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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 2021**

The board of directors (the “**Board**”) of Affluent Partners Holdings Limited (the “**Company**”) hereby announces the condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2021, together with the comparative figures for the corresponding period in 2020.

* *For identification purposes only*

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 September 2021

		Six months ended	
		30 September	
		2021	2020
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Notes</i>	(Unaudited)	(Unaudited)
Revenue	4	31,159	16,589
Cost of sales		<u>(31,037)</u>	<u>(29,904)</u>
Gross profit/(loss)		122	(13,315)
Other losses, net		(1,200)	(620)
Fair value gain on convertible loan notes		–	1,215
Provision for allowance for expected credit loss (“ECL”) on other receivables, net		(5,053)	–
Reversal of/(provision for) allowance for ECL on trade receivables, net		1,352	(15,610)
Selling expenses		(493)	(247)
Administrative expenses		<u>(6,861)</u>	<u>(12,723)</u>
Operating loss		(12,133)	(41,300)
Finance income		2	5
Finance costs		<u>(2,264)</u>	<u>(2,278)</u>
Finance costs, net		<u>(2,262)</u>	<u>(2,273)</u>
Loss before income tax	5	(14,395)	(43,573)
Income tax	6	<u>–</u>	<u>–</u>
Loss for the period attributable to equity holders of the Company		<u>(14,395)</u>	<u>(43,573)</u>
Loss per share attributable to equity holders of the Company			
— Basic and diluted	8	<u>(5.39) HK cents</u>	<u>(20.78) HK cents</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2021

	Six months ended	
	30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss for the period	(14,395)	(43,573)
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss</i>		
— Exchange difference on translation of financial statements of foreign operations	—	20
	<hr/>	<hr/>
Other comprehensive income for the period, net of tax	—	20
	<hr/>	<hr/>
Total comprehensive loss for the period attributable to equity holders of the Company	(14,395)	(43,553)
	<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 September 2021

		30 September 2021	31 March 2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Notes</i>	(Unaudited)	(Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		441	533
Right-of-use assets		690	1,216
Investments in associates	<i>10</i>	–	–
Financial asset at fair value through other comprehensive income	<i>9</i>	–	–
Unlisted property fund	<i>12</i>	–	–
		<u>1,131</u>	<u>1,749</u>
Current assets			
Inventories		20,909	24,827
Trade and other receivables, deposits and prepayments	<i>11</i>	34,646	40,765
Cash and cash equivalents		25,496	24,424
		<u>81,051</u>	<u>90,016</u>
Current liabilities			
Trade and other payables and accruals	<i>13</i>	14,337	13,922
Other borrowings	<i>14</i>	30,000	30,000
Lease liabilities		562	1,271
Amount due to immediate holding company		339	339
		<u>45,238</u>	<u>45,532</u>
Net current assets		<u>35,813</u>	<u>44,484</u>
Total assets less current liabilities		<u>36,944</u>	<u>46,233</u>
Non-current liabilities			
Lease liabilities		<u>167</u>	<u>288</u>
		<u>167</u>	<u>288</u>
Net assets		<u>36,777</u>	<u>45,945</u>

		30 September	31 March
		2021	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note</i>	(Unaudited)	(Audited)
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	<i>15</i>	6,393	5,328
Reserves		30,384	40,617
		<hr/>	<hr/>
Total equity		36,777	45,945
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Affluent Partners Holdings Limited 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 has been changed from Office A, 6/F, Valiant Commercial Building, 22-24 Prat Avenue, Tsim Sha Tsui, Kowloon, Hong Kong to Room 906, 9/F, Wings Building, 110-116 Queen's Road Central, Central, Hong Kong with effect from 12 November 2021.

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

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 2021.

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 2021 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 2021.

Adoption of new and revised 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 2021 for the preparation of the Group’s condensed consolidated interim financial statements:

HKFRS 16 (Amendments)	Covid-19-related Rent Concessions
HKAS 39, HKFRS 9, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform — Phase 2

The adoption of the new and amendments to 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 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 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 2021 by operating segments are as follows:

Segment revenue and results

For the six months ended 30 September 2021

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

For the six months ended 30 September 2020

	Sale of pearls and jewellery products <i>HK\$'000</i> (Unaudited)	Strategic investment and financial services <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue	<u>15,492</u>	<u>1,097</u>	<u>16,589</u>
Segment (loss) profit	<u>(41,254)</u>	<u>1,976</u>	<u>(39,278)</u>
Finance income			5
Finance costs			(2,278)
Equity-settled share-based payments, net			176
Unallocated corporate expenses			<u>(2,198)</u>
Loss before income tax			<u><u>(43,573)</u></u>

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

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

Segment assets and liabilities

At 30 September 2021

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

	Sale of pearls and jewellery products <i>HK\$'000</i> (Unaudited)	Strategic investment and financial services <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment assets			
— Hong Kong	47,033	63	47,096
— United Kingdom (“UK”)	—	25,410	25,410
— The People’s Republic of China (the “PRC”)	3,854	—	3,854
	<u>50,887</u>	<u>25,473</u>	<u>76,360</u>
Unallocated corporate assets			<u>5,822</u>
Total assets			<u>82,182</u>
Segment liabilities			
— Hong Kong	(4,904)	(1,083)	(5,987)
— The PRC	(849)	—	(849)
	<u>(5,753)</u>	<u>(1,083)</u>	<u>(6,836)</u>
Unallocated corporate liabilities			<u>(38,569)</u>
Total liabilities			<u>(45,405)</u>

At 31 March 2021

	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	52,468	60	52,528
— The UK	—	33,394	33,394
— The PRC	3,227	—	3,227
	<u>55,695</u>	<u>33,454</u>	<u>89,149</u>
Unallocated corporate assets			<u>2,616</u>
Total assets			<u>91,765</u>
Segment liabilities			
— Hong Kong	(4,138)	(1,536)	(5,674)
— The PRC	(1,013)	—	(1,013)
	<u>(5,151)</u>	<u>(1,536)</u>	<u>(6,687)</u>
Unallocated corporate liabilities			<u>(39,133)</u>
Total liabilities			<u>(45,820)</u>

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

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

Other segment information

For the six months ended 30 September 2021

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

For the six months ended 30 September 2020

	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			
Additions to property, plant and equipment	24	–	24
Depreciation of property, plant and equipment	(279)	(30)	(309)
Depreciation of right-of-use assets	(710)	(208)	(918)
Gain on disposals of property, plant and equipment	93	–	93
Gain on early termination of lease	33	–	33
Fair value gain on convertible loan notes	–	1,215	1,215
Provision for allowance for ECL on trade receivables, net	(15,610)	–	(15,610)
Provision for impairment loss on inventories, net	(15,532)	–	(15,532)
	<u>(15,532)</u>	<u>–</u>	<u>(15,532)</u>

Geographical Information

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

	Revenue from external customers		Non-current assets*	
	Six months ended 30 September 2021 <i>HK\$’000</i> (Unaudited)	Six months ended 30 September 2020 <i>HK\$’000</i> (Unaudited)	At 30 September 2021 <i>HK\$’000</i> (Unaudited)	At 31 March 2021 <i>HK\$’000</i> (Audited)
North America#				
— USA	26,853	10,123	—	—
Europe				
— France	507	—	—	—
— Switzerland	337	—	—	—
— UK	976	1,189	—	—
— Others	59	773	—	—
Hong Kong	1,385	3,908	578	1,098
Asian countries (excluding Hong Kong and Korea)				
— PRC	4	7	553	651
— Japan	—	84	—	—
— Others	5	—	—	—
Others	1,033	505	—	—
	<u>31,159</u>	<u>16,589</u>	<u>1,131</u>	<u>1,749</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\$25,072,000 (2020: HK\$7,979,000) which represented more than 80% (2020: 48%) of total revenue of the Group for the six months ended 30 September 2021.

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

5. LOSS BEFORE INCOME TAX

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

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold, excluding provision for impairment on inventories	21,041	11,193
Provision for impairment loss on inventories, net [#]	8,600	15,532
Employee benefit expenses (including directors' emoluments)		
— Salaries, wages, other benefits, pension costs and social security costs	5,124	10,840
— Equity settled share-based payments	—	1,271
Less: lapse of share options	—	(1,447)
	<hr/>	<hr/>
Equity settled share-based payments, net	—	(176)
	5,124	10,664
(Reversal of)/provision for allowance for ECL on trade receivables, net	(1,352)	15,610
Provision for allowance for ECL on other receivables, net	5,053	—
Depreciation of property, plant and equipment	92	310
Depreciation of right-of-use assets	526	918
Operating lease payment	77	82
Interest on lease liabilities	38	134
Gain on disposals of property, plant and equipment	—	(93)
Gain on early termination of lease	—	(33)
	<hr/> <hr/>	<hr/> <hr/>

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

6. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits for the six months ended 30 September 2021 (2020: 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%.

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 (2020: 25%).

The PRC tax law imposes a withholding tax at 10%, unless reduced by a tax treaty, for dividends distributed by PRC subsidiaries to its immediate holding company outside the PRC for earnings generated beginning on 1 January 2008.

7. DIVIDEND

The directors do not recommend any payment of interim dividend for the six months ended 30 September 2021 (2020: Nil).

8. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period attributable to equity holders of the Company of approximately HK\$14,395,000 (2020: HK\$43,573,000) and the weighted average number of ordinary shares of 267,250,000 (2020: 209,655,000) in issue during the period.

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

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

For the six months ended 30 September 2021 and 2020, the assumed conversion of potential ordinary shares in relation to the share option has an anti-dilutive effect to the basic loss per share.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Investment in Campfire Group	—	—

On 10 June 2019, the Group and the two independent third parties entered into the sale and purchase agreement, pursuant to which the vendors have agreed to sell and the Group has conditionally agreed to acquire the sale shares, representing 30% of the issued share capital of Guardian City Limited (“**Guardian City**”) at a total consideration of approximately HK\$176,005,000, of which is satisfied by cash as to HK\$10,000,000 and 153,000,000 shares issued by the Company at HK\$1.085 per share (equivalent to HK\$166,005,000). On 25 June 2019, the acquisition was completed. Upon the completion of the transaction, Guardian City became an associate of the Company. Guardian City is principally engaged in investment holding which holds 62.55% equity interest in Campfire Holdings Company Limited (collectively as “**Campfire Group**”). Campfire Group is principally engaged in operation of co-working spaces in Hong Kong. At the date of the acquisition, Campfire Group operated a total of 13 co-working/co-living spaces. Details of the transaction were disclosed in the announcements of the Company dated 28 May 2019, 10 June 2019 and 25 June 2019.

At the completion date, the fair value of net identifiable assets of Campfire Group was amounting to approximately HK\$25,926,000. The management assessed the consideration by referencing to the valuation of the fair value of 100% equity interests in the Campfire Group, estimated by CHFT Advisory and Appraisal Ltd (“CHFT”), an independent firm of professional qualified valuer, based on market approach for the starting-up business. In view of the future development potential of the co-working spaces industry in Hong Kong, goodwill of approximately HK\$171,140,000 was recognised by the Group and presented included in the investments in associates.

On 1 August 2019, the Group had entered into the loan facilities agreement with the Campfire Group for granting the loan in the principal amount up to HK\$25,000,000 carried with interest rate at 15% per annum to Campfire Group for the period of 12 months from the drawdown date to the final repayment date subject to the terms and conditions at the discretionary right of the Group. The loan facilities agreement was expired on 31 July 2020 and no amount was utilised during the facilities term.

In February 2021, Campfire Group was under the capital restructured by transferring and allotting shares of Guardian City and Campfire Holdings Company Limited among the shareholders. Upon the completion of the capital restructuring and as at 31 March 2021, the Group no longer holds any equity interests in Guardian City and has directly held 2.5% of Campfire Holdings Company Limited. In view of such, the directors of the Company have classified the investment of Campfire Group from associate to financial assets at fair value through other comprehensive income at the completion date as the purpose of the investment is for long term investment.

Up to the reporting period, the Group paid partial cash consideration of HK\$6,000,000 to vendors for the acquisition and the outstanding balance of HK\$4,000,000 is recognised as other payables (Note 13) in the condensed consolidated interim statement of financial position.

Impairment assessment

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. Business of the clients of Campfire Group has been affected significantly and it resulted in a decline in demand of co-working spaces of Campfire Group. In addition, since the outbreak of novel coronavirus (the “COVID-19”) in January 2020, travel restrictions, public health measures and quarantine requirement of travelers imposed by The Government of the Hong Kong Special Administrative Region and other countries have adversely affected the operation of Campfire Group, which has further result in a drop in demand of co-working space, and the average rental income of co-working space. In order to reduce losses and maintain the business of Campfire Group, the management of the Campfire Group has downsized the co-working space network in Hong Kong by closing down 11 out of the 13 sites in Hong Kong.

As at 30 September 2021 and 31 March 2021, the fair value of the investment was determined based on the latest financial position and performance of the Campfire Group. In addition, in view of the COVID-19 pandemic since early 2020 and ongoing travel restrictions which has caused adverse impact on co-working spaces industry, the directors of the Company estimated the fair value of the investment approximates to zero as at 30 September 2021 and 31 March 2021. Accordingly, no fair value change is recognised for the six months period ended 30 September 2021.

10. INVESTMENTS IN ASSOCIATES

At 30 September 2021 and 31 March 2021, the Group had hold 33% equity interests of Dellos Group Limited and its subsidiaries (the “**Dellos Group**”), of which the particulars of investments in associates are set forth below:

Name of associates	Place of incorporation/ operation	Proportion of ownership interest and proportion of voting power held by the Group		Principal activities
		30 September 2021	31 March 2021	
Directly held				
Dellos Group Limited	the Cayman Islands	33%	33%	Investment holding
Indirectly held				
Natural Spring Global Limited	BVI	33%	33%	Investment holding
Dellos F&B Co., Ltd (“ Dellos F&B ”)	Korea	33%	33%	Manufacturing, sale and distribution of fruit juice and other beverage products
Dellos International Limited	Hong Kong	33%	33%	Trading of beverage products

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

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

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

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

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

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Trade receivables (<i>Note a</i>)	7,915	5,480
Other receivables, deposits and prepayments (<i>Note b</i>)	26,731	35,285
	<u>34,646</u>	<u>40,765</u>

Notes:

(a) Trade receivables

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Trade receivables — gross	32,834	31,751
Less: allowance for ECL on trade receivables	(24,919)	(26,271)
Trade receivables — net	<u>7,915</u>	<u>5,480</u>

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

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
0 to 30 days	6,888	4,501
31 to 90 days	1,027	494
91 to 180 days	—	485
	<u>7,915</u>	<u>5,480</u>

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

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

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Not overdue	–	383
Overdue by:		
1 to 30 days	6,912	4,170
31 to 90 days	1,003	442
91 to 180 days	–	485
	<u>7,915</u>	<u>5,480</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 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Other receivables (<i>Note</i>)	25,465	33,684
Deposits	550	539
Prepayments	716	1,062
	<u>26,731</u>	<u>35,285</u>

Note:

On 10 November 2017, the Group entered into the investment agreement and subscribed for certain convertible loan notes issued by Wonderland (UK) Holdings Limited (“**Wonderland (UK)**”). The principal amount was GBP3,500,000 (equivalent to approximately HK\$36,050,000) which carried interest at 6% per annum and payable on the date on which the convertible loan notes become payable or are redeemed. The maturity date of the convertible loan notes was on 9 November 2020 and would be redeemed at 100% of the principal amount.

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

As at 30 September 2021, the outstanding principal amount of convertible loan notes of approximately GBP2,421,000 (equivalent to approximately HK\$25,410,000) (31 March 2021: GBP2,930,000 (equivalent to approximately HK\$29,907,000)) was recognised as receivables and included in other receivables. As at 30 September 2021, gross carrying amount of the outstanding principal of approximately GBP2,930,000 (equivalent to approximately HK\$30,749,000) (31 March 2021: GBP2,930,000 (equivalent to approximately HK\$31,319,000)) was not yet settled and allowance for credit loss allowance of approximately GBP509,000 (equivalent to approximately HK\$5,342,000) (2020: Nil) was made. As at 30 September 2021, its accumulated interest receivables were settled and reversal of allowance for credit loss allowance of approximately GBP27,000 (equivalent to approximately HK\$289,000) was made. As at 31 March 2021, its accumulated interest receivables were GBP221,000 (equivalent to approximately HK\$2,364,000). In the opinion of the directors of the Company, the outstanding principal amount will be settled by the end of year of 2021. The receivables are guaranteed by the shareholders of Wonderland (UK) and pledged to the other borrowing of HK\$28,000,000 (Note 14(i)).

12. UNLISTED PROPERTY FUND

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Unlisted property fund	—	—

As at 30 September 2020, the Group acquired 4,180 non-redeemable, non-voting participating shares of the unlisted property fund which was incorporated in the Cayman Islands.

The investment objective of the unlisted property fund was to achieve capital appreciation through investing its assets available for investment in residential real estate projects in the UK.

The investment was unlisted and the Group had no power to govern or participate the financial and operating policies of the investee so as to obtain benefits from its activities and the directors of the Company designated the unlisted property fund as financial assets at fair value through profit or loss.

During the year ended 31 March 2021, the uncertainty of Brexit and COVID-19 have profound impact on the property market of the UK. The directors of the Company noted that the property market has been adversely affected in a wide array of aspects, including for instance, pricing of properties and financing. It could be observed that prices of properties in London have slid in 2020. Despite that Brexit happened on 31 January 2020, its related uncertainties over regulatory, labour and trade relationships with the European Union continue to affect businesses and investment sentiment. Brexit and COVID-19 continue to represent major uncertainties to the economy of the UK, and COVID-19 mutated strains and further coronavirus wave and Brexit could further stall the economic recovery following a pandemic-induced recession.

The Group considered that, should the major uncertainties linger, there is a risk that property prices will see a major downturn in the UK. Given the circumstances surrounding the property market of the UK as described above, the Group considered that it provided an opportunity of the Group to be released and discharged from its onerous obligations of making further payments in the aggregate amount of approximately HK\$34,200,000 for a property project with major risks and uncertainties associated with it. Furthermore, taking into account the financial position and business strategy of the Group, the Group considered that the such release would have the effect of freeing up capital and enhancing liquidity of the Group. The Group would then be able to enjoy increased flexibility in utilising and reallocating its resources, including making investments in other appropriate investment projects. The Group will further use its resources as a listed company to add value for viable and profitable acquisition projects with reasonable certainty, so as to increase its profitability and return. Details of the transaction were disclosed in the announcement of the Company dated 14 May 2021.

In view of such, the directors of the Company determined to suspend the investment in the properties in the UK through the Fund and all deposits amount was forfeited and assessed the fair value of the Fund approximates to zero and, therefore, the fair value loss of approximately HK\$4,710,000 was recognised during the year ended 31 March 2021.

13. TRADE AND OTHER PAYABLES AND ACCRUALS

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Trade payables	3,906	2,453
Accrued payroll and employee benefits	996	722
Other payables and other accruals	9,435	10,747
	<u>14,337</u>	<u>13,922</u>

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

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
0 to 60 days	3,865	2,153
61 to 120 days	15	141
Over 120 days	26	159
	<u>3,906</u>	<u>2,453</u>

As at 30 September 2021, consideration payables for acquisition of Campfire Group of HK\$4,000,000 (31 March 2021: HK\$4,000,000) (Note 9) and interest payables of approximately HK\$1,160,000 (31 March 2021: HK\$1,109,000) were included in other payables.

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

14. OTHER BORROWINGS

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Other borrowings — secured		
Within one year (<i>Note (i)</i>)	28,000	28,000
Other borrowings — unsecured		
Within one year (<i>Note (ii)</i>)	2,000	2,000
	<u>30,000</u>	<u>30,000</u>

Notes:

- (i) As at 30 September 2021, the Group's secured other borrowing with carrying amount of HK\$28,000,000 (31 March 2021: HK\$28,000,000) bear fixed interest rate at 15.0% per annum and is scheduled to be repayable on 25 July 2022 with repayable demand clause. The borrowing is provided by an independent third party of the Group. The other borrowing is secured by other receivables (Note 11(b)) with an aggregate borrowing amount of HK\$28,000,000 and accrued interests, if any.
- (ii) As at 30 September 2021, unsecured other borrowing with a carrying amount of HK\$2,000,000 (31 March 2021: HK\$2,000,000) carried fixed interest rate at 12% per annum and repayable within 12 months from the date of 8 November 2019. The borrowing was due on 7 November 2020 and no repayment was made on due date. As at 30 September 2021, the borrowing is repayable on demand with a fixed interest rate at 12% per annum. The borrowing is provided by the Company's beneficial owner, Mr. Chan Vincent Wing Sing.

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

15. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Authorised:		
At 1 April 2020 (Audited), ordinary share of HK\$0.002 each	5,000,000	10,000
Effect of Share Consolidation (Note (b))	<u>(4,500,000)</u>	<u>–</u>
At 30 September 2020, 1 April 2021 and 30 September 2021 (Unaudited), ordinary shares of HK\$0.02 each	<u>500,000</u>	<u>10,000</u>
Issued and fully paid:		
At 1 April 2020 (Audited)	1,849,950	3,700
Placing of new shares (Note (a))	369,900	740
Effect of Share Consolidation (Note (b))	<u>(1,997,865)</u>	<u>–</u>
At 30 September 2020 (Unaudited)	221,985	4,440
Placing of new shares (Note (c))	<u>44,392</u>	<u>888</u>
At 1 April 2021 (Audited)	266,377	5,328
Placing of new shares (Note (d))	<u>53,272</u>	<u>1,065</u>
At 30 September 2021 (Unaudited)	<u>319,649</u>	<u>6,393</u>

Notes:

- (a) On 14 May 2020, the Company entered into the placing agreement with the placing agent pursuant to which the Company has conditionally agreed to place, through the placing agent on a best efforts basis, up to 369,900,000 placing shares at the placing price of HK\$0.025 per placing share to certain independent placees. The net proceeds (after deducting the placing commission and other related expenses and professional of approximately HK\$461,000) from the placing has been used for general working capital for the Group including the settlement of the writ of summons as detailed in the Company's announcement dated 17 March 2020. Accordingly, the Group's share capital increased by approximately HK\$740,000 and the remaining balance of approximately HK\$8,047,000 was credited to the share premium account.
- (b) Pursuant to the ordinary resolution passed by the shareholders of the Company at the extraordinary general meeting of the Company held on 3 September 2020, a share consolidation was approved with effect from 7 September 2020 in which every ten share issued and unissued ordinary share of HK\$0.002 each in the share capital of the Company was consolidated into one consolidated shares having a par value of HK\$0.02 per consolidated share ("**Share Consolidation**"). Immediately upon the Share Consolidation becoming effective, the authorised share capital of the Company of HK\$10,000,000 was divided into 500,000,000 consolidated shares, of which 221,984,964 consolidated shares were issued and fully paid. Details of the Share Consolidation was disclosed in the circular of the Company dated 10 August 2020.
- (c) On 7 January 2021, the Company entered into the placing agreement with the placing agent pursuant to which the Company has conditionally agreed to place, through the placing agent on a best efforts basis, up to 44,392,000 placing shares at the placing price of HK\$0.116 per placing share to certain independent placees. The net proceeds (after deducting the placing commission and other related expenses and professional fees of approximately HK\$229,000) from the placing has been used for general working capital for the Group including the partial repayment of the Group's loan and accrued interests due on 12 January 2021. Accordingly, the Group's share capital increased by approximately HK\$888,000 and the remaining balance of approximately HK\$4,033,000 was credited to the share premium account.
- (d) On 1 September 2021, the Company entered into the placing agreement with the placing agent pursuant to which the Company has conditionally agreed to place, through the placing agent on a best efforts basis, up to 53,272,000 placing shares at the placing price of HK\$0.103 per placing share to certain independent placees. The net proceeds (after deducting the placing commission and other related expenses and professional fees of approximately HK\$259,000) from the placing has been used for general working capital for the Group. Accordingly, the Group's share capital increased by approximately HK\$1,065,000 and the remaining balance of approximately HK\$4,162,000 was credited to the share premium account.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

The board of directors of Affluent Partners Holdings Limited hereby presents the results of the Company and its subsidiaries for the six months ended 30 September 2021 (the “**Period**” or “**HY21**”). During the Period, the loss attributable to equity holders of the Company was approximately HK\$14.4 million (six months ended 30 September 2020 (“**HY20**”): HK\$43.6 million).

BUSINESS REVIEW

Pearls and Jewellery Business Segment

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

The global market sentiment for pearl and fine jewellery continued to be very weak during the Period which had an adverse impact on demand of the Group’s pearl and jewellery products. Since January 2020, many countries have imposed travel restrictions, public health measures and quarantine requirement of travellers in order to contain the outbreak of coronavirus disease (COVID-19) (“**the Outbreak**”) and the Outbreak continued even after the Period which resulted in the weakened consumer sentiment all over the world and reduced the total Group’s sales contribution in pearl and jewellery products (HY21: HK\$30.2 million; HY20: HK\$15.5 million). For HY21, the return on capital of pearls and jewellery products was approximately (11.3)% (HY20: (50.3)%).

The Group will continue to strictly control costs and improve operation efficiency and productivity in a bid to stay competitive. The Group will continue to actively participate in various important jewellery and gem fairs around the world when the Outbreak is stable in order to expand into a diversified customer base.

Strategic Investment and Financial Services Segment

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

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

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

The Company, having considered the property market of the United Kingdom after Brexit, having regard to the Outbreak and the opportunity of the Group to be released and discharged from its onerous obligations of making further payments in the aggregate amount of approximately HK\$34.2 million for a property project with major risks and uncertainties associated with it, had endorsed the Rescission and Release and the Forfeiture.

During the Period, the Company had been informed by the Investment Fund that the Rescission and Release became effective pursuant to a rescission agreement entered into between the Vendor and the Purchaser and a deed of release given by the Vendor in favour of the Company. During the year ended 31 March 2021, the Group further recognised a fair value loss on the investment in the Sub-Fund amounting to approximately HK\$4.7 million.

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

On 10 June 2019, the Group and the vendors entered into the sale and purchase agreement, pursuant to which the vendors have agreed to sell and the Group had conditionally agreed to acquire the sale shares (“**Acquisition**”), representing 30% of the issued share capital of Guardian City Limited (the “**Guardian City**”), at the total consideration of HK\$176,005,000 (the “**Total Consideration**”). The Total Consideration shall be HK\$176,005,000 which shall be satisfied by the Group by (i) cash in the sum of HK\$10,000,000 and (ii) procure the allotment and issuance of 153,000,000 consideration shares at the issue price of HK\$1.085 per consideration share by the Company to the vendors upon the completion. On 25 June 2019, the consideration shares were allotted and issued to the vendors under the general mandate approved by the shareholder of the Company (the “**Shareholders**”) at the annual general meeting of the Company held on 28 September 2018. At the completion, the Group, the vendor 1 and the vendor 2 were interested in 30.0%, 20.4% and 14.4% equity interests in Guardian City respectively. As such, Guardian City becomes an associate of the Company. Guardian City is principally engaged in investment holding which holds 62.55% equity interest in Campfire Holdings Company Limited (“**Campfire Holdings**”). Campfire Holdings is principally engaged in investment holding and Campfire Holdings and its subsidiaries (“**Campfire Group**”) are principally engaged in the operation of co-working spaces in Hong Kong with under the Campfire brand. Details of the Acquisition were disclosed in the announcements made by the Company on 28 May 2019, 10 June 2019 and 25 June 2019.

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 Campfire Group have been affected significantly and it attributed to the decline of the demand of co-working spaces of Campfire Group. 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 Campfire Group, 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 of Campfire Group, the management of the Campfire Group has downsized the co-working space network in Hong Kong. As a result, Campfire Group has closed down 11 out of the 13 sites in Hong Kong and the Group had fully impaired the investment cost in Guardian City during the year ended 31 March 2020 based on the above assessment.

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

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

LITIGATION

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

PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 1 June 2020, a total of 369,900,000 placing shares were placed by Kingston Securities Limited (the “**Placing Agent**”) to not less than six placees at placing price of HK\$0.025 per placing share pursuant to the terms and conditions of the placing agreement entered into between the Company and the Placing Agent on 14 May 2020, representing approximately 16.66% of the issued share capital of the Company as enlarged by the allotment and issue of the placing shares immediately upon completion of the placing.

The above placing shares were allotted and issued under the general mandate granted to the Board at the annual general meeting of the Company held on 27 September 2019. The net proceeds from the placing, after deduction of the placing commission and other related expenses, amounted to approximately HK\$8.72 million will be used for general working capital for the Group including the settlement of the writ of summons as detailed in the Company’s announcement dated 17 March 2020. Details of the transaction were disclosed in the Company’s announcements dated 14 May 2020, 15 May 2020 and 1 June 2020.

During the year ended 31 March 2021, the Company received the net proceeds of approximately HK\$8.82 million of which HK\$3.29 million was used to settle the Claims and the remaining amount of around HK\$5.53 million was utilized as working capital.

On 21 January 2021, a total of 44,392,000 placing Shares were placed by the Placing Agent to not less than six placees at placing price of HK\$0.116 per placing Share pursuant to the terms and conditions of the placing agreement entered into between the Company and the Placing Agent on 7 January 2021, representing approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the placing Shares immediately upon completion of the placing.

The above placing Shares were allotted and issued under the general mandate granted to the Board at the annual general meeting of the Company held on 10 September 2020. The net proceeds from the placing, after deduction of the placing commission and other related expenses, amounted to approximately HK\$4.9 million will be used for partial repayment of the Group’s loan and accrued interests of approximately HK\$3.8 million and the remaining amount will be used for the general working capital for the Group. Details of the transaction were disclosed in the Company’s announcements dated 7 January 2021 and 21 January 2021.

During the year ended 31 March 2021, the Company received the net proceeds of approximately HK\$4.9 million of which HK\$3.8 million was used to partially settle the outstanding Group’s loan and accrued interests and the remaining amount of around HK\$1.1 million was utilized as working capital.

On 28 September 2021, a total of 53,272,000 placing Shares were placed by the Placing Agent to not less than six placees at placing price of HK\$0.103 per placing Share pursuant to the terms and conditions of the placing agreement entered into between the Company and the Placing Agent on 1 September 2021, representing approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the placing Shares immediately upon completion of the placing. The above placing Shares were allotted and issued under the general mandate granted to the Board at the annual general meeting of the Company held on 26 August 2021. The net proceeds from the placing, after deduction of the placing commission and other related expenses, amounted to approximately HK\$5.2 million will be used for partial repayment of the Group's loan and accrued interests of approximately HK\$1 million and the remaining amount will be used for the general working capital for the Group. Details of the transaction were disclosed in the Company's announcements dated 1 September 2021 and 28 September 2021.

As at 30 September 2021, the Company received the net proceeds of approximately HK\$5.2 million and the amount was unused.

FINANCIAL REVIEW

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

Revenue and Gross Profit

Revenue increased during the Period (HY21: HK\$31.2 million; HY20: HK\$16.6 million), comprised sales of pearl and jewellery of approximately HK\$30.2 million (HY20: HK\$15.5 million) and interest income on strategic investment and financial services of approximately HK\$1.0 million (HY20: HK\$1.1 million), mainly due to the increase in the sales of pearl and jewellery products.

Gross loss decreased by approximately HK\$13.4 million or 100% to gross profit of approximately HK\$0.1 million (HY20: gross loss of HK\$13.3 million). The gross profit margin of 0.4% during HY21 was mainly due to the provision for impairment loss on inventories amounted to HK\$8.6 million (2020: HK\$15.5 million) (HY20: gross loss margin of 80.1%).

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

S&A expenses mainly comprised selling expenses of approximately HK\$0.5 million (HY20: HK\$0.2 million) and administrative expenses of approximately HK\$6.9 million (HY20: HK\$12.7 million). S&A expenses decreased by approximately HK\$5.5 million or 42.6% to approximately HK\$7.4 million (HY20: HK\$12.9 million) in HY21, mainly as a result of cost control measures deployed by the Group.

Loss Attributable to Equity Holders of the Company

The loss attributable to equity holders of the Company decreased by approximately HK\$29.2 million or 67.0% to approximately HK\$14.4 million (HY20: HK\$43.6 million) in HY21 mainly due to the substantial increase in revenue and the decrease in administrative expenses.

Liquidity and Capital Resources

During the Period, the Group funded its operations through a combination of cash generated from operations, proceeds from share placings and equity attributable to equity holders of the Company. As at 30 September 2021, the Group's total equity was approximately HK\$36.8 million (31 March 2021: HK\$45.9 million), representing a decrease of approximately 19.8% from 31 March 2021, mainly due to the loss for the Period.

As at 30 September 2021, the Group had cash and cash equivalents of approximately HK\$25.5 million (31 March 2021: HK\$24.4 million). Cash and cash equivalents were mainly denominated in United States dollar, Hong Kong dollar and Chinese Renminbi. The Group's net current assets were approximately HK\$35.8 million (31 March 2021: HK\$44.5 million). The current ratio, represented by the current assets divided by the current liabilities, was 1.8 (31 March 2021: 2.0).

As at 30 September 2021, the Group had outstanding borrowings of HK\$30.0 million (31 March 2021: HK\$30.0 million) of which a borrowing amount of HK\$28.0 million (31 March 2021: HK\$28.0 million) is secured by other receivables with carrying value of HK\$25.4 million (31 March 2021: HK\$31.3 million) and is at the interest rate of 15% per annum and the tenor of which is 18 months. 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 2021, the total number of issued shares of the Company was 319,648,964 (31 March 2021: 266,376,964) of HK\$0.02 each (the "Shares") and its issued share capital was HK\$6,392,980 (31 March 2021: HK\$5,327,539).

On 7 January 2021, the Company entered into the placing agreement with the placing agent pursuant to which the Company has conditionally agreed to place, through the placing agent on a best-efforts basis, up to 44,392,000 placing shares at the placing price of HK\$0.116 per placing share to certain independent placees. Accordingly, the Group's share capital increased by approximately HK\$888,000 and the remaining balance of approximately HK\$4,033,000 was credited to the share premium account.

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

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

CAPITAL EXPENDITURE

The Group's capital expenditure during the Period, which was primarily related to purchase of property, plant and equipment, amounted to Nil (HY20: HK\$0.02 million).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

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

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

HUMAN RESOURCES

As at 30 September 2021, the Group had a total workforce of 48 (31 March 2021: 49), of which 17 (31 March 2021: 18) were based in Hong Kong. The total staff costs, including directors' emoluments, mandatory provident fund and share-based payment expenses, were approximately HK\$5.1 million (HY20: HK\$10.7 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 2021, the Group had no financial guarantee.

PROSPECTS

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

Overall speaking, the Outbreak is adversely impacted on the business performance of the Group. Although the Group's revenue in Pearls and Jewellery Products segment was increased during the Period, based on the Company's current observation and estimation, the overall downtrend is expected to be carried forward to certain extent for next year due to the change of consumption pattern caused by the Outbreak. The Group is taking all practicable measures to cope with the challenges ahead, while striving for the highest caution standard to protect the health and safety of our staff and our customers. The Company will continue to monitor the development of the Outbreak and its impact on the Company's operations and react actively to its impacts on the financial position and operating results of the Group.

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

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

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 2021 and, where appropriate, the applicable recommended best practices of the CG Code, except for the following deviation:

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

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for securities transactions by the Directors. The Company confirmed that, having made specific enquiry of all Directors, all of the Directors confirmed that they had complied with the required standard as set out in the Model Code throughout the six months ended 30 September 2021.

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 2021.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The condensed consolidated financial statements for the Period have not been audited. The audit committee of the Company, which comprises three Independent Non-executive Directors, namely Mr. Chiu Sin Nang, Kenny, Mr. Lee Kin Keung and Mr. Dong Bo, Frederic, 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 and Executive Director

Hong Kong, 24 November 2021

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