as the Group had no estimated assessable profits. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of entity not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

### **PRC corporate income tax**

In accordance with the relevant PRC corporate income tax laws, regulations and implementation guidance notes, subsidiaries in the PRC are subject to the PRC corporate income tax rate at 25% of the estimated assessable profits during the year (2021: 25%). No provision for PRC corporate income tax has been made as the PRC subsidiaries have no estimated assessable profits for the year ended 31 March 2022 (2021: Nil).

### **Withholding tax on distributed/undistributed profits**

The PRC tax law imposes a withholding tax at 10%, unless reduced by a tax treaty, for dividends distributed by PRC subsidiaries to its immediate holding company outside the PRC for earnings generated beginning on 1 January 2008. No withholding tax on distributed/undistributed profits of the Group for the year ended 31 March 2022 (2021: Nil).

## 9. LOSS PER SHARE

The calculation of the basic loss per share is calculated by dividing the loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares.

	2022 HK\$'000	2021 HK\$'000
Loss attributable to equity holders of the Company	<u>(15,462)</u>	<u>(51,785)</u>
<b>Number of shares</b>	<b>2022 '000</b>	<b>2021 '000 (Restated)</b>
Weighted average number of ordinary shares for the purpose of calculating basic loss per share ( <i>thousands</i> )	<u><b>354,590</b></u>	<u>248,837</u>

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. The weighted average number of shares used for the purpose of calculating basic loss per share for the years has been adjusted for the adjustment factor calculated in respect of the issue of shares pursuant to the Rights Issue (Note 14(d)) which occurred subsequent to the end of reporting period. Accordingly, the basic and diluted loss per share for the year ended 31 March 2021 have been restated.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The potential ordinary shares of the Company are share options. The calculation of dilutive effect of share options is determined by the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

For the years ended 31 March 2022 and 2021, the assumed conversion of potential ordinary shares in relation to the share option has an anti-dilutive effect to the basic loss per share.

## 10. DIVIDEND

The directors do not recommend any payment of dividend in respect of the year ended 31 March 2022 (2021: Nil).

## 11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022 HK\$'000	2021 HK\$'000
Trade receivables ( <i>Note (a)</i> )	5,667	5,480
Other receivables, deposits and prepayments ( <i>Note (b)</i> )	26,327	35,285
	<u>31,994</u>	<u>40,765</u>

*Notes:*

### (a) Trade receivables

	2022 HK\$'000	2021 HK\$'000
Trade receivables, gross	23,306	31,751
Less: allowance for ECL on trade receivables	(17,639)	(26,271)
Trade receivables, net	<u>5,667</u>	<u>5,480</u>

The following is an ageing analysis of trade receivables, net of allowance for ECL, as at the reporting date, based on invoice dates which approximate the respective revenue recognition dates:

	2022 HK\$'000	2021 HK\$'000
0 to 30 days	4,140	4,501
31 to 90 days	1,527	494
91 to 180 days	–	485
	<u>5,667</u>	<u>5,480</u>

The Group's retail sales to customers are mainly made in cash or through credit card payments. The trade receivables arising from credit card sales are normally settled in one to two business days in arrears. For the remaining customers, the Group generally grants a credit period of 30 days to 120 days, according to industry practice together with consideration of their credibility, repayment history and years of establishment. A longer credit period may be granted to large or long-established customers with good payment history.

An ageing analysis of these trade receivables, net of allowance for ECL, as at the reporting date, based on due dates, is as follows:

	<b>2022</b> <b>HK\$'000</b>	2021 HK\$'000
Not overdue	<b>297</b>	383
Overdue by:		
1 to 30 days	<b>3,843</b>	4,170
31 to 90 days	<b>1,527</b>	442
91 to 180 days	<u>–</u>	<u>485</u>
	<b><u>5,667</u></b>	<b><u>5,480</u></b>

The Group did not hold any collateral as security or other credit enhancements in respect of trade receivables that are past due but not impaired.

The management of the Company makes reference to the historical repayment to assess the impairment for individual debtors with significant balances while the Group collectively assesses the impairment for its remaining customers using a provision matrix with appropriate groupings based on shared credit risk characteristics of customers by reference to geographical area, past default experience and current past due exposure and are adjusted for forward-looking information (for example, the current and forecasted economic growth rates, export data and default rate in respective regions, which reflect the general economic conditions of the regions in which the debtors operate) that is available without undue cost or effort.

The allowance for impairment are measured at lifetime ECL in accordance with simplified approach. Included in the overdue balances of approximately HK\$Nil (2021: HK\$485,000) has been overdue more than 90 days and the directors of the Company consider these are not in default based on the expected subsequent and historical repayment from certain largest customers and continuous business with the Group.

Movements in the allowance for ECL on trade receivables under HKFRS 9 are as follows:

	<b>Lifetime ECL — not credit impaired HK\$'000</b>	<b>Lifetime ECL — credit impaired HK\$'000</b>	<b>Total HK\$'000</b>
As at 1 April 2020	2,367	14,731	17,098
Changes in the loss allowance:			
— Written off	—	(3,732)	(3,732)
— Transferred to Lifetime ECL — credit impaired	(806)	806	—
— (Credited)/charged to consolidated profit or loss ( <i>Note 7</i> )	(1,547)	14,452	12,905
As at 31 March 2021 and 1 April 2021	<b>14</b>	<b>26,257</b>	<b>26,271</b>
Changes in the loss allowance:			
— Written off	—	(4,107)	(4,107)
— Charged/(credited) to consolidated profit or loss ( <i>Note 7</i> )	<b>1,024</b>	<b>(5,549)</b>	<b>(4,525)</b>
<b>As at 31 March 2022</b>	<b><u>1,038</u></b>	<b><u>16,601</u></b>	<b><u>17,639</u></b>

*Notes:*

- (a) There has been no change in the estimation techniques or significant assumptions made during the year in assessing the loss allowance for the trade receivables.
- (b) As of 31 March 2022, trade receivables with gross carrying amount of approximately HK\$16,601,000 (2021: HK\$26,257,000) were fully impaired and provided for those credit-impaired customers which are in unexpectedly difficult economic situations.

**(b) Other receivables, deposits and prepayments**

	<b>2022 HK\$'000</b>	<b>2021 HK\$'000</b>
Other receivables		
Transferred from convertible loan notes ( <i>Note (i)</i> )	<b>20,628</b>	33,394
Others	<b>269</b>	290
	<b><u>20,897</u></b>	<u>33,684</u>
Deposits	<b>587</b>	539
Prepayments	<b>4,843</b>	1,062
	<b><u>26,327</u></b>	<u>35,285</u>

*Note:*

- (i) On 10 November 2017, the Group entered into the investment agreement and subscribed for certain convertible loan notes issued by Wonderland (UK) Holdings Limited (“**Wonderland (UK)**”). The principal amount was GBP3,500,000 (equivalent to approximately HK\$35,994,000) which carried interest at 6% per annum and payable on the date on which the convertible loan notes become payable or are redeemed. The maturity date of the convertible loan notes was on 9 November 2020 and would be redeemed at 100% of the principal amount.

On 9 November 2020, all convertible loan notes expired and no conversion option was exercised by the Group. The outstanding principal amount of GBP3,500,000 and accrued interest of approximately GBP571,000 were not yet settled. At the date of expiry, the directors of the Company reassessed the business model for holding the convertible loan notes. In the opinion of the directors of the Company, the Group opted for not converting any conversion option to convert the loan notes to the ordinary share of Wonderland (UK) and the purpose of the Group held such receivables are for collecting contractual cash flows which are solely payments of principal and interest on the principal amount outstanding, as such, the receivables are classified as financial asset measured at amortised cost during the year ended 31 March 2021. Accordingly, the Group has reclassified the convertible loan notes at fair value through profit or loss measurement category into the amortised cost measurement category and its fair value amount of approximately GBP2,930,000 (equivalent to approximately HK\$29,907,000) has become the gross carrying amount of other receivables in the consolidated statement of financial position upon its expiry.

As at 31 March 2022, the outstanding carrying amount of the principal of convertible loan notes of approximately GBP1,960,000 (equivalent to approximately HK\$20,158,000 (2021: GBP2,930,000 (equivalent to approximately HK\$29,907,000))) was recognised as receivables and included in other receivables.

As at 31 March 2022, gross carrying amount of the outstanding principal and its accumulated interest receivables of approximately GBP3,500,000 (equivalent to approximately HK\$35,994,000) (2021: GBP3,500,000 (equivalent to approximately HK\$37,407,000)) and approximately GBP82,000 (equivalent to approximately HK\$840,000) (2021: GBP221,000 (equivalent to approximately HK\$2,364,000)) were not yet settled and accumulated allowance for credit loss on outstanding principal and interest receivables of approximately GBP1,540,000 (equivalent to approximately HK\$15,836,000 (2021: GBP570,000 (equivalent to approximately HK\$6,088,000))) and GBP36,000 (equivalent to approximately HK\$370,000) (2021: GBP27,000 (equivalent to approximately HK\$289,000)) respectively were made. Subsequent to the end of reporting period, the Group further entered into a deed of variation with Wonderland (UK), together with all the guarantors (ie. all the shareholders of Wonderland UK), that repayment date of the convertible loan notes is extended to 31 October 2022. The directors considered this extension of repayment date is the final extension. In the opinion of the directors of the Company, the entire outstanding principal amount and relevant interest receivables are expected to be settled on or before 31 October 2022. The receivables are guaranteed by the shareholders of Wonderland (UK).

As at 31 March 2022, such other receivables with carrying amount amounting to approximately HK\$20,628,000 has been pledged to secure the other borrowings granted to the Group (Note 13(i)).

The carrying amounts of the trade and other receivables approximate their fair values as these financial assets, which are measured at amortised cost, are expected to be received within one year.

## 12. TRADE AND OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

	2022 HK\$'000	2021 HK\$'000
Trade payables	4,595	2,453
Accrued payroll and employee benefits	756	722
Other payables and other accruals	9,054	10,747
	<u>14,405</u>	<u>13,922</u>

An ageing analysis of trade payables, as at the reporting date, based on invoice dates, is as follows:

	2022 HK\$'000	2021 HK\$'000
0 to 60 days	4,089	2,153
61 to 120 days	428	141
More than 120 days	78	159
	<u>4,595</u>	<u>2,453</u>

As at 31 March 2022, consideration payables of HK\$4,000,000 (2021: HK\$4,000,000) for acquisition of 30% interest in Guardian City Limited, and loan interest payables of HK\$698,000 (2021: HK\$1,109,000) were included in other payables.

The carrying amounts of trade and other payables, deposits received and accruals approximate their fair values.

## 13. OTHER BORROWINGS

	2022 HK\$'000	2021 HK\$'000
Other borrowings — secured		
Within one year or on demand ( <i>Note (i)</i> )	29,776	28,000
Other borrowings — unsecured		
On demand ( <i>Note (ii)</i> )	—	2,000
	<u>29,776</u>	<u>30,000</u>

Notes:

- (i) As at 31 March 2022, the Group's secured other borrowings with carrying amount of HK\$29,776,000 (2021: HK\$28,000,000) bear fixed interest rate at 15.0% per annum and is scheduled to be repayable on 25 July 2022 with repayable on demand clause. The borrowings are provided by an independent third party of the Group. The other borrowings are secured by other receivables (Note 11(b)(i)) with an aggregate borrowing amount of HK\$29,776,000 (2021: HK\$28,000,000) and accrued interests, if any. After the year ended 31 March 2022 and up to the date of issuance of these financial statements, other borrowings of approximately HK\$25,976,000 and accrued interests of approximately HK\$1,214,000 have been repaid upon receipt of net proceeds from Rights Issue (Note 14(d)).
- (ii) As at 31 March 2021, the borrowing was repayable on demand with a fixed interest rate at 12% per annum. The borrowing was provided by the Company's beneficial owner, Mr. Chan Vincent Wing Sing. During the year ended 31 March 2022, the interest expense of approximately HK\$181,000 (2021: HK\$240,000) was recognised in the consolidated profit or loss, and fully settled during the year.

#### 14. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Authorised:		
At 1 April 2020, ordinary shares of HK\$0.002 each	5,000,000	10,000
Effect of share consolidation (Note (a))	(4,500,000)	–
At 31 March 2021, 1 April 2021 and 31 March 2022, ordinary shares of HK\$0.02 each	500,000	10,000
Issued and fully paid:		
At 1 April 2020	1,849,950	3,700
Placing of new shares (Note (b))	369,900	740
Effect of share consolidation (Note (a))	(1,997,865)	–
Placing of new shares (Note (b))	44,392	888
At 31 March 2021 and 1 April 2021	266,377	5,328
Placing of new shares (Note (c))	53,272	1,065
<b>At 31 March 2022</b>	<b>319,649</b>	<b>6,393</b>



*Notes:*

- (a) Pursuant to the ordinary resolution passed by the shareholders of the Company at the extraordinary general meeting of the Company held on 3 September 2020, a share consolidation was approved with effect from 7 September 2020 in which every ten shares issued and unissued ordinary share of HK\$0.002 each in the share capital of the Company was consolidated into one consolidated share having a par value of HK\$0.02 per consolidated share (“**Share Consolidation**”). Immediately upon the Share Consolidation becoming effective, the authorised share capital of the Company of HK\$10,000,000 was divided into 500,000,000 consolidated shares, of which 221,984,964 consolidated shares were issued and fully paid. Details of the Share Consolidation was disclosed in the circular of the Company dated 10 August 2020.

**(b) Placings in 2021**

On 14 May 2020, the Company entered into the placing agreement with the placing agent pursuant to which the Company has conditionally agreed to place, through the placing agent on a best efforts basis, up to 369,900,000 placing shares at the placing price of HK\$0.025 per placing share to certain independent placees. The net proceeds (after deducting the placing commission and other related expenses and professional fees of approximately HK\$461,000) from the placing has been used for general working capital for the Group including the settlement of the writ of summons as detailed in the Company’s announcement dated 17 March 2020. Accordingly, the Group’s share capital was increased by approximately HK\$740,000 and the remaining balance of approximately HK\$8,047,000 was credited to the share premium account.

On 7 January 2021, the Company entered into the placing agreement with the placing agent pursuant to which the Company has conditionally agreed to place, through the placing agent on a best efforts basis, up to 44,392,000 placing shares at the placing price of HK\$0.116 per placing share to certain independent placees. The net proceeds (after deducting the placing commission and other related expenses and professional fees of approximately HK\$229,000) from the placing has been used for general working capital for the Group including the partial repayment of the Group’s loan and accrued interests due on 12 January 2021. Accordingly, the Group’s share capital was increased by approximately HK\$888,000 and the remaining balance of approximately HK\$4,033,000 was credited to the share premium account.

**(c) Placing in 2022**

On 1 September 2021, the Company entered into the placing agreement with the placing agent pursuant to which the Company has conditionally agreed to place, through the placing agent on a best efforts basis, up to 53,272,000 placing shares at the placing price of HK\$0.103 per placing share to certain independent placees. The net proceeds (after deducting the placing commission and other related expenses and professional fees of approximately HK\$260,000) from the placing has been used for general working capital for the Group including the partial repayment of the Group’s loan and accrued interests of approximately HK\$1 million as detailed in the Company’s announcement dated 1 September 2021. Accordingly, the Group’s share capital was increased by approximately HK\$1,065,000 and the remaining balance of approximately HK\$4,162,000 was credited to the share premium account.

**(d) Rights issue after 31 March 2022**

On 28 January 2022, the Company proposed rights issue on the basis of one rights share for every one existing share held on 17 March 2022 (“**Rights Issue**”), at the subscription price of HK\$0.11 per rights share (“**Rights Share**”).

On 4 May 2022, total of 18 valid acceptances and applications had been received for a total of 292,798,833 Rights Shares, which comprise: (i) a total of 9 valid acceptances for provisional allotments under the renounceable provisional allotment letters (“**PALs**”) in respect of a total of 159,587,737 Rights Shares, representing approximately 49.93% of the total number of Rights Shares available under the Rights Issue; and (ii) a total of 9 valid applications for excess Rights Shares under the form(s) of application for use by the qualifying shareholders who wish to apply for excess Rights Shares (“**EAFs**”) in respect of a total of 133,211,096 Rights Shares, representing approximately 41.67% of the total number of Rights Shares available under the Rights Issue.

On 5 May 2022, all conditions to the underwriting agreement entered into between the Company and underwriter dated 28 January 2022 have been fulfilled and became unconditional. As a result of the under subscription of the Rights Issue and in accordance with the terms of the Underwriting Agreement, the underwriter has procured subscribers to subscribe for 26,850,131 unsubscribed Rights Shares, representing approximately 8.40% of the total number of Rights Shares available for subscription under the Rights Issue.

The Rights Issue (as defined in Note 14(d)) has been completed and the Group received total net proceeds (after deducting the estimated rights issue commission and other related expenses and professional fees of approximately HK\$2,354,000) amounting to approximately HK\$32,900,000. Partial of the proceeds had been used for repayment of the Group’s other borrowings of approximately HK\$25,976,000 and accrued interests of HK\$1,214,000.

Details of the transaction was disclosed in the circular of the Company dated 17 March 2022, the prospectus of the Company dated 19 April 2022 and announcements of the Company dated 28 January 2022, 17 February 2022, 1 April 2022 and 12 May 2022 respectively.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL OVERVIEW**

The Board hereby reports the results of the Company and the Group for the year ended 31 March 2022 (“FY22”). During FY22, the consolidated loss attributable to equity holders of the Company was HK\$15.5 million (year ended 31 March 2021 (“FY21”): HK\$51.8 million), representing a substantial decrease in losses of 70% as compared with that in FY21. The basic loss per share was HK\$0.04 (FY21 (restated): HK\$0.21), representing a substantial decrease of 81% as compared with that in FY21 mainly due to the increase in revenue and decrease in fair value losses as compared with that in FY21.

### **BUSINESS REVIEW**

#### **Pearls and Jewellery Business Segment**

The Group is one of the world’s largest merchants, purchasers and processors of pearls, with its customers spanning through 50 countries and regions around the globe. Leveraging its own competitive advantages, which include the close and stable relationship with customers and suppliers, the Group has offered vertically integrated product chain and built a renowned reputation in the pearl and jewellery industry.

The global market sentiment for pearl and fine jewellery continued to be very weak during the year which had an adverse impact on demand of the Group’s pearl and jewellery products. While the Company expect the impact of COVID-19 outbreak on the Pearls and Jewellery Business Segment in these countries is not long-term on the basis that (i) the increased popularity of online shopping by consumers which allows consumers to buy online in the event of closure of physical stores following the lockdown measures; (ii) recent breakthrough in the development and use of vaccines for preventing COVID-19 infections by well-established international pharmaceutical companies; and (iii) the easing of national partial lockdown measures in the United States and Europe. The segmental revenue generated from the Pearls and Jewellery Business Segment increased from HK\$41.2 million in FY21 to HK\$59.9 million in FY22. For FY22, the return on capital of pearls and jewellery products was 3.7% (FY21: (57.0)%).

While the Board considers the market sentiment is continuously improving, nevertheless, the unprecedented circumstances brought about by the COVID-19 pandemic continue to pose challenges to the business of the Group, the Group will continue to strictly control costs and improve operation efficiency and productivity in a bid to stay competitive. The Group will continue to actively participate in various important jewellery and gem fairs around the world when the Outbreak is stable in order to maintain its diversified customer base.

## Strategic Investment and Financial Services Segment

During FY22, the Group maintained the real estate investment business through the Strategic Investment and Financial Services Segment. This segment has been in operation and its objectives include investments in real estate agency business, real estate investment funds and co-working space industry as well as other potential investment opportunities.

On 22 February 2018, the Group entered into a subscription agreement with Orient Capital Opportunity Fund SPC (the “**Investment Fund**”) pursuant to which the Group has agreed to subscribe for participating shares of the value equivalent to HK\$76 million in the Investment Fund in respect of the Orient Capital Real Estate Fund SP (the “**Sub-Fund**”) in accordance with the terms and conditions of the subscription agreement and the private placing memorandum. The principal investment objective of the Sub-Fund is to achieve capital returns by investing solely in a residential estate project (the “**Project**”) in West London. As at 31 March 2021, the Group has contributed HK\$41.8 million to the Sub-Fund.

Upon negotiations between the vendor of the Project (the “**Vendor**”) and the Investment Fund, the Vendor has expressed its agreement to (i) rescind the sale and purchase agreement of the Property (the “**SPA**”) and release the purchaser, a wholly-owned subsidiary of the Sub-Fund, (the “**Purchaser**”) from all its liabilities and obligations under the SPA; and (ii) release the guarantors (including the Company) from their liabilities and obligations in respect of the guarantee (collectively, the “**Rescission and Release**”) whereas the deposit and instalments will be forfeited in favour of the Vendor (the “**Forfeiture**”).

The Company, having considered the property market of the United Kingdom after Brexit, having regard to the outlook of global economy under the continuing impact of the COVID-19 pandemic and the opportunity of the Group to be released and discharged from its onerous obligations of making further payments in the aggregate amount of approximately HK\$34.2 million for a property project with major risks and uncertainties associated with it, has endorsed the Rescission and Release and the Forfeiture.

During FY22, the Company had been informed by the Investment Fund that the Rescission and Release had become effective pursuant to a rescission agreement entered into between the Vendor and the Purchaser and a deed of release given by the Vendor in favour of the Company. During FY21, the Group further recognised a fair value loss on the investment in the Sub-Fund amounting to approximately HK\$4.7 million.

On 11 January 2022, the entire investment in the Sub-Fund was disposed of to an independent third party.

Please refer to the Company’s announcements dated 22 February 2018, 2 March 2018 and 14 May 2021.

Since June 2019, the social movement has been dampening the economic activities in Hong Kong. The business operating environment in Hong Kong became uncertain and challenging, as well as weaker consumer sentiment, decline of visitor arrivals from mainland China to Hong Kong. As a result, the clients of co-working business had been affected significantly and it attributed to the decline of the demand of co-working spaces. In addition, since the Outbreak in January 2020, the travel restrictions, public health measures and quarantine requirement of travellers which were imposed by Hong Kong government and other countries have adversely affected the operation of co-working business, which has in turn affected the demand of co-working space, as well as the average rental income of co-working space. In order to reduce losses and maintain the business, the management of the co-working business has downsized the co-working space network in Hong Kong. However, the Group is optimistic regarding the demand of co-working space after the pandemic, due to the change in the working hours and location.

Looking forward, with the completion of the loan notes, its subsequent real estate agency business and the investment in the co-working space industry, we expect that our strategic investment and financial services segment will diversify the income streams of the Group and generate additional investment returns on the available funds of the Company from time to time. In view of the recent market downturns, we considered to minimise our investments in the United Kingdom. We expect that the segment will be one of the growth drivers of the Company in the future and we will make continuous efforts to find appropriate investment projects. The Group will further use its resources as a listed company to add value for the acquisition projects, so as to increase its profitability and return.

## **FINANCIAL GUARANTEE**

As at 31 March 2022, the Group had no financial guarantee.

## **PLACING OF NEW SHARES UNDER GENERAL MANDATE**

On 28 September 2021, a total of 53,272,000 placing Shares were placed by Kingston Securities Limited (the “**Placing Agent**”) to not less than six placees at placing price of HK\$0.103 per placing Share pursuant to the terms and conditions of the placing agreement entered into between the Company and the Placing Agent on 1 September 2021, representing approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the placing Shares immediately upon completion of the placing.

The above placing Shares were allotted and issued under the general mandate granted to the Board at the annual general meeting of the Company held on 26 August 2021. The net proceeds from the placing, after deduction of the placing commission and other related expenses, amounted to approximately HK\$5.2 million was used for general working capital for the Group including the partial settlement of the Group's loan and accrued interests of approximately HK\$1 million. Details of the transaction were disclosed in the Company's announcements dated 1 September 2021 and 28 September 2021.

## **EVENTS AFTER THE END OF THE REPORTING PERIOD**

On 12 May 2022, the Company completed a rights issue at a price of HK\$0.11 per rights share on the basis of one (1) rights share for every one (1) existing share held by the qualifying shareholders on the record date (i.e. 14 April 2022) (the “**Rights Issue**”). Details of the Rights Issue are set out in the Company's announcements dated 28 January 2022, 17 February 2022, 1 April 2022, 12 May 2022, the Company's circular dated 17 March 2022 and the Company's prospectus dated 19 April 2022 respectively. The net proceeds from the Rights Issue were approximately HK\$32.9 million after deducting estimated rights issue commission and professional fees and other expenses, approximately HK\$27.2 million of which have been earmarked for the partial repayment of the Group's other borrowings and accrued interests and the remaining of which are for the general working capital of the Group.

## **PROSPECTS**

Looking forward, with the real estate investment business and the co-working space industry, our targets are the countries along Eurasia. We anticipate that the Strategic Investment and Financial Services Segment will diversify the income streams of the Group, and generate additional investment returns on the available funds of the Company from time to time. We expect that the segment will be the growth driver of the Company and will actively make continuous efforts to find appropriate investment projects in the future.

Overall speaking, the social movement in Hong Kong and the Outbreak is expected to adversely impact on the business performance of the Group but the actual impact has yet to be quantified. Based on the Company's current observation and estimation, the downtrend on the Group's revenue is expected to be carried forward to certain extent for the second half of 2021 due to the slow down of economic activities and the change of consumption pattern caused by the Outbreak. The Group is taking all practicable measures to cope with the challenges ahead, while striving for the highest caution standard to protect the health and safety of our staff and our customers. The Company will continue to monitor the development of the Outbreak and its impact on the Company's operations and react actively to its impacts on the financial position and operating results of the Group.



The Group will further use its resources as a listed company to add value for the acquisition project to increase its profitability and return. Meanwhile, the Group will continue enhancing the development of the mature pearls and jewellery business, actively participating in various important jewellery & gem fairs around the world and optimising operation efficiency and productivity in a bid to stay competitive. While the Outbreak being yet stable, the Directors expected that the revenue from pearls and jewellery business will continue to further deteriorate.

With the development of the existing Strategic Investment and Financial Services Segment, the Group will focus its investments and operations more in the real estate, co-working spaces and investment and asset management sectors especially in Europe and Asia.

## **FINANCIAL REVIEW**

The Group currently is principally engaged in purchasing, processing, designing, production and wholesale distribution of pearls and jewellery products and operation of strategic investment and financial services.

### **Revenue and Gross Profit**

Revenue increased to HK\$62.6 million for FY22 (FY21: HK\$43.3 million), comprised sales of pearl and jewellery of HK\$59.9 million (FY21: HK\$41.2 million) and interest income on strategic investment and financial services of HK\$2.7 million (FY21: HK\$2.1 million), mainly as a result of the increase in the sales of pearl and jewellery.

Gross profit increased by HK\$19.6 million to HK\$11.0 million (FY21: gross loss of HK\$8.6 million). The gross loss margin of 19.9% during FY21 was mainly due to the provision for impairment loss on inventories amounted to HK\$10.0 million.

### **Selling and Administrative Expenses (the “S&A expenses”)**

S&A expenses mainly comprised selling expenses of HK\$0.8 million (FY21: HK\$0.6 million) and administrative expenses of HK\$14.8 million (FY21: HK\$20.7 million). S&A expenses decreased by HK\$5.7 million or 26.8% to HK\$15.6 million (FY21: HK\$21.3 million) in FY22. The decrease in S&A expenses was mainly due to the result of cost control measures deployed by the Group during FY22.

### **Loss Attributable to Equity Holders of the Company**

The loss attributable to equity holders of the Company substantially decreased by HK\$36.3 million or 70.1% to HK\$15.5 million in FY22 (FY21: HK\$51.8 million) was mainly due to the decrease in provision of impairment losses on inventories from HK\$10.0 million in FY21 to HK\$1.5 million in FY22 and the reversal of allowance for expected credit losses on trade receivables, net during the year as compared to FY21.

## **Liquidity and Capital Resources**

During the year, the Group funded its operations through a combination of cash generated from operations, equity attributable to equity holders of the Company and proceeds from placing of new shares. As at 31 March 2022, the Group's total equity was HK\$35.9 million (2021: HK\$45.9 million), representing a decrease of 21.8% from last year.

As at 31 March 2022, the Group had cash and cash equivalents of HK\$23.6 million (31 March 2021: HK\$24.4 million). Cash and cash equivalents were mainly denominated in United States dollars, Hong Kong dollars and Renminbi. The Group's net current assets were HK\$34.1 million (31 March 2021: HK\$44.5 million). The current ratio, represented by the total current assets divided by the total current liabilities, was 1.7 (31 March 2021: 2.0).

As at 31 March 2022, the Group had outstanding borrowings of HK\$29.8 million (31 March 2021: HK\$30.0 million) of which a borrowing amount of HK\$29.8 million (2021: HK\$28.0 million) is secured by other receivables with carrying value of HK\$20.6 million and is at interest rate of 15% per annum and is scheduled to be repayable on 25 July 2022. With the available cash and cash equivalents and cash generated from operations, the Group has adequate financial resources to meet the anticipated future liquidity requirements and capital expenditure commitment.

## **Capital Structure and Share Consolidation**

As at 31 March 2022, the total number of issued shares of the Company was 319,648,964 (31 March 2021: 266,376,964) of HK\$0.02 each (the “**Shares**”) and its issued share capital was HK\$6,392,979 (31 March 2021: HK\$5,327,539).

On 1 September 2021, the Company entered into the placing agreement with the placing agent pursuant to which the Company has conditionally agreed to place, through the placing agent on a best-efforts basis, up to 53,272,000 placing shares at the placing price of HK\$0.103 per placing share to certain independent placees. Accordingly, the Group's share capital increased by approximately HK\$1,065,000 and the remaining balance of approximately HK\$4,162,000 was credited to the share premium account.

Save as disclosed above, there was no other movements in either the Company's authorised or issued share capital during the year under review.

## **Capital Commitments**

At the end of the reporting period, the Group had no significant commitments outstanding.



## **Material Acquisitions and Disposals of Subsidiaries**

The Group did not have any material acquisition or disposal of subsidiaries during FY21 and FY22.

## **Exposure to Fluctuations in Exchange Rates**

The Group principally operates its businesses in Hong Kong and the PRC. The Group is exposed to foreign exchange fluctuations from various currencies, such as United States dollars, Great Britain Pounds and Renminbi, which were the major foreign currencies transacted by the Group during FY21 and FY22.

Since Hong Kong dollars remain pegged to the United States dollars within a defined range, the Group is not exposed to any significant foreign exchange risk against the United States dollars. The Group has subsidiaries operating in the PRC, in which most of their transactions, including revenue, expenses and other financing activities, are denominated in Renminbi. The Group has investment operating in England which is denominated in Great Britain Pounds.

The Group manages its foreign currency risk against other currencies by closely monitoring the movement of the foreign currency rates and may use hedging derivative, such as foreign currency forward contract, to manage its foreign currency risk as appropriate.

## **Human Resources**

As at 31 March 2022, the Group had a total workforce of 47 (31 March 2021: 49), of whom 18 (31 March 2021: 18) were based in Hong Kong. The total staff costs, including Directors' emoluments and mandatory provident fund, was approximately HK\$11.2 million in 2022 (2021: HK\$16.0 million). Employees were remunerated on the basis of their performance and experience. Remuneration packages, including salary and year-end discretionary bonus, were determined by reference to market conditions and individual performance.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) as the code of conduct for dealing in securities of the Company by the Directors. All Directors have confirmed, upon specific enquiries made by the Company, that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2022.

## **INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS**

The Company has complied with the requirements under Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules. The Company has received confirmation of independence from all three independent non-executive Directors, namely Mr. Chiu Sin Nang, Kenny, Mr. Dong Bo, Frederic and Mr. Wong Siu Keung, Joe in accordance with Rule 3.13 of the Listing Rules.

The Board has reviewed the independence of all independent non-executive Directors and concluded that all of them are independent within the definition of the Listing Rules. Furthermore, the Board is not aware of the occurrence of any events which would cause it to believe that the independence of any of the independent non-executive Directors has been impaired up to the date of this announcement.

## **AUDIT COMMITTEE**

The audit committee of the Company, which comprises three independent non-executive Directors of the Company, has reviewed with the management, the accounting principles and practices adopted by the Group and discussed the internal control, risk management and financial reporting matters including the review of the audited consolidated financial statements of the Group for the year ended 31 March 2022.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2022.

## **CORPORATE GOVERNANCE CODE**

The Group recognises the importance of achieving the highest standard of corporate governance consistent with the needs and requirements of its businesses and the best interests of all of its stakeholders, and the Board is fully committed to doing so. The Board believes that high standards of corporate governance provide a framework and solid foundation for the Group to manage business risks, enhance transparency, achieve high standard of accountability and protect stakeholders' interests.

The Group has adopted a corporate governance statement of policy which provides guidance on the application of the corporate governance principles on the Group, with reference to the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules.

In the opinion of the Directors, the Company has complied with all code provisions as set out in the CG Code throughout the year ended 31 March 2022 and, where appropriate, the applicable recommended best practices of the CG Code, except for the deviations disclosed below.

1. There is currently no officer carrying the title of Chief Executive Officer (“CEO”) up to the date of this announcement. In the absence of a CEO, the duties of the CEO have been/will continue to be collectively undertaken by all executive Directors, namely Mr. Cheng Chi Kin, Mr. Leung Alex and Mr. Cheung Sze Ming. In the opinion of the Directors, the present arrangement is effective and efficient.
2. Under code provision A.1.3 of the CG Code, notice of at least 14 days should be given of a regular board meeting to all Directors an opportunity to attend. During the year ended 31 March 2022, certain regular Board meetings were convened with less than 14 days’ notice to enable the Directors’ to react timely and make expeditious decisions in respect of transactions which were of significance to the Group’s business. As a result, the aforesaid regular Board meetings were held with a shorter notice period than required with no objection by all the Directors. The Board will do its best endeavours to meet the requirement of code provision A.1.3 of the CG Code in future.

## **SCOPE OF WORK OF MOORE STEPHENS CPA LIMITED**

The figures in respect of the Group’s consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position and consolidated statement of changes in equity, and the related notes thereto for the year ended 31 March 2022 as set out in the preliminary announcement of the Group have been agreed by the Group’s auditor, Moore Stephens CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year.

The work performed by Moore Stephens CPA Limited 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 HKICPA and consequently no opinion or assurance conclusion has been expressed by Moore Stephens CPA Limited on the preliminary announcement.

By Order of the Board  
**AFFLUENT PARTNERS HOLDINGS LIMITED**  
**Cheng Chi Kin**  
*Chairman*

Hong Kong, 29 June 2022

*As the date of this announcement, the Board comprises Mr. Cheng Chi Kin (Chairman), Mr. Leung Alex and Mr. Cheung Sze Ming as executive Directors; Mr. Chiu Sin Nang, Kenny, Mr. Dong Bo, Frederic and Mr. Wong Siu Keung Joe as independent non-executive Directors.*