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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)

Website: <http://www.affluent-partners.com>

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022**

The board of directors (the “**Board**”) of Affluent Partners Holdings Limited (the “**Company**”) is pleased to announce the condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2022, together with the comparative figures for the corresponding period in 2021.

* *For identification purposes only*

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 September 2022

		Six months ended	
		30 September	
		2022	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Notes</i>	(Unaudited)	(Unaudited)
Revenue	4	50,002	31,159
Cost of sales		<u>(37,239)</u>	<u>(31,037)</u>
Gross profit		12,763	122
Other losses, net		(2,194)	(1,200)
Reversal of/(provision for) allowance for expected credit loss (“ECL”) on other receivables	5	22	(5,053)
Reversal of allowance for ECL on trade receivables, net	5	7,990	1,352
Selling expenses		(148)	(493)
Administrative expenses		<u>(7,390)</u>	<u>(6,861)</u>
Operating profit/(loss)		11,043	(12,133)
Finance income		4	2
Finance costs		<u>(789)</u>	<u>(2,264)</u>
Finance costs, net		<u>(785)</u>	<u>(2,262)</u>
Profit/(loss) before income tax	5	10,258	(14,395)
Income tax	6	<u>—</u>	<u>—</u>
Profit/(loss) for the period attributable to equity holders of the Company		<u>10,258</u>	<u>(14,395)</u>
Profit/(loss) per share attributable to equity holders of the Company	8		
— Basic and diluted		<u>1.81 HK cents</u>	<u>(5.39) HK cents</u>

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF
COMPREHENSIVE INCOME**

For the six months ended 30 September 2022

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit/(loss) for the period	10,258	(14,395)
Other comprehensive loss:		
<i>Items that may be reclassified to profit or loss</i>		
— Exchange difference on translation of financial statements of foreign operations	<u>(835)</u>	<u>—</u>
Other comprehensive loss for the period, net of tax	<u>(835)</u>	<u>—</u>
Total comprehensive income/(loss) for the period attributable to equity holders of the Company	<u>9,423</u>	<u>(14,395)</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

		30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		235	412
Right-of-use assets		1,531	2,142
Investments in associates	9	–	–
Financial asset at fair value through other comprehensive income		–	–
		<u>1,766</u>	<u>2,554</u>
Current assets			
Inventories		43,312	23,976
Trade and other receivables, deposits and prepayments	10	36,083	31,994
Cash and cash equivalents		17,289	23,585
		<u>96,684</u>	<u>79,555</u>
Current liabilities			
Trade and other payables and accruals	11	15,159	14,405
Lease liabilities		1,246	1,282
Other borrowings	12	3,800	29,776
		<u>20,205</u>	<u>45,463</u>
Net current assets		<u>76,479</u>	<u>34,092</u>
Total assets less current liabilities		<u>78,245</u>	<u>36,646</u>
Non-current liabilities			
Lease liabilities		183	779
		<u>183</u>	<u>779</u>
Net assets		<u>78,062</u>	<u>35,867</u>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	13	12,786	6,393
Reserves		65,276	29,474
Total equity		<u>78,062</u>	<u>35,867</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM 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 is located at Room 906, 9/F, Wings Building, 110–116 Queen’s Road Central, Central, Hong Kong.

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.

The immediate holding company of the Company is Pacific Wish Limited, a company incorporated in Hong Kong with limited liability, and the ultimate controlling parties of the Company are Mr. Chan Vincent Wing Sing and Ms. Hui Ka Man Emily.

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 condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 13 of the Main Board Listing Rules and the Hong Kong Accounting Standard (“**HKAS**”) 34 “**Interim Financial Reporting**” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The condensed consolidated financial statements should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2022.

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

The condensed consolidated financial statements have been prepared on historical cost basis except for certain financial instruments which were measured at fair values.

The condensed consolidated financial statements have not been audited by the Company’s independent auditor, but have been reviewed by the Company’s audit committee (the “**Audit Committee**”).

3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted in preparing the condensed consolidated financial statements were consistent with those applied for the consolidated financial statements of the Group for the year ended 31 March 2022 other than changes in accounting policies resulting from adoption of new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) effective for the accounting periods beginning on or after 1 April 2022.

Adoption of amended HKFRSs

In the current interim period, the Group has adopted, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2022 for the preparation of the Group’s condensed consolidated interim financial statements:

Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to AG 5	Accounting Guideline 5 Merger Accounting for Common Control Combinations (Revised)

The adoption of amended HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated interim financial statements.

4. 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) Sale of pearls and jewellery products	Design and sale of jewellery products, and sale of pearls
(b) Strategic investment and financial services	Real estate financial assets investment, investments in associates and financial asset at fair value through other comprehensive income

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 condensed consolidated interim financial statements.

An analysis of the Group's reportable segment revenue, results, assets, liabilities and other selected financial information for the six months ended 30 September 2022 by operating segments are as follows:

Segment revenue and results

For the six months ended 30 September 2022

	Sale of pearls and jewellery products <i>HK\$'000</i> (Unaudited)	Strategic investment and financial services <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue	<u>48,915</u>	<u>1,087</u>	<u>50,002</u>
Segment profit/(loss)	<u>15,241</u>	<u>(1,781)</u>	13,460
Finance income			4
Finance costs			(789)
Unallocated corporate gains			86
Unallocated corporate expenses			<u>(2,503)</u>
Profit before income tax			<u><u>10,258</u></u>

For the six months ended 30 September 2021

	Sale of pearls and jewellery products <i>HK\$'000</i> (Unaudited)	Strategic investment and financial services <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue	<u>30,183</u>	<u>976</u>	<u>31,159</u>
Segment loss	<u>(5,389)</u>	<u>(4,742)</u>	(10,131)
Finance income			2
Finance costs			(2,264)
Unallocated corporate expenses			<u>(2,002)</u>
Loss before income tax			<u><u>(14,395)</u></u>

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

Segment results represent profit or 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

At 30 September 2022

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

	Sale of pearls and jewellery products <i>HK\$'000</i> (Unaudited)	Strategic investment and financial services <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment assets			
— Hong Kong	74,130	152	74,282
— United Kingdom (“UK”)	–	17,233	17,233
— The People’s Republic of China (the “PRC”)	2,564	–	2,564
	<u>76,694</u>	<u>17,385</u>	<u>94,079</u>
Unallocated corporate assets			<u>4,371</u>
Total assets			<u>98,450</u>
Segment liabilities			
— Hong Kong	(8,425)	(218)	(8,643)
— The PRC	(1,362)	–	(1,362)
	<u>(9,787)</u>	<u>(218)</u>	<u>(10,005)</u>
Unallocated corporate liabilities			<u>(10,383)</u>
Total liabilities			<u>(20,388)</u>

At 31 March 2022

	Sale of pearls and jewellery products <i>HK\$'000</i> (Audited)	Strategic investment and financial services <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
Segment assets			
— Hong Kong	56,759	105	56,864
— 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>
Segment liabilities			
— 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>

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 and other borrowings that are not attributable to individual segments.

Other segment information

For the six months ended 30 September 2022

	Sale of pearls and jewellery products <i>HK\$'000</i> (Unaudited)	Strategic investment and financial services <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Amounts included in the measure of segment loss and segment assets			
Depreciation of property, plant and equipment	(89)	(12)	(101)
Depreciation of right-of-use assets	(611)	–	(611)
Reversal of allowance for ECL on trade receivables, net	7,990	–	7,990
Reversal of allowance for ECL on other receivables	–	22	22
Reversal of impairment loss on inventories, net	<u>18,164</u>	<u>–</u>	<u>18,164</u>

For the six months ended 30 September 2021

	Sale of pearls and jewellery products <i>HK\$'000</i> (Unaudited)	Strategic investment and financial services <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Amounts included in the measure of segment loss and segment assets			
Depreciation of property, plant and equipment	(92)	–	(92)
Depreciation of right-of-use assets	(526)	–	(526)
Reversal of allowance for ECL on trade receivables, net	1,352	–	1,352
Provision for allowance for ECL on other receivables	–	(5,053)	(5,053)
Provision for impairment loss on inventories, net	<u>(8,600)</u>	<u>–</u>	<u>(8,600)</u>

Geographical Information

The Group mainly operates in Hong Kong, the PRC, United States of America (“USA”), 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*	
	Six months ended 30 September 2022 HK\$’000 (Unaudited)	Six months ended 30 September 2021 HK\$’000 (Unaudited)	At 30 September 2022 HK\$’000 (Unaudited)	At 31 March 2022 HK\$’000 (Audited)
North America [#]				
— USA	40,551	26,853	—	—
— Others	39	—	—	—
Europe				
— UK	1,121	976	—	—
— Others	803	903	—	—
Hong Kong	6,120	1,385	1,464	2,078
Asian countries				
— The PRC (excluding Hong Kong)	1,254	4	302	476
— Others	—	5	—	—
Others	114	1,033	—	—
	<u>50,002</u>	<u>31,159</u>	<u>1,766</u>	<u>2,554</u>

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

[#] 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\$40,432,000 (2021: HK\$25,072,000) which represented more than 81% (2021: 80%) of total revenue of the Group for the six months ended 30 September 2022.

Certain comparative figures of segment information have been reclassified to conform with current period’s presentation.

5. PROFIT/(LOSS) BEFORE INCOME TAX

An analysis of the amounts presented as operating items charged/(credited) in the condensed consolidated interim income statement is given below.

	Six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold, excluding provision for impairment on inventories	54,113	21,041
(Reversal of)/provision for impairment loss on inventories, net [#]	(18,164)	8,600
Employee benefit expenses (including directors' emoluments)*	5,475	5,124
Reversal of allowance for ECL on trade receivables, net	(7,990)	(1,352)
(Reversal of)/provision for allowance for ECL on other receivables	(22)	5,053
Depreciation of property, plant and equipment	101	92
Depreciation of right-of-use assets	611	526
Operating lease payment	10	77
Interest on lease liabilities	43	38

[#] *The amount was included in the "cost of sales" in the condensed consolidated interim income statement.*

^{*} *No forfeited contribution available for offset against existing contributions to pension costs defined contribution plans and social security costs during the six months ended 30 September 2022 (2021: Nil).*

6. INCOME 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 period. For the period ended 30 September 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%.

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 period (2021: 25%).

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.

7. DIVIDEND

The directors do not recommend any payment of interim dividend for the six months ended 30 September 2022 (2021: Nil).

8. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit/(loss) for the period attributable to equity holders of the Company of approximately HK\$10,258,000 (2021: loss of HK\$14,395,000) and the weighted average number of ordinary shares of 565,935,870 (2021: 267,250,000) in issue during the period.

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

Diluted earnings/(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 six months ended 30 September 2022 and 2021, the assumed conversion of potential ordinary shares in relation to the share option has an anti-dilutive effect to the basic earnings/(loss) per share.

9. INVESTMENTS IN ASSOCIATES

At 30 September 2022 and 31 March 2022, the Group had hold 33% equity interests of Dellos Group Limited and its subsidiaries (the “**Dellos Group**”), of which the particulars of investments in associates are set forth below:

Name of associates	Place of incorporation/ operation	Proportion of ownership interest and proportion of voting power held by the Group		Principal activities
		30 September 2022	31 March 2022	
Directly held				
Dellos Group Limited	the Cayman Islands	33%	33%	Investment holding
Indirectly held				
Natural Spring Global Limited	BVI	33%	33%	Investment holding
Dellos F&B Co., Ltd (“ Dellos F&B ”)	Korea	33%	33%	Manufacturing, sale and distribution of fruit juice and other beverage products
Dellos International Limited	Hong Kong	33%	33%	Trading of beverage products

The financial reporting dates of the above associates are not coterminous with those of the Group, as they have financial years ending 31 December or 30 June.

Investments in and loans to Dellos Group were fully written down during the year ended 31 March 2018. The Group was informed by the management of Dellos Group on 20 June 2018 that Dellos F&B had filed an application for commencing rehabilitation proceedings (the “**Rehabilitation Proceedings**”) with Seoul Rehabilitation Court (the “**Court**”) on 13 February 2018 and the Court had approved the Rehabilitation Plan on 17 October 2018.

The rehabilitation plan (“**Rehabilitation Plan**”) involves, among other matters, reduction or exemption of the outstanding debts owed by Dellos F&B, conversion of all or part of the creditors’ claims into shares of Dellos F&B and repayment plan for the remaining debts. The Rehabilitation Plan was put forward for approval by the creditors and shareholders of Dellos F&B and the Court.

Based on the advices from the Group’s legal advisers, the Group considered it was probable that the shareholding of the Group in Dellos F&B would be diminished. Hence, the directors of the Company considered that Dellos F&B had ceased to be an associate of the Group since the date of filing of application for commencing the Rehabilitation Proceedings and that as a result of the Rehabilitation Plan, there was no significant value in the Group’s equity interests in the Dellos Group as (i) the main operating subsidiary in the Dellos Group prior to the date of filing of application for commencing the Rehabilitation Proceedings is Dellos F&B; (ii) the shareholding of Dellos Group in Dellos F&B would likely be very significantly diluted; (iii) the important decisions of Dellos F&B would require the Courts approval; and (iv) there would be no dividend payout during the rehabilitation period. It was considered highly unlikely that Dellos Group would bring to the Group any future economic benefits.

Based on the advices from the Group's legal advisers, the management of Dellos F&B entered into the bankruptcy proceeding to the Korean court on 16 July 2020. Once the bankruptcy proceedings confirmed, the Rehabilitation Plan would no longer exist and the probability of the Group getting back any of the outstanding debts is low. In view of this, the directors of the Company considered that the investment cost and loans and interest receivables are unlikely to be recovered to the date when the financial statements are authorised for issue.

10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
Trade receivables (<i>Note a</i>)	13,612	5,667
Other receivables, deposits and prepayments (<i>Note b</i>)	22,471	26,327
	<u>36,083</u>	<u>31,994</u>

Notes:

(a) Trade receivables

	At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
Trade receivables — gross	23,249	23,306
Less: allowance for ECL on trade receivables	(9,637)	(17,639)
Trade receivables — net	<u>13,612</u>	<u>5,667</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:

	At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
0 to 30 days	6,550	4,140
31 to 90 days	7,062	1,527
	<u>13,612</u>	<u>5,667</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:

	At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
Not overdue	–	297
Overdue by:		
1 to 30 days	12,080	3,843
31 to 90 days	1,532	1,527
	<u>13,612</u>	<u>5,667</u>

The Group did not hold any collaterals as security or other credit enhancements in respect of above trade receivables.

(b) Other receivables, deposits and prepayments

	At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
Other receivables (<i>Note</i>)	17,343	20,897
Deposits	586	587
Prepayments	4,542	4,843
	<u>22,471</u>	<u>26,327</u>

Note:

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. Accordingly, during the year ended 31 March 2021, the Group had reclassified the convertible loan notes at fair value through profit or loss measurement category into the amortised cost measurement category.

As at 30 September 2022, the outstanding carrying amount of the principal of convertible loan notes of approximately GBP1,963,000 (equivalent to approximately HK\$16,841,000 (31 March 2022: GBP1,960,000 (equivalent to approximately HK\$20,158,000))) was recognised as receivables and included in other receivables.

As at 30 September 2022, gross carrying amount of the outstanding principal and its accumulated interest receivables of approximately GBP3,500,000 (equivalent to approximately HK\$30,030,000 (31 March 2022: GBP3,500,000 (equivalent to approximately HK\$35,994,000))) and approximately GBP82,000 (equivalent to approximately HK\$701,000) (31 March 2022: GBP82,000 (equivalent to approximately HK\$840,000)) were not yet settled and accumulated allowance for credit loss on outstanding principal and interest receivables of approximately GBP1,537,000 (equivalent to approximately HK\$13,189,000) (31 March 2022: GBP1,540,000 (equivalent to approximately HK\$15,836,000)) and GBP36,000 (equivalent to approximately HK\$309,000) (31 March 2022: GBP36,000 (equivalent to approximately HK\$370,000)) respectively were made. During the Period, the Group entered into a deed of variation with Wonderland (UK), together with all the guarantors (i.e. all the shareholders of Wonderland UK), pursuant to which the repayment date of the convertible loan notes is extended to 31 October 2022. Subsequent to the end of reporting period, the Group further entered into a notice with Wonderland (UK), together with all guarantors, pursuant to which the repayment date of the convertible loan notes is extended to 31 January 2023. 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 January 2023. 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 had been pledged to secure the other borrowings granted to the Group. (Note 12).

11. TRADE AND OTHER PAYABLES AND ACCRUALS

	At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
Trade payables	3,740	4,595
Accrued payroll and employee benefits	1,441	756
Other payables and other accruals	9,978	9,054
	<u>15,159</u>	<u>14,405</u>

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

	At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
0 to 60 days	3,702	4,089
61 to 120 days	–	428
Over 120 days	38	78
	<u>3,740</u>	<u>4,595</u>

As at 30 September 2022, consideration payables of HK\$4,000,000 (31 March 2022: HK\$4,000,000) for acquisition of 30% of the issued share capital of Guardian City Limited and loan interest payables of approximately HK\$142,000 (31 March 2022: HK\$698,000) were included in other payables.

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

12. OTHER BORROWINGS

	At 30 September 2022 <i>HK\$'000</i> (Unaudited)	At 31 March 2022 <i>HK\$'000</i> (Audited)
Other borrowings — secured		
Within one year or on demand (<i>Note (i)</i>)	–	25,976
Other borrowing — unsecured		
Within one year (<i>Note (ii)</i>)	3,800	3,800
	<u>3,800</u>	<u>29,776</u>

Note:

- (i) As at 31 March 2022, the Group's secured other borrowings with carrying amount of HK\$25,976,000 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 10(b)) with an aggregate borrowing amount of HK\$25,976,000 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 interest of approximately HK\$1,214,000 have been repaid upon receipt of net proceeds from Rights Issue (Note 13(b)).
- (ii) As at 30 September 2022, the Group's unsecured other borrowing with carrying amount of HK\$3,800,000 (31 March 2022: HK\$3,800,000) bear fixed interest rate at 15.0% per annum and is scheduled to be repayable on 26 January 2023 with repayable demand clause. The borrowing is provided by an independent third party of the Group.

The amounts due are based on scheduled repayment dates set out in the respective loan agreements.

13. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Authorised:		
At 1 April 2021, 30 September 2021, 1 April 2022 and 30 September 2022 (Unaudited), ordinary shares of HK\$0.02 each	<u>500,000</u>	<u>10,000</u>
Issued and fully paid:		
At 1 April 2021 (Audited)	266,377	5,328
Placing of new shares (<i>Note (a)</i>)	<u>53,272</u>	<u>1,065</u>
At 30 September 2021 and 1 April 2022 (Audited)	319,649	6,393
Issue of rights shares (<i>Note (b)</i>)	<u>319,649</u>	<u>6,393</u>
At 30 September 2022 (Unaudited)	<u>639,298</u>	<u>12,786</u>

Notes:

- (a) 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\$259,000) from the placing has been used for general working capital for the Group. The net subscription price per placing share after deducting the related expenses of the placing was approximately HK\$0.098. 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.
- (b) 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 at a price of HK\$0.11 per rights share, representing approximately 8.40% of the total number of Rights Shares available for subscription under the Rights Issue.

The Rights Issue has been completed and the Group received total net proceeds (after deducting the rights issue commission and other related expenses and professional fees of approximately HK\$2,390,000) amounting to approximately HK\$32,772,000. The net subscription price per Rights Share after deducting the related expenses of the Rights Issue was approximately HK\$0.103. 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 approximately 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 of directors (the “**Board**”) of Affluent Partners Holdings Limited (the “**Company**”) is pleased to announce the unaudited results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2022 (the “**Period**” or “**HY22**”). During the Period, the profit attributable to equity holders of the Company was approximately HK\$10.3 million (six months ended 30 September 2021 (“**HY21**”): loss of HK\$14.4 million).

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 Period 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 customers which allow customers to buy online in the event of closure of physical stores following 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 total Group’s sales contribution in pearl and jewellery products increased from HK\$30.2 million in FY21 to HK\$48.9 million in FY22. For HY22, the return on capital of pearls and jewellery products was approximately 27.2% (HY22: (11.3)%).

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 expand into a diversified customer base.

Strategic Investment and Financial Services Segment

During the Period, 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 and co-working space industry as well as other potential investment opportunities.

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 co-working business has downsized the co-working space network in Hong Kong.

During the year ended 31 March 2021, the Group had derecognized the investment in co-working business as investment in associate and recognised the investment as financial assets at fair value through other comprehensive income.

Looking forward, with the completion of the loan notes 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, the uncertainty in Brexit and the Outbreak, we consider to minimize 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.

LITIGATION

As at the balance sheet date, the Group was not involved in any other material litigation or arbitration.

RIGHTS ISSUE

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) shares 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 and 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\$32.8 million after deducting the estimated expenses, approximately HK\$27.2 million of which have been earmarked for the repayment of the Group’s loans and the remaining amount for general working capital of the Group.

MEMORANDUM OF UNDERSTANDING IN RELATION TO THE POTENTIAL ACQUISITION

On 11 August 2022, the Group entered into a memorandum of understanding (the “**MOU**”) with the vendors (the “**Vendors**”), pursuant to which the Group will acquire and the Vendors will procure the sale of a group of companies (the “**Target Group**”) established in 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.

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**”).

Subsequent to the reporting period, the Exclusive Period was further extended to end on 31 January 2023.

Details of the MOU were disclosed in the Company’s announcements dated 11 August 2022 and 10 November 2022.

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 during the Period (HY22: HK\$50.0 million; HY21: HK\$31.2 million), comprised sales of pearl and jewellery of approximately HK\$48.9 million (HY21: HK\$30.2 million) and interest income on strategic investment and financial services of approximately HK\$1.1 million (HY21: HK\$1.0 million), mainly due to the increase in the sales of pearl and jewellery products.

Gross profit increased by approximately HK\$12.7 million to gross profit of approximately HK\$12.8 million (HY21: HK\$0.1 million). The gross profit margin of 25.5% during HY22 was mainly due to the reversal of impairment loss on inventories amounted to HK\$18.2 million.

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

S&A expenses mainly comprised selling expenses of approximately HK\$0.1 million (HY21: HK\$0.5 million) and administrative expenses of approximately HK\$7.4 million (HY21: HK\$6.9 million). S&A expenses increased by approximately HK\$0.1 million or 1% to approximately HK\$7.5 million (HY21: HK\$7.4 million) in HY22.

Profit Attributable to Equity Holders of the Company

The profit attributable to equity holders of the Company increased by approximately HK\$24.7 million to approximately profit of HK\$10.3 million as compared to the loss of HK\$14.4 million in HY21 mainly due to the substantial increase in revenue and gross profit and the increase in the reversal of allowance for ECL on trade receivables.

Liquidity and Capital Resources

During the Period, the Group funded its operations through a combination of cash generated from operations, proceeds from rights issue and equity attributable to equity holders of the Company. As at 30 September 2022, the Group’s total equity was approximately HK\$78.1 million (31 March 2022: HK\$35.9 million), representing an increase of approximately 117.5% from 31 March 2022, mainly due to the profit for the Period and proceeds from the rights issue.

As at 30 September 2022, the Group had cash and cash equivalents of approximately HK\$17.3 million (31 March 2022: HK\$23.6 million). Cash and cash equivalents were mainly denominated in United States dollar, Hong Kong dollar and Chinese Renminbi. The Group’s net current assets were approximately HK\$76.5 million (31 March 2022: HK\$34.1 million). The current ratio, represented by the current assets divided by the current liabilities, was 4.8 (31 March 2022: 1.7).

As at 30 September 2022, the Group had outstanding borrowings of HK\$3.8 million (31 March 2022: HK\$29.8 million of which a borrowing amount of HK\$26.0 million was secured by other receivables with carrying value of HK\$20.6 million) is at the interest rate of 15% per annum and is scheduled to be repayable on 26 January 2023. 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

As at 30 September 2022, the total number of issued shares of the Company was 639,297,928 (31 March 2022: 319,648,964) of HK\$0.02 each (the “**Shares**”) and its issued share capital was HK\$12,785,959 (31 March 2022: HK\$6,392,979).

On 12 May 2022, the Company completed Rights Issue at a price of HK\$0.11 per rights share on the basis of one (1) rights share for every one (1) shares held by the qualifying shareholders on the record date.

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

CAPITAL EXPENDITURE

The Group’s capital expenditure during the Period, which was primarily related to purchase of property, plant and equipment, amounted to Nil (HY21: Nil).

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 dollar, Great Britain Pound and Renminbi, which were the major foreign currencies transacted by the Group during the Period.

Since Hong Kong dollar remains pegged to the United States dollar within a defined range, the Group is not exposed to any significant foreign exchange risk against the United States dollar. 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 investments operating in England and these investments are 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 30 September 2022, the Group had a total workforce of 47 (31 March 2022: 47), of which 18 (31 March 2022: 18) were based in Hong Kong. The total staff costs, including directors' emoluments, mandatory provident fund and share-based payment expenses, were approximately HK\$5.5 million (HY21: HK\$5.1 million) during the Period. Employees were remunerated on the basis of their performance and experience. Remuneration packages, including salary, year-end discretionary bonus and the Share Option Scheme, were determined by reference to market conditions and individual performance.

FINANCIAL GUARANTEE

As at 30 September 2022, the Group had no financial guarantee.

EVENTS AFTER REPORTING PERIOD

The Group has no significant events after the reporting period.

PROSPECTS

With the real estate agency investment business and the co-working space industry, 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 Outbreak is adversely impacted on the business performance of the Group. Although the Group's revenue in Pearls and Jewellery Products segment was increased during the Period and the financial results are improving, based on the Company's current observation and estimation, the overall downtrend is expected to be carried forward to certain extent for next year due to the change of consumption pattern caused by the Outbreak. The Group is one of the world's largest merchants, purchasers and processors of pearls, with its ultimate customers mainly focusing on female markets. 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.

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 pearls and jewellery business, actively participating in various important jewellery and gem fairs around the world and optimising operation efficiency and productivity in a bid to stay competitive.

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.

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 had complied with all code provisions as set out in the CG Code throughout the six months ended 30 September 2022 and, where appropriate, the applicable recommended best practices of the CG Code, except for the following deviation:

According to code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the Period, the Company had not appointed any chief executive officer and the duties of the chief executive officer were collectively undertaken by all executive Directors and senior management of the Company. In the opinion of the Directors, the present arrangement is effective and efficient.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for securities transactions by the Directors. The Company confirmed that, having made specific enquiry of all Directors, all of the Directors confirmed that they had complied with the required standard as set out in the Model Code throughout the six months ended 30 September 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 September 2022.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The condensed consolidated financial statements for the Period have not been audited. The audit committee of the Company, which comprises three Independent Non-executive Directors, namely Mr. Chiu Sin Nang, Kenny, Mr. Wong Siu Keung, Joe and Mr. Chang Chunyu, has reviewed the unaudited interim results of the Group for the Period and has recommended their adoption to the Board.

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

Hong Kong, 25 November 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. Zhu Yongjun as non-executive Director; Mr. Chiu Sin Nang, Kenny, Mr. Wong Siu Keung Joe and Mr. Chang Chunyu as independent non-executive Directors.