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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 2023**

#### **RESULTS**

The board of directors (the “**Directors**” or the “**Board**”) of Affluent Partners Holdings Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2023, together with the comparative figures for the previous year, as follows:

\* For identification purposes only

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2023

		2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
	<i>Notes</i>		
Revenue	4	86,880	62,647
Cost of sales		<u>(79,053)</u>	<u>(51,655)</u>
Gross profit		7,827	10,992
Other losses, net	6	(1,512)	(736)
Reversal of allowance for expected credit losses (“ECL”) on trade receivables, net		4,879	4,525
Reversal of/(provision for) allowance for ECL on other receivables, net		14,909	(10,260)
Selling expenses		(361)	(801)
Administrative expenses		<u>(16,204)</u>	<u>(14,806)</u>
Operating profit/(loss)		9,538	(11,086)
Finance income		217	5
Finance costs		<u>(1,029)</u>	<u>(4,381)</u>
Finance costs, net		<u>(812)</u>	<u>(4,376)</u>
<b>Profit/(loss) before income tax</b>	7	8,726	(15,462)
Income tax expense	8	<u>—</u>	<u>—</u>
<b>Profit/(loss) for the year attributable to equity holders of the Company</b>		<u><u>8,726</u></u>	<u><u>(15,462)</u></u>
<b>Earnings/(loss) per share</b>	9		
Basic and diluted		<u><u>HK\$0.01</u></u>	<u><u>HK\$(0.04)</u></u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 March 2023*

	<b>2023</b> <b>HK\$'000</b>	2022 <b>HK\$'000</b>
Profit/(loss) for the year	<u><b>8,726</b></u>	<u>(15,462)</u>
Other comprehensive income:		
<i>Item that may be subsequently reclassified to profit or loss</i>		
— Exchange difference on translation of financial statements of foreign operations	<u><b>973</b></u>	<u>157</u>
<b>Other comprehensive income for the year, net of tax</b>	<u><b>973</b></u>	<u>157</u>
<b>Total comprehensive income/(loss) for the year attributable to equity holders of the Company</b>	<u><u><b>9,699</b></u></u>	<u><u>(15,305)</u></u>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*As at 31 March 2023*

		<b>2023</b>	2022
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>247</b>	412
Right-of-use assets		<b>732</b>	2,142
Investment in associates		–	–
Financial asset at fair value through other comprehensive income		–	–
		<u>–</u>	<u>–</u>
		<b>979</b>	2,554
<b>Current assets</b>			
Inventories		<b>44,611</b>	23,976
Trade and other receivables, deposits and prepayments	<i>11</i>	<b>13,000</b>	31,994
Cash and cash equivalents		<b>41,261</b>	23,585
		<u>41,261</u>	<u>23,585</u>
		<b>98,872</b>	79,555
<b>Current liabilities</b>			
Trade and other payables and accruals	<i>12</i>	<b>18,755</b>	14,405
Lease liabilities		<b>758</b>	1,282
Other borrowings	<i>13</i>	<b>2,000</b>	29,776
		<u>2,000</u>	<u>29,776</u>
		<b>21,513</b>	45,463
<b>Net current assets</b>		<u><b>77,359</b></u>	<u>34,092</u>
<b>Total assets less current liabilities</b>		<u><b>78,338</b></u>	<u>36,646</u>

		<b>2023</b>	2022
	<i>Note</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Non-current liabilities</b>			
Lease liabilities		<u>–</u>	<u>779</u>
<b>Net assets</b>		<u><b>78,338</b></u>	<u><b>35,867</b></u>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	<i>14</i>	<b>12,786</b>	6,393
Reserves		<u><b>65,552</b></u>	<u>29,474</u>
<b>Total equity</b>		<u><b>78,338</b></u>	<u><b>35,867</b></u>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

	Attributable to equity holders of the Company					
	Share capital (Note 14) HK\$'000	Share premium (Note a) HK\$'000	Translation reserve (Note b) HK\$'000	Share option reserve (Note c) HK\$'000	Accumulated losses (Note d) HK\$'000	Total HK\$'000
Balances at 1 April 2021	5,328	588,589	(2,704)	9,461	(554,729)	45,945
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(a))	1,065	4,162	–	–	–	5,227
Balances at 31 March 2022	<u>6,393</u>	<u>592,751</u>	<u>(2,547)</u>	<u>8,753</u>	<u>(569,483)</u>	<u>35,867</u>
Balances at 1 April 2022	<b>6,393</b>	<b>592,751</b>	<b>(2,547)</b>	<b>8,753</b>	<b>(569,483)</b>	<b>35,867</b>
Profit for the year	–	–	–	–	8,726	8,726
Other comprehensive income:						
Exchange difference on translation of financial statements of foreign operations	–	–	973	–	–	973
Total comprehensive income for the year	–	–	973	–	8,726	9,699
Rights issue, net of expenses (Note 14(b))	<u>6,393</u>	<u>26,379</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>32,772</u>
Balances at 31 March 2023	<u><b>12,786</b></u>	<u><b>619,130</b></u>	<u><b>(1,574)</b></u>	<u><b>8,753</b></u>	<u><b>(560,757)</b></u>	<u><b>78,338</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 2023 and 2022, 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 is 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.

As at 31 March 2023 and 2022, 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.



### 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 2022.

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

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 (including the October 2020 and February 2022)	Insurance Contracts <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 <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>2</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>2</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>3</sup>
Amendments to HKFRS 16	Lease Liabilities in a Sale and Leaseback <sup>3</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 2023

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2024

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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Sales of pearls and jewellery from contracts with customers within the scope of HKFRS 15 recognised at a point in time	<b>85,230</b>	59,942
— Sales of pearls	<b>6,721</b>	4,956
— Design and sales of jewellery products	<b>78,509</b>	54,986
Revenue from other sources outside the scope of HKFRS 15		
Interest income from strategic investment and financial services	<b>1,650</b>	2,705
	<b>86,880</b>	62,647

#### 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 2023</b>			
<b>Segment revenue</b>	<b>85,230</b>	<b>1,650</b>	<b>86,880</b>
Segment (loss)/profit	(1,033)	9,616	8,583
Finance income			217
Finance costs			(1,029)
Unallocated corporate expenses			955
Profit before income tax			8,726
<b>For the year ended 31 March 2022</b>			
<b>Segment revenue</b>	<b>59,942</b>	<b>2,705</b>	<b>62,647</b>
Segment profit/(loss)	1,908	(9,013)	(7,105)
Finance income			5
Finance costs			(4,381)
Unallocated corporate gains			511
Unallocated corporate expenses			(4,492)
Loss before income tax			(15,462)

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 2023

	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	62,115	32,675	94,790
— The PRC	<u>2,598</u>	<u>–</u>	<u>2,598</u>
	<u>64,713</u>	<u>32,675</u>	<u>97,388</u>
Unallocated corporate assets			<u>2,463</u>
Total assets			<u>99,851</u>
<b>Segment liabilities</b>			
— Hong Kong	(10,999)	(2,294)	(13,293)
— The PRC	<u>(1,463)</u>	<u>–</u>	<u>(1,463)</u>
	<u>(12,462)</u>	<u>(2,294)</u>	<u>(14,756)</u>
Unallocated corporate liabilities			<u>(6,757)</u>
Total liabilities			<u>(21,513)</u>

**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 UK	—	20,628	20,628
— The PRC	4,361	—	4,361
	<u>61,120</u>	<u>20,733</u>	<u>81,853</u>
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>	<u>(8,875)</u>
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 year ended 31 March 2023

	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	–	26	26
Depreciation of property, plant and equipment	(179)	(12)	(191)
Depreciation of right-of-use assets	(1,234)	–	(1,234)
Loss on termination of leases	(105)	–	(105)
Reversal of allowance for ECL on trade receivables, net	4,879	–	4,879
Reversal of/(provision for) allowance for ECL on other receivables, net	(302)	15,211	14,909
Reversal of impairment losses on inventories, net	11,400	–	11,400

### 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)

## Geographical Information

The Group mainly operates in Hong Kong, the PRC, the 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*	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
The USA <sup>#</sup>	74,480	53,595	—	—
Europe				
— The UK	1,693	2,894	—	—
— Others	267	1,449	—	—
Hong Kong	8,988	3,352	886	2,078
Asian countries				
— PRC (excluding Hong Kong)	538	53	93	476
— Others	607	69	—	—
Others	307	1,235	—	—
	<u>86,880</u>	<u>62,647</u>	<u>979</u>	<u>2,554</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\$74,233,000 (2022: HK\$50,954,000) which represented approximately 85% (2022: 81%) of total revenue of the Group for the year ended 31 March 2023.

## 6. OTHER LOSSES, NET

	2023 HK\$'000	2022 HK\$'000
Exchange loss, net	(2,976)	(1,105)
Gain on disposal of a subsidiary	—	511
Impairment loss on property, plant and equipment and right-of-use assets	—	(4)
Loss on termination of leases*	(105)	—
Government grants <sup>#</sup>	333	—
Others <sup>^</sup>	1,236	(138)
	<u>(1,512)</u>	<u>(736)</u>

\* During the year ended 31 March 2023, the Group had negotiated with a landlord for terminating certain portion of existing lease agreement for the operation of factories in the PRC.

# The government grants were mainly consisted of the sum HK\$288,000 received by certain subsidiaries in connection with the new phase of Employment Support Scheme launched by Hong Kong Government and approximately HK\$45,000 received by a subsidiary in the PRC received from the relevant authorities of the PRC to support enterprise against the negative brought by the COVID-19 pandemic during the current year. There were no unfulfilled conditions or contingencies relating to these grants.

^ For the current year, included in the others were mainly the extension premium and core payment in an aggregate amount of GBP120,000 (equivalent to approximately HK\$1,120,000) arisen from convertible loan notes and relevant interest previously recorded under other receivables.

## 7. PROFIT/(LOSS) BEFORE INCOME TAX

	2023 HK\$'000	2022 HK\$'000
Costs of inventories sold, excluding (reversal of)/ provision for impairment on inventories	88,792	48,493
(Reversal of)/provision for impairment loss on inventories, net <sup>#</sup>	(11,400)	1,459
Employee benefit expenses (including directors' emoluments)*	10,021	11,159
Auditor's remuneration		
— Audit services		
— current year	650	580
— Non-audit services	62	58
Depreciation of property, plant and equipment	191	189
Depreciation of right-of-use assets	1,234	1,166
Reversal of allowance for ECL on trade receivables, net (Note 11(a))	(4,879)	(4,525)
(Reversal of)/provision for allowance for ECL on other receivables, net (Note 11(b))	(14,909)	10,260
Short-term leases payments, gross	488	304
Exhibition expenses	—	298
	<u>          </u>	<u>          </u>

# The amount was included in the cost of sales in the consolidated profit or loss.

\* No forfeited contribution available for offset against existing contributions to pension costs defined contribution plans and social security costs during the year (2022: Nil).

## 8. INCOME TAX EXPENSE

	2023 HK\$'000	2022 HK\$'000
Current tax	—	—
Deferred tax	—	—
	<u>          </u>	<u>          </u>
Income tax expense	<u>          </u>	<u>          </u>



## 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 (2022: Nil). 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 (2022: 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 2023 (2022: 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 2023 (2022: Nil).

The amount of income tax position for the year can be reconciled to the profit/(loss) before income tax as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit/(loss) before income tax	<u>8,726</u>	<u>(15,462)</u>
Tax calculated at statutory income tax rate at 16.5% (2022: 16.5%)	1,440	(2,551)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(313)	(233)
Tax effect of:		
Expenses that are not deductible for tax purpose	824	2,106
Income not subject to tax	(3,724)	(1,341)
Temporary differences not recognised	14	14
Tax losses not recognised	1,878	2,254
Utilisation of tax losses not recognised previously	<u>(119)</u>	<u>(249)</u>
	<u><u>-</u></u>	<u><u>-</u></u>

## 9. EARNINGS/(LOSS) PER SHARE

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

	2023 HK\$'000	2022 HK\$'000
Profit/(loss) attributable to equity holders of the Company	<u>8,726</u>	<u>(15,462)</u>
<b>Number of shares</b>	<b>2023</b>	<b>2022</b>
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share ( <i>thousands</i> )	<u>603,392</u>	<u>354,590</u>

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 year. The weighted average number of shares used for the purpose of calculating basic earnings/(loss) per share for the years ended 31 March 2023 and 2022 has been adjusted for the issue of shares pursuant to the Rights Issue (Note 14(b)) which increase the ordinary share on 12 May 2022.

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 year ended 31 March 2023, the exercise price of the options exceeds the average market price of ordinary shares, thus share option is not considered to be exercised (2022: the assumed conversion of potential ordinary shares in relation to the share option had an anti-dilutive effect to the loss per share).

## 10. DIVIDEND

The directors do not recommend any payment of dividend in respect of the year ended 31 March 2023 (2022: Nil).

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables ( <i>Note (a)</i> )	7,016	5,667
Other receivables, deposits and prepayments ( <i>Note (b)</i> )	<u>5,984</u>	<u>26,327</u>
	<u><u>13,000</u></u>	<u><u>31,994</u></u>

*Notes:*

### (a) Trade receivables

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables, gross	19,744	23,306
Less: allowance for ECL on trade receivables	<u>(12,728)</u>	<u>(17,639)</u>
Trade receivables, net	<u><u>7,016</u></u>	<u><u>5,667</u></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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 30 days	–	4,140
31 to 90 days	7,016	1,527
91 to 180 days	<u>–</u>	<u>–</u>
	<u><u>7,016</u></u>	<u><u>5,667</u></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>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Not overdue	–	297
Overdue by:		
1 to 30 days	<b>6,122</b>	3,843
31 to 90 days	<b>894</b>	1,527
	<u><b>7,016</b></u>	<u>5,667</u>

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 (2022: HK\$Nil) 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 2021	14	26,257	26,271
Changes in the loss allowance:			
— Written off	—	(4,107)	(4,107)
— Charged/(credited) to consolidated profit or loss ( <i>Note 7</i> )	1,024	(5,549)	(4,525)
As at 31 March 2022 and 1 April 2022	<b>1,038</b>	<b>16,601</b>	<b>17,639</b>
Changes in the loss allowance:			
— Written off	—	(32)	(32)
— Charged/(credited) to consolidated profit or loss ( <i>Note 7</i> )	4,897	(9,776)	(4,879)
<b>As at 31 March 2023</b>	<b>5,935</b>	<b>6,793</b>	<b>12,728</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 2023, trade receivables with gross carrying amount of approximately HK\$6,793,000 (2022: HK\$16,601,000) were fully impaired and provided for those credit-impaired customers which are in unexpectedly difficult economic situations.

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

	<b>2023 HK\$'000</b>	<b>2022 HK\$'000</b>
Other receivables, gross		
Transferred from convertible loan notes ( <i>Note (i)</i> )	—	36,834
Others	722	269
Less: allowance for ECL on other receivables ( <i>Note (ii)</i> )	(302)	(16,206)
Other receivables, net	420	20,897
Deposits	587	587
Prepayments ( <i>Note (iii)</i> )	4,977	4,843
	<b>5,984</b>	<b>26,327</b>

*Notes:*

- (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 2022. 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 convertible loan notes of approximately GBP1,960,000 (equivalent to approximately HK\$20,158,000) was recognised as receivables and included in other receivables. The gross carrying amount of the outstanding principal and its accumulated interest receivables of approximately GBP3,500,000 (equivalent to approximately HK\$35,994,000) and approximately GBP82,000 (equivalent to approximately HK\$840,000) were not yet settled and accumulated allowance for credit loss allowance of approximately GBP36,000 (equivalent to approximately HK\$370,000) was made. The receivables were 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)).

During the year ended 31 March 2023, the entire principal amount of other receivables and relevant interest were fully collected in January 2023, relevant accumulated allowance in the amount of approximately HK\$15,211,000 was reversed and recorded as reversal of allowance for ECL on other receivables. Relevant details were disclosed in the announcement of the Company dated 18 January 2023.

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.

(ii) Movements in the allowance for ECL on other receivables under HKFRS 9 are as follows:

	<b>Total</b> <i>HK\$'000</i>
As at 1 April 2021	5,946
Changes in the loss allowance:	
— Charged to consolidated profit or loss	10,260
As at 31 March 2022 and 1 April 2022	16,206
Changes in the loss allowance:	
— Exchange difference of ECL	(995)
— Credited to consolidated profit or loss	(14,909)
<b>As at 31 March 2023</b>	<b>302</b>

(iii) As at 31 March 2023, the balance mainly represented prepayments for purchases of pearls of approximately HK\$4,192,000 (2022: HK\$4,057,000) and exhibition expenses of approximately HK\$423,000 (2022: HK\$584,000).

## 12. TRADE AND OTHER PAYABLES AND ACCRUALS

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	<b>9,006</b>	4,595
Accrued payroll and employee benefits	<b>839</b>	756
Other payables and other accruals	<b>8,910</b>	9,054
	<b>18,755</b>	14,405

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

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 60 days	<b>8,669</b>	4,089
61 to 120 days	—	428
More than 120 days	<b>337</b>	78
	<b>9,006</b>	4,595

As at 31 March 2023, consideration payables of HK\$4,000,000 (2022: HK\$4,000,000) for acquisition of 30% interest in Guardian City Limited, and loan interest payables of HK\$37,000 (2022: HK\$698,000) were included in other payables.

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

### 13. OTHER BORROWINGS

	2023 HK\$'000	2022 HK\$'000
Other borrowings — secured		
Within one year or on demand ( <i>Note (i)</i> )	—	29,776
Other borrowings — unsecured		
Within one year ( <i>Note (ii)</i> )	2,000	—
	<u>2,000</u>	<u>29,776</u>
	<u>2,000</u>	<u>29,776</u>

*Notes:*

- (i) As at 31 March 2022, the other borrowing was secured by other receivables of HK\$29,776,000 bore fixed interest rate of 15% per annum, with repayment on demand clause was secured by other receivables (Note 11(b)(i)) with an aggregate borrowing amount of HK\$29,776,000 and relevant accrued interests. As at 31 March 2023, this other borrowing has been fully repaid upon receipt of net proceeds from Rights Issue during the year (Note 14(b)).
- (ii) As at 31 March 2023, the Group's other borrowing with carrying amount of HK\$2,000,000 bears fixed interest rate of 6% per annum with fixed repayment term of one year. The borrowing is provided by an independent third party of the Group.

### 14. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Authorised:		
At 1 April 2021 and 31 March 2022, ordinary shares of HK\$0.02 each	500,000	10,000
Increase authorised share capital on 1 April 2022	9,500,000	190,000
<b>At 31 March 2023</b>	<u><b>10,000,000</b></u>	<u><b>200,000</b></u>
Issued and fully paid:		
At 1 April 2021	266,377	5,328
Placing of new shares ( <i>Note (a)</i> )	53,272	1,065
At 31 March 2022	319,649	6,393
Rights issue of new shares ( <i>Note (b)</i> )	319,649	6,393
<b>At 31 March 2023</b>	<u><b>639,298</b></u>	<u><b>12,786</b></u>



*Notes:*

**(a) 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.

**(b) Rights issue in 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.

As a result following above, 319,648,964 Rights Shares were issued. The Rights Issue has been completed and the net proceeds (after deducting the estimated rights issues commission and other related expenses and professional fees of approximately HK\$2,389,000) of approximate HK\$32,772,000 from the Rights Issue has been used for repayment of the Group's loans and general working capital for the Group. Upon completion of Rights Issue, share capital and share premium have been increased by approximately HK\$6,393,000 and HK\$26,379,000 respectively.

Details of the transaction was disclosed in the circular dated 17 March 2022, the prospectus dated 19 April 2022 and announcements of the Company dated 28 January 2022, 17 February 2022, 16 March 2022, 19 April 2022 and 12 May 2022 respectively.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL OVERVIEW**

The Board is pleased to report the results of the Company and the Group for the year ended 31 March 2023 (“FY23”). During FY23, the consolidated profit attributable to equity holders of the Company was HK\$8.7 million (year ended 31 March 2022 (“FY22”): loss of HK\$15.5 million), representing a substantial increase in profit of 156.1% as compared with the loss in FY22. The basic earnings per share was HK\$0.01 (FY22: loss per share of HK\$0.04), representing a substantial increase of 125.0% as compared with that in FY22 mainly due to the reversal of allowance for expected credit loss on other receivables and the decrease in finance costs.

### **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 segmental revenue generated from the Pearls and Jewellery Business Segment increased from HK\$59.9 million in FY22 to HK\$85.2 million in FY23. For FY23, the return on capital of pearls and jewellery products was (2.0)% (FY22: 3.7%).

Following Hong Kong’s lifting of the mandatory mask mandate and full resumption of travel, more business traders from all over the world have joined the jewellery fair. During the year, the Group has purchased some jade products as to become part of the jewellery business segment. The Group is planned to launch the jade products in 4th quarter of this year in the jewellery fair/show in order to boost more sales and broaden the clients’ base. The Group targets to sell the jade products to mainland China and Asian countries as the demand for jade products in those markets are still higher than that in western market. Besides, potential marketing plan such as combining jade and pearls, will attract preference from another group of new customers.

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 market is recovering in order to maintain its diversified customer base.

### **Strategic Investment and Financial Services Segment**

During FY23, 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 the co-working business has downsized the co-working space network in Hong Kong. The Group had recognised the investment in the co-working space industry as financial assets at fair value through other comprehensive income and was fully impaired in previous years.

On 10 November 2017, the Group entered into an investment agreement and subscribed for loan notes (“**Loan Notes**”) issued by Wonderland (UK) Holdings Limited (“**the Issuer**”). The principal amount was GBP3,500,000 which carried interest at 6% per annum and payable on the date on which the Loan Notes become payable or are redeemed. The maturity date of the Loan Notes was on 9 November 2020 and would be redeemed at 100% of the principal amount.

On 9 November 2020, all Loan Notes expired and no conversion option was exercised by the Group. The outstanding principal amount of GBP3,500,000 and the then accrued interest of approximately GBP571,000 were not settled. Since the expiry of the Loan Notes on 9 November 2020, the Company had been actively liaised with the management of the Issuer for the repayment of the principal and interests under the Loan Notes. However, up to 28 June 2022, the outstanding principal amount of GBP3,500,000 and an accrued interest of GBP62,614 remained unsettled.

The Company announced that on 29 June 2022, the Group, the Issuer and the guarantors entered into the deed of variation, pursuant to which the investment agreement shall be amended to the effect that: (1) the repayment date for the Loan Notes shall be extended to 31 October 2022; (2) upon the maturity of the Loan Note, the respective default interest rate shall be amended from 1% to 6% per annum, i.e. the effective interest rate on the outstanding amount shall be increased to 12% following default of the Loan Notes; and (3) the Issuer shall pay to the Group a total of GBP75,000 within one month of the date of the deed of variation. Save as disclosed above, all other material terms of the investment agreement and the relevant personal guarantees obtained for guaranteeing the repayment obligations of the Loan Notes as disclosed in the announcements remain unchanged.

On 24 October 2022, the Group, the Issuer and the guarantors entered into the notice, pursuant to which the investment agreement and the deed of variation shall be amended to the effect that: (1) the repayment date for the Loan Notes shall be further extended to 31 January 2023; and (2) the Issuer shall pay to the Group a total of GBP45,000 as a cure payment. Save as disclosed above, all other material terms of the investment agreement, the deed of variation and the personal guarantees remain unchanged.

On 18 January 2023, the Issuer fully repaid the outstanding principal and accrued interests of the Loan Notes. Details of the transaction were disclosed in the announcements of the Company dated 1 September 2017, 3 October 2017, 20 October 2017, 12 November 2017 and 18 January 2023.

Looking forward, with the redemption 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. 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 reporting date, the group was not involved in any other material litigation or arbitration.

## **FINANCIAL GUARANTEE**

As at 31 March 2023, the Group had no financial guarantee.

## **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) 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\$32.8 million after deducting estimated rights issue commission and professional fees and other expenses, approximately HK\$27.2 million of which had been earmarked for the partial repayment of the Group’s other borrowings and accrued interests and the remaining of which used for the 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 established in the PRC upon completion of its reorganisation, which 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 consideration is expected to be HK\$42,000,000, of which 25% of the consideration is expected to be settled by issue of consideration shares by the Company, and 75% of the consideration is expected to be settled by the issue of convertible bonds by the Company.

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

## **PROSPECTS**

With 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 FY23, based on the Group's current observation and estimation, the overall downtrend is expected to be carried forward to certain extent for coming years due to the change of consumption pattern caused by the outbreak. As such, the Group is preparing to enter the jade products market so as to broaden the customers' base. 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 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 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, introducing more new jewellery products, 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.

Further, the Group entered into the memorandum of understanding for the potential acquisition of the skincare solutions through self-transformed skincare brand and functional skincare products, in which if the acquisition is materialized, it will increase the Group's profitability and return.

## **FINANCIAL REVIEW**

The Group 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\$86.9 million for FY23 (FY22: HK\$62.6 million), comprised sales of pearl and jewellery of HK\$85.2 million (FY22: HK\$59.9 million) and interest income on strategic investment and financial services of HK\$1.7 million (FY22: HK\$2.7 million), mainly as a result of the increase in the sales of pearl and jewellery.

Gross profit decreased by HK\$3.2 million to HK\$7.8 million (FY22: HK\$11.0 million). The gross profit margin during FY23 is decreased mainly due to the provision for impairment loss on certain jewellery products of the inventories.



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

S&A expenses mainly comprised selling expenses of HK\$0.4 million (FY22: HK\$0.8 million) and administrative expenses of HK\$16.2 million (FY22: HK\$14.8 million). S&A expenses increased by HK\$1 million or 6.4% to HK\$16.6 million (FY22: HK\$15.6 million) in FY23. S&A expenses was maintained constantly due to the result of cost control measures deployed by the Group during FY23.

## **Profit (loss) Attributable to Equity Holders of the Company**

The profit attributable to equity holders of the Company substantially increased by HK\$24.2 million or 156.1% to HK\$8.7 million in FY23 (FY22: loss of HK\$15.5 million) was mainly due to the reversal of allowance for expected credit losses on other receivables, net and the decrease in finance costs during the year as compared to FY22.

## **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 Rights Issue. As at 31 March 2023, the Group’s total equity was HK\$78.3 million (2022: HK\$35.9 million), representing an increase of 118.1% from last year.

As at 31 March 2023, the Group had cash and cash equivalents of HK\$41.3 million (31 March 2022: HK\$23.6 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\$77.4 million (31 March 2022: HK\$34.1 million). The current ratio, represented by the total current assets divided by the total current liabilities, was 4.6 (31 March 2022: 1.7).

As at 31 March 2023, the Group had outstanding borrowings of HK\$2 million which is at interest rate of 6% per annum and is scheduled to be repayable on 12 December 2023. As at 31 March 2022, the Group had outstanding borrowings of HK\$29.8 million which was secured by other receivables with carrying value of HK\$20.6 million. 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 31 March 2023, 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 the 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). 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\$32.8 million after deducting estimated rights issue commission and professional fees and other expenses, approximately HK\$27.2 million of which had been earmarked for the partial repayment of the Group's other borrowings and accrued interests and the remaining of which used for the general working capital of the Group.

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

### **Capital Commitments**

At the end of the reporting periods, 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 FY22 and FY23.

### **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 FY22 and FY23.

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 2023, the Group had a total workforce of 30 (31 March 2022: 47), of whom 17 (31 March 2022: 18) were based in Hong Kong. The total staff costs, including Directors' emoluments and mandatory provident fund, was approximately HK\$10.0 million in 2023 (2021: HK\$11.2 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 2023.

## **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. Wong Siu Keung, Joe, Mr. Chang Chunyu and Mr. Chiu Sin Nang, Kenny (resigned on 10 May 2023) 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 two 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 2023.

## **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 2023.

## **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 2023 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 2023, 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 2023 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 Hong Kong Institute of Certified Public Accountants 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 and Executive Director*

Hong Kong, 28 June 2023

*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. Wong Siu Keung Joe and Mr. Chang Chunyu as independent non-executive Directors.*