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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)

MEMORANDUM OF UNDERSTANDING IN RELATION TO THE POTENTIAL ACQUISITION

This announcement is made by Affluent Partners Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) of Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

MEMORANDUM OF UNDERSTANDING

The board (the “**Board**”) of the directors (“**Directors**”) of the Company is pleased to announce that on 11 August 2022 (after trading hours), Eminent Affluent Limited (the “**Purchaser**”), a direct wholly-owned subsidiary of the Company, entered into a memorandum of understanding (the “**MOU**”) with the vendors (the “**Vendors**”), pursuant to which the Purchaser will acquire and the Vendors will procure the sale of a group of companies (the “**Target Group**”) established in the People’s Republic of China (the “**PRC**”) upon completion of its reorganisation, which according to the Vendors are principally engaged in the provision of skincare solutions through self-transformed skincare brand and functional skincare products, as well as medicinal research and development (the “**Potential Acquisition**”).

To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, the Vendors are third parties independent of and not connected with the Company and its connected persons (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) as at the date of this announcement.

* *For identification purposes only*

Exclusivity

Pursuant to the MOU, the Vendors undertake not to and undertake to procure the Target Group's shareholders, directors, employees, representatives and agents not to conduct any discussions or negotiations, nor sign any framework agreement or sale and purchase agreement as regards the sale of the Target Group during the 3 months commencing from the execution of the MOU (the "**Exclusive Period**").

Formal Agreement

Each of the parties to the MOU agrees to use all reasonable endeavours to negotiate the terms and conditions of a legally binding sale and purchase agreement (the "**Formal Agreement**") between the relevant parties in relation to the Potential Acquisition within 3 months upon the execution of the MOU.

Consideration

Subject to the execution of the Formal Agreement and in which the Vendor shall provide the Purchaser with a profit guarantee of the Target Group, the consideration is expected to be approximately HK\$42 million, which is expected to be settled in the following manner:

- (i) 25% of the consideration is expected to be settled by issue of consideration shares by the Company; and
- (ii) 75% of the consideration is expected to be settled by the issue of convertible bonds by the Company.

The proposed issue price of consideration shares and the proposed exercise price of convertible bonds are expected to be HK\$0.2628, subject to further negotiation among the parties and the execution of the Formal Agreement.

Termination

Completion of the Potential Acquisition is conditional upon satisfaction of certain conditions precedent such as (i) the obtaining of PRC legal opinion on the Target Group satisfactory to the Purchaser; (ii) the Company's shareholders having approved the Potential Acquisition; (iii) there being no breach of warranties given by shareholders of the Target Group; (iv) the Purchaser being satisfied with the due diligence review of the Target Group; and (v) all necessary approvals, consents, waivers and permissions in relation to the Potential Acquisition having been obtained from relevant regulatory authorities by the Company and such approvals, consents, waivers and permissions shall remain valid and not having been revoked, and such other conditions precedent as may be requested by the Purchaser, which shall be detailed in the Formal Agreement. If no Formal Agreement is executed within the Exclusivity Period, the MOU shall terminate automatically.

Legal effect

Save for the provisions on, among other things, the exclusivity, representations, undertakings and warranties, confidentiality, expenses and other general provisions, the MOU does not constitute a legally binding agreement among the parties.

REASONS FOR AND BENEFITS OF THE POTENTIAL ACQUISITION

The Company is an investment holding company. The Group is principally engaged in (i) the purchase, processing, design, 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.

The Group is one of the world's largest merchants, purchasers and processors of pearls, with its ultimate customers mainly focusing on female market. Over the years, the market sentiment for pearl and fine jewellery has been weakening. The Group has from time to time been looking for opportunities to leverage its management expertise to expand its existing business to further uncover the potential market of its ultimate female consumers. Recently, the management of the Company has identified the Target Group which is principally engaged in the provision of skincare solutions through self-transformed skincare brand and mid-to-high end functional skincare products.

On preliminary assessment, the Company's management considers that the skincare market has immense potential and there is product crossover between the Company's pearl products and the Target Group's skincare products, one of the synergies being processing pearls to become one of the ingredients in skincare products. The management believes that the Potential Acquisition gives the Group an opportunity to expand its existing business both vertically by using the Group's existing pearl products as raw materials for skincare products and horizontally by widening its range of female consumer products extending from pearl and jewellery to skincare products.

GENERAL

As at the date of this announcement, the terms and conditions of the Potential Acquisition are still being negotiated and no definitive transaction agreement or other legally binding agreement has been entered into. The Potential Acquisition, if materialises, may constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules. Further announcement(s) in respect of the Potential Acquisition will be made by the Company as and when appropriate.

As the Potential Acquisition may or may not proceed, shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 11 August 2022

As at 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.