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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 2023**

The board of directors (the “**Board**”) of Affluent Partners Holdings Limited (the “**Company**”) hereby presents the condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2023, together with the comparative figures for the corresponding period in 2022.

* *For identification purposes only*

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 September 2023

		Six months ended 30 September	
		2023	2022
		HK\$'000	HK\$'000
	Notes	(Unaudited)	(Unaudited)
Revenue	4	25,121	50,002
Cost of sales		<u>(17,508)</u>	<u>(37,239)</u>
Gross profit		7,613	12,763
Other gains/(losses), net		605	(2,194)
Reversal of allowance for expected credit loss ("ECL") on other receivables	5	—	22
Reversal of allowance for ECL on trade receivables, net	5	644	7,990
Selling expenses		(102)	(148)
Administrative expenses		<u>(11,666)</u>	<u>(7,390)</u>
Operating (loss)/profit		(2,906)	11,043
Finance income		690	4
Finance costs		<u>(102)</u>	<u>(789)</u>
Finance income (costs), net		<u>588</u>	<u>(785)</u>
(Loss)/profit before income tax	5	(2,318)	10,258
Income tax expense	6	<u>—</u>	<u>—</u>
(Loss)/profit for the period attributable to equity holders of the Company		<u>(2,318)</u>	<u>10,258</u>
(Loss)/earnings per share	8		
— Basic and diluted		<u>(0.36) HK cents</u>	<u>1.81 HK cents</u>

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF
COMPREHENSIVE INCOME**

For the six months ended 30 September 2023

	Six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss)/profit for the period	(2,318)	10,258
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>(761)</u>	<u>(835)</u>
Other comprehensive loss for the period, net of tax	<u>(761)</u>	<u>(835)</u>
Total comprehensive (loss)/income for the period attributable to equity holders of the Company	<u><u>(3,079)</u></u>	<u><u>9,423</u></u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

		30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		108	247
Right-of-use assets		376	732
Financial asset at fair value through other comprehensive income		—	—
		<u>484</u>	<u>979</u>
Current assets			
Inventories		42,983	44,611
Trade and other receivables, deposits and prepayments	9	13,748	13,000
Cash and cash equivalents		41,231	41,261
		<u>97,962</u>	<u>98,872</u>
Current liabilities			
Trade and other payables and accruals	10	19,801	18,755
Lease liabilities		302	758
Other borrowings	11	3,000	2,000
		<u>23,103</u>	<u>21,513</u>
Net current assets		<u>74,859</u>	<u>77,359</u>
Total assets less current liabilities		<u>75,343</u>	<u>78,338</u>
Non-current liabilities			
Lease liabilities		84	—
Net assets		<u>75,259</u>	<u>78,338</u>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	12	12,786	12,786
Reserves		62,473	65,552
Total equity		<u>75,259</u>	<u>78,338</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 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 2023.

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 2023 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 2023.

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 2023 for the preparation of the Group’s condensed consolidated interim financial statements:

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 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 |

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 2023 by operating segments are as follows:

Segment revenue and results

For the six months ended 30 September 2023

	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	25,121	–	25,121
Segment profit/(loss)	137	(269)	(132)
Finance income			690
Finance costs			(102)
Unallocated corporate expenses			(2,774)
Loss before income tax			(2,318)

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	48,915	1,087	50,002
Segment profit/(loss)	15,241	(1,781)	13,460
Finance income			4
Finance costs			(789)
Unallocated corporate gains			86
Unallocated corporate expenses			(2,503)
Profit before income tax			10,258

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 2023

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 HK\$'000 (Unaudited)	Strategic investment and financial services HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment assets			
— Hong Kong	63,778	32,118	95,896
— The People's Republic of China (the "PRC")	1,361	—	1,361
	<u>65,139</u>	<u>32,118</u>	<u>97,257</u>
Unallocated corporate assets			<u>1,189</u>
Total assets			<u>98,446</u>
Segment liabilities			
— Hong Kong	(11,612)	(3,366)	(14,978)
— The PRC	(1,700)	—	(1,700)
	<u>(13,312)</u>	<u>(3,366)</u>	<u>(16,678)</u>
Unallocated corporate liabilities			<u>(6,509)</u>
Total liabilities			<u>(23,187)</u>

At 31 March 2023

	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	62,115	32,675	94,790
— The PRC	2,598	—	2,598
	<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>
Segment liabilities			
— Hong Kong	(10,999)	(2,294)	(13,293)
— The PRC	(1,463)	—	(1,463)
	<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>

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 2023

	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	(84)	(9)	(93)
Depreciation of right-of-use assets	(598)	–	(598)
Reversal of allowance for ECL on trade receivables, net	<u>644</u>	<u>–</u>	<u>644</u>

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>

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	Six months ended	At	At
	30 September 2023	30 September 2022	30 September 2023	31 March 2023
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
North America [#]				
— The USA	22,342	40,551	—	—
— Others	—	39	—	—
Europe				
— The UK	—	1,121	—	—
— Others	711	803	—	—
Hong Kong	2,017	6,120	264	886
Asian countries				
— The PRC (excluding Hong Kong)	—	1,254	220	93
Others	51	114	—	—
	<u>25,121</u>	<u>50,002</u>	<u>484</u>	<u>979</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\$22,225,000 (2022: HK\$40,432,000) which represented more than 88% (2022: 81%) of total revenue of the Group for the six months ended 30 September 2023.

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

5. (LOSS)/PROFIT 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	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold, excluding provision for impairment on inventories	17,350	54,113
Reversal of impairment loss on inventories, net [#]	–	(18,164)
Employee benefit expenses (including directors' emoluments)*	8,620	5,475
Reversal of allowance for ECL on trade receivables, net	(644)	(7,990)
Reversal of allowance for ECL on other receivables	–	(22)
Depreciation of property, plant and equipment	93	101
Depreciation of right-of-use assets	598	611
Operating lease payment	1	10

[#] 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 2023 (2022: Nil).

6. INCOME TAX

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 period (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 period (2022: 25%).

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.

7. DIVIDEND

The directors do not recommend any payment of interim dividend for the six months ended 30 September 2023 (2022: Nil).

8. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss for the period attributable to equity holders of the Company of approximately HK\$2,318,000 (2022: profit of HK\$10,258,000) and the weighted average number of ordinary shares of 639,297,928 (2022: 565,935,870) in issue during the period.

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

Diluted (loss)/earnings 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 2023 and 2022, the assumed conversion of potential ordinary shares in relation to the share option has an anti-dilutive effect to the basic (loss)/earnings per share.

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 September 2023 <i>HK\$'000</i> (Unaudited)	At 31 March 2023 <i>HK\$'000</i> (Audited)
Trade receivables (<i>Note a</i>)	7,125	7,016
Other receivables, deposits and prepayments (<i>Note b</i>)	<u>6,623</u>	<u>5,984</u>
	<u><u>13,748</u></u>	<u><u>13,000</u></u>

Notes:

(a) Trade receivables

	At 30 September 2023 <i>HK\$'000</i> (Unaudited)	At 31 March 2023 <i>HK\$'000</i> (Audited)
Trade receivables — gross	21,929	19,744
Less: allowance for ECL on trade receivables	<u>(14,804)</u>	<u>(12,728)</u>
Trade receivables — net	<u><u>7,125</u></u>	<u><u>7,016</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:

	At 30 September 2023 <i>HK\$'000</i> (Unaudited)	At 31 March 2023 <i>HK\$'000</i> (Audited)
0 to 30 days	4,298	—
31 to 90 days	<u>2,827</u>	<u>7,016</u>
	<u><u>7,125</u></u>	<u><u>7,016</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:

	At 30 September 2023 <i>HK\$'000</i> (Unaudited)	At 31 March 2023 <i>HK\$'000</i> (Audited)
Overdue by:		
1 to 30 days	4,298	6,122
31 to 90 days	<u>2,827</u>	<u>894</u>
	<u>7,125</u>	<u>7,016</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 2023 <i>HK\$'000</i> (Unaudited)	At 31 March 2023 <i>HK\$'000</i> (Audited)
Other receivables	527	420
Deposits	576	587
Prepayments	<u>5,520</u>	<u>4,977</u>
	<u>6,623</u>	<u>5,984</u>

10. TRADE AND OTHER PAYABLES AND ACCRUALS

	At 30 September 2023 <i>HK\$'000</i> (Unaudited)	At 31 March 2023 <i>HK\$'000</i> (Audited)
Trade payables	3,787	9,006
Accrued payroll and employee benefits	5,844	839
Other payables and other accruals	<u>10,170</u>	<u>8,910</u>
	<u>19,801</u>	<u>18,755</u>

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

	At 30 September 2023 <i>HK\$'000</i> (Unaudited)	At 31 March 2023 <i>HK\$'000</i> (Audited)
0 to 60 days	1,196	8,669
61 to 120 days	583	–
Over 120 days	2,008	337
	<u>3,787</u>	<u>9,006</u>

As at 30 September 2023, consideration payables of HK\$4,000,000 (31 March 2023: HK\$4,000,000) for acquisition of 30% of the issued share capital of Guardian City Limited and loan interest payables of approximately HK\$123,000 (31 March 2023: HK\$37,000) were included in other payables.

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

11. OTHER BORROWINGS

	At 30 September 2023 <i>HK\$'000</i> (Unaudited)	At 31 March 2023 <i>HK\$'000</i> (Audited)
Other borrowing — unsecured		
Within one year (<i>Note</i>)	3,000	2,000
	<u>3,000</u>	<u>2,000</u>

Note:

As at 30 September 2023, the Group's other borrowing with carrying amount of HK\$3,000,000 (31 March 2023: 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.

12. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Authorised:		
At 1 April 2022, 30 September 2022, 1 April 2023 and 30 September 2023 (Unaudited), ordinary shares of HK\$0.02 each	<u>10,000,000</u>	<u>200,000</u>
Issued and fully paid:		
At 1 April 2022 (Audited)	319,649	6,393
Issue of rights shares (<i>Note</i>)	<u>319,649</u>	<u>6,393</u>
At 30 September 2022 and 1 April 2023 (Audited) and 30 September 2023 (Unaudited)	<u>639,298</u>	<u>12,786</u>

Note:

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 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 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.

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 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, 16 March 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**”) hereby presents the unaudited results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2023 (the “**Period**” or “**HY23**”). During the Period, the consolidated loss attributable to equity holders of the Company was approximately HK\$2.3 million (six months ended 30 September 2022 (“**HY22**”): profit of HK\$10.3 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 total Group’s sales contribution in pearl and jewellery products decreased from HK\$48.9 million in HY22 to HK\$25.1 million in HY23. For HY23, the return on capital of pearls and jewellery products was approximately 0.2% (HY22: 27.2%). Such decrease was attributable to a drop in the sale of the Group’s pearl and jewellery products in HY23 as compared to that in HY22 due to the sudden increase in market demand for pearl and fine jewellery for stock replenishment by customers following the relaxation of the pandemic prevention measures and travel restrictions in 2022, which boosted the sale volume in the corresponding period.

Although the global market sentiment for pearl and fine jewellery remained unsteady during the Period, the Group considers the global jewellery market will recover to the normal level in the foreseeable future following the end of pandemic outbreak and such decrease in sale of the Group’s pearls and jewellery products was temporary.

The Group has been looking into various materials for its jewellery design to enrich the product collection in its pearls and jewellery business. Since 2023, the Group has purchased some jade products (also in view of launching jade jewellery with pearls) and planned to launch the jade products in the coming jewellery fair/show in order to boost more sales and broaden the customer base. The Group targets to sell the jade products to mainland China and other Asian countries as the demand for jade products in those markets is still higher than that in the western market.

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 and looking for opportunities to expand and diversify its customer base.

Strategic Investment and Financial Services Segment

During the Period, the Group maintained the co-working space investment business through the Strategic Investment and Financial Services Segment. This segment has been in operation and its objectives include other potential investment opportunities.

Since the outbreak of COVID-19 pandemic, 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.

LITIGATION

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

MAJOR TRANSACTION — POTENTIAL ACQUISITION

On 29 June 2023, the Company, the vendor (the “**Vendor**”), the ultimate beneficial owner of the Vendor and the guarantors entered into the sale and purchase agreement (the “**Sale and Purchase Agreement**”), pursuant to which the Vendor has conditionally agreed to sell and the Group has conditionally agreed to acquire a group of companies (the “**Target Group**”) (the “**Acquisition**”). The Target Group is principally engaged in providing scientific and pharmaceutical research and development services and skincare solutions through self-transformed skincare brand and mid-to-high-end functional skincare products. The Target Group is also engaged in brand marketing and consulting services. The consideration of the Acquisition is HK\$42.0 million, which shall be satisfied as to (i) HK\$10.5 million by the allotment and issue of the consideration shares by the Company; and (ii) HK\$31.5 million by the issue of the convertible bond by the Company. The consideration shares comprising 39,954,338 Shares, represent approximately 6.25% of the issued share capital of the Company as at the date of the Sale and Purchase Agreement. Upon full conversion of the convertible bond, 119,863,013 conversion shares will be issued, which represent approximately 18.75% of the issued share capital of the Company as at the date of the Sale and Purchase Agreement. Pursuant to the Sale and Purchase Agreement, the Vendor and the guarantors jointly and irrevocably guarantee to the Company that the aggregate audited consolidated net profit for the two years ending 31 December 2024 shall not be less than HK\$21.05 million.

An extraordinary general meeting of the Company will be convened and held for the Shareholders to consider and, if thought fit, to approve the Acquisition and the transactions contemplated thereunder, including the issue of the consideration shares, the convertible bond and the conversion shares.

Details of the Acquisition were disclosed in the Company's announcements dated 11 August 2022, 10 November 2022 and 29 June 2023.

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 decreased during the Period (HY23: HK\$25.1 million; HY22: HK\$50.0 million), comprised sales of pearl and jewellery of approximately HK\$25.1 million (HY22: HK\$48.9 million) and interest income on strategic investment and financial services of Nil (HY22: HK\$1.1 million), mainly due to the decrease in the sales of pearl and jewellery products and the redemption of loan notes which in turns no interest income earned.

Gross profit decreased by approximately HK\$5.2 million to approximately HK\$7.6 million (HY22: HK\$12.8 million) due to the decrease in sales of pearl and jewellery. The gross profit margin of 30.3% during HY23 increased as compared to that of 25.5% during HY22.

Selling and Administrative Expenses (the "S&A expenses")

S&A expenses mainly comprised selling expenses of approximately HK\$0.1 million (HY22: HK\$0.1 million) and administrative expenses of approximately HK\$11.7 million (HY22: HK\$7.4 million). S&A expenses increased by approximately HK\$4.3 million or 57.3% to approximately HK\$11.8 million (HY22: HK\$7.5 million) in HY23 was due to the bonus payment to staff.

(Loss) profit Attributable to Equity Holders of the Company

The Group recorded the loss attributable to equity holders of the Company of approximately HK\$2.3 million in HY23 as compared to the profit attributable to equity holders of the Company of HK\$10.3 million in HY22 mainly due to the substantial decrease in revenue and gross profit, the increase in the administrative expenses and the decrease in 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 and equity attributable to equity holders of the Company. As at 30 September 2023, the Group's total equity was approximately HK\$75.2 million (31 March 2023: HK\$78.3 million), the decrease was mainly due to the loss for the Period.

As at 30 September 2023, the Group had cash and cash equivalents of approximately HK\$41.2 million (31 March 2023: HK\$41.3 million). Cash and cash equivalents were mainly denominated in United States dollar, Hong Kong dollar and Renminbi. The Group's net current assets were approximately HK\$74.8 million (31 March 2023: HK\$77.3 million). The current ratio, represented by the current assets divided by the current liabilities, was 4.2 (31 March 2023: 4.6).

As at 30 September 2023, the Group had outstanding borrowings of HK\$3 million which is at interest rate of 6% per annum and is scheduled to be repayable on 12 December 2023 (31 March 2023: HK\$2 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 30 September 2023, the total number of issued shares of the Company was 639,297,928 (31 March 2023: 639,297,928) of HK\$0.02 each (the “**Shares**”) and its issued share capital was HK\$12,785,959 (31 March 2023: HK\$12,785,959).

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

CAPITAL EXPENDITURE

The Group's capital expenditure during the Period, which was primarily related to purchase of property, plant and equipment, amounted to Nil (HY22: 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 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 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 2023, the Group had a total workforce of 27 (31 March 2023: 30), of which 15 (31 March 2023: 17) were based in Hong Kong. The total staff costs, including directors' emoluments and mandatory provident fund, were approximately HK\$8.6 million (HY22: HK\$5.5 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 2023, the Group had no financial guarantee.

EVENTS AFTER REPORTING PERIOD

The Group has no significant events after the reporting period.

PROSPECTS

Overall, the COVID-19 pandemic outbreak has adversely impacted the business performance of the Group. Although the Group's revenue in the Pearls and Jewellery Products segment was slightly recovered in 2022, based on the Group's current observation and estimation, the overall downtrend is expected to be carried forward to a certain extent but shall be gradually and eventually back to its normal level in coming years. As such, the Group has introduced jade products as materials for its jewellery products and looking for opportunities to cooperate with others to broaden and diversify its customer 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 standard of caution 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 to 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 to stay competitive.

Further, the Group entered into the sale and purchase agreement for the acquisition of the Target Group that is principally engaged in providing scientific and pharmaceutical research and development services, skincare solutions through self-transformed skincare brand and mid-to-high-end functional skincare products, as well as brand marketing and consulting services, in which if the Acquisition is materialised, it will greatly improve the Group's profitability and return.

The Group considers that the skincare market has immense potential and there is a product crossover between the Group's pearl products and the Target Group's skincare products, one of the synergies being processing pearls to become one of the ingredients in skincare products. Given the sales and distribution of pearls and jewellery products by the Group and the sales and distribution of skincare products by the Target Group, both primarily focus on the female consumer market, there may bring along potential collaboration and cross-selling opportunities which will be mutually beneficial to both parties. The Directors believe that the Acquisition gives the Group an opportunity to expand its existing business both vertically by using the Group's existing pearl products as raw materials for skincare products and horizontally by widening its range of female consumer products extending from pearl and jewellery to skincare products.

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 2023 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.

The audit committee of the Company (the “**Audit Committee**”) comprises 2 independent non-executive Directors, namely Mr. Wong Siu Keung, Joe and Mr. Chang Chunyu. On 10 May 2023, Mr. Chiu Sin Nang, Kenny tendered his resignation as an independent non-executive Director, as well as the chairman of the Audit Committee. Following his resignation, the Company will use its best endeavour to identify suitable candidate to fill up the vacancy of the chairman of the Audit Committee as soon as practicable as required under Rules 3.21 of the Listing Rules.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules 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 2023.

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 2023.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The condensed consolidated financial statements for the Period have not been audited. The Audit Committee, which comprises two independent non-executive Directors, namely 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, 28 November 2023

As at the date of this announcement, the Board comprises Mr. Cheng Chi Kin (Chairman), Mr. Cheung Sze Ming and Mr. Dong Peng as executive Directors; Mr. Zhu Yongjun as non-executive Director; Mr. Wong Siu Keung Joe and Mr. Chang Chunyu as independent non-executive Directors.