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AFFLUENT PARTNERS HOLDINGS LIMITED

錢唐控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1466)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024
AND
RESUMPTION OF TRADING**

RESULTS

The board of directors (the “**Directors**” or the “**Board**”) of Affluent Partners Holdings Limited (the “**Company**”) hereby presents the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2024, together with the comparative figures for the previous year, as follows:

* *For identification purposes only*

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2024

	Notes	2024 HK\$'000	2023 HK\$'000 (restated Note 3)
Revenue	4	53,676	86,880
Cost of revenue		<u>(35,576)</u>	<u>(79,053)</u>
Gross profit		18,100	7,827
Other gains/(losses), net	6	484	(1,512)
Reversal of allowance for expected credit losses ("ECL") on trade receivables, net		413	4,879
(Provision for)/reversal of allowance for ECL on other receivables, net		(12)	14,909
Reversal of allowance for ECL on other deposit, net		2	–
Selling expenses		(1,214)	(361)
Administrative expenses		<u>(27,349)</u>	<u>(16,254)</u>
Operating (loss)/profit		(9,576)	9,488
Finance income		1,323	217
Finance costs		<u>(276)</u>	<u>(1,029)</u>
Finance income/(costs), net		<u>1,047</u>	<u>(812)</u>
(Loss)/profit before income tax	7	(8,529)	8,676
Income tax expense	8	<u>(16)</u>	–
(Loss)/profit for the year		<u>(8,545)</u>	<u>8,676</u>
(Loss)/profit for the year attributable to:			
Owners of the Company		(7,448)	8,676
Non-controlling interests		<u>(1,097)</u>	–
		<u>(8,545)</u>	<u>8,676</u>
(Loss)/earnings per share	9		
Basic and diluted		<u>(HK\$0.01)</u>	<u>HK\$0.01</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2024

	2024 HK\$'000	2023 HK\$'000 (restated Note 3)
(Loss)/profit for the year	<u>(8,545)</u>	<u>8,676</u>
Other comprehensive (expense)/income:		
<i>Item that may be subsequently reclassified to profit or loss</i>		
— Exchange difference on translation of financial statements of foreign operations	<u>(2,100)</u>	<u>973</u>
Other comprehensive (expense)/income for the year, net of tax	<u>(2,100)</u>	<u>973</u>
Total comprehensive (expense)/income for the year	<u>(10,645)</u>	<u>9,649</u>
Total comprehensive (expense)/income for the year attributable to:		
Owners of the Company	(9,548)	9,649
Non-controlling interests	<u>(1,097)</u>	<u>—</u>
	<u>(10,645)</u>	<u>9,649</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

	<i>Notes</i>	2024 HK\$'000	2023 HK\$'000 (restated Note 3)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		6,839	247
Intangible assets		7,346	–
Right-of-use assets		1,944	732
Goodwill	<i>14</i>	48,363	–
Prepayments	<i>11(b)</i>	10,954	–
Financial asset at fair value through other comprehensive income		–	–
Deferred tax assets		36	–
		<u>75,482</u>	<u>979</u>
Current assets			
Inventories		44,340	44,611
Costs to fulfil contracts		30	–
Trade and other receivables, deposits and prepayments	<i>11</i>	38,212	13,000
Contract assets		854	–
Cash and cash equivalents		37,884	41,261
		<u>121,320</u>	<u>98,872</u>
Current liabilities			
Trade and other payables and accruals	<i>12</i>	24,180	18,318
Contract liabilities		4,753	–
Lease liabilities		1,112	758
Bank borrowings		5,421	–
Other borrowings		4,000	2,000
Tax payable		1,528	–
		<u>40,994</u>	<u>21,076</u>
Net current assets		<u>80,326</u>	<u>77,796</u>
Total assets less current liabilities		<u>155,808</u>	<u>78,775</u>

	<i>Notes</i>	2024 HK\$'000	2023 HK\$'000 (restated Note 3)
Non-current liabilities			
Lease liabilities		948	–
Convertible bond	<i>15</i>	39,712	–
Defined benefits plan obligations		466	487
Deferred tax liabilities		1,890	–
		<u>43,016</u>	<u>487</u>
Net assets		<u>112,792</u>	<u>78,288</u>
EQUITY			
Share capital	<i>13</i>	13,585	12,786
Reserves		82,723	65,502
		<u>96,308</u>	<u>78,288</u>
Equity attributable to equity holders of the Company		96,308	78,288
Non-controlling interests		16,484	–
		<u>112,792</u>	<u>78,288</u>
Total equity		<u>112,792</u>	<u>78,288</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2024

	Attributable to equity holders of the Company					Total	Non-controlling interests	Total equity
	Share capital	Share premium	Translation reserve	Share option reserve	Accumulated losses			
	<i>(Note 31)</i>	<i>(Note a)</i>	<i>(Note b)</i>	<i>(Note c)</i>	<i>(Note d)</i>			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balances at 1 April 2022	6,393	592,751	(2,547)	8,753	(569,483)	35,867	–	35,867
Profit for the year (as previously reported)	–	–	–	–	8,726	8,726	–	8,726
Other comprehensive income:								
Exchange difference on translation of financial statements of foreign operations	–	–	973	–	–	973	–	973
Total comprehensive income for the year (as previously reported)	–	–	973	–	8,726	9,699	–	9,699
Adoption of abolition of the MPF and LSP offsetting mechanism (defined in Note 3)	–	–	–	–	(50)	(50)	–	(50)
Total comprehensive income for the year (restated)	–	–	973	–	8,676	9,649	–	9,649
Rights issue, net of expenses	6,393	26,379	–	–	–	32,772	–	32,772
Balances at 31 March 2023 (restated)	<u>12,786</u>	<u>619,130</u>	<u>(1,574)</u>	<u>8,753</u>	<u>(560,807)</u>	<u>78,288</u>	<u>–</u>	<u>78,288</u>
Balances at 1 April 2023 (restated)	12,786	619,130	(1,574)	8,753	(560,807)	78,288	–	78,288
Loss for the year	–	–	–	–	(7,448)	(7,448)	(1,097)	(8,545)
Other comprehensive expense:								
Exchange difference on translation of financial statements of foreign operations	–	–	(2,100)	–	–	(2,100)	–	(2,100)
Total comprehensive expense for the year	–	–	(2,100)	–	(7,448)	(9,548)	(1,097)	(10,645)
Issue of new shares	799	26,769	–	–	–	27,568	–	27,568
Lapsed of share options	–	–	–	(8,753)	8,753	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	16,384	16,384
Contribution from non-controlling interests	–	–	–	–	–	–	1,197	1,197
Balances at 31 March 2024	<u>13,585</u>	<u>645,899</u>	<u>(3,674)</u>	<u>–</u>	<u>(559,502)</u>	<u>96,308</u>	<u>16,484</u>	<u>112,792</u>

Notes:

- (a) Share premium account of the Company represents the excess of the proceeds received over the nominal value of the Company's shares issued.
- (b) Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of certain subsidiaries whose functional currencies are different from that of presentation currency.
- (c) Share option reserve represents the portion of grant date fair value of the actual or estimated number of unexercised share options of the Company.
- (d) The Peoples Republic of China (the "**PRC**") laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the net profit (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holders. All statutory reserves are created for specific purposes. PRC company is required to appropriate 10% of statutory net profits to statutory surplus reserves, and before distribution of its post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the companies, to expand the companies' production operations, or to increase the capital of the companies. In addition, a company may make further discretionary contribution to the surplus reserve using its post-tax profits in accordance with resolutions of the board of directors. As at 31 March 2024 and 2023, no statutory surplus reserves is provided as the PRC subsidiaries made losses in their operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Affluent Partners Holdings Limited (the “**Company**”, collectively with its subsidiaries, the “**Group**”) was incorporated in the Cayman Islands on 13 May 2014 as an exempted company with limited liability under the Companies Law, Cap 22 (Laws 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company’s principal place of business is Room 906, 9/F., Wings Building, 110–116 Queen’s Road Central, Central, Hong Kong.

The Company is an investment holding company. The principal activities of the Group are (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 other potential investment opportunities, in addition with the new principal activities engaged in (iii) the provision of skincare solutions through self-transformed skincare brand and mid-to-high end functional skincare products; (iv) the provision of scientific and pharmaceutical research and development services and (v) the provision of branding marketing and consulting services, which are acquired during the year.

During the year, the Group has completed the acquisition of Tonnnett Julis Holdings Limited and its subsidiaries (collectively, the “**Tonnnett Group**”) on 9 February 2024, thus the Tonnnett Group has been consolidated to the Group from that date. The Tonnnett Group contributed the new principal activities as stated above.

As at 31 March 2024 and 2023, in the opinion of directors of the Company, the substantial shareholder of the Company is Pacific Wish Limited, a company incorporated in Hong Kong with limited liability, with entire issued ordinary shares held by Mr. Chan Vincent Wing Sing and Ms. Hui Ka Man Emily, respectively, and the Company has no controlling shareholder.

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 17 October 2014.

2. BASIS OF PREPARATION AND PRESENTATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange (“**Listing Rules**”).

The consolidated financial statements have been prepared on historical cost basis except for certain financial instruments which are measured at fair values at the end of reporting period.

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

It should be noted that accounting estimates and assumptions have been used in preparation of the consolidated financial statements. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates.

3. ADOPTION OF NEW AND AMENDED HKFRSs

New and amended HKFRSs that are mandatorily effective for the current year

In the current year, the Group has adopted, for the first time, the following new and amended HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's consolidated financial statements for the accounting period beginning on 1 April 2023.

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International tax reform — Pillar Two Model Rules

Except for the Amendments to HKAS 1 and HKFRS Practice Statement 2, *Disclosure of Accounting Policies* described below, the adoption of the new and amended HKFRSs in the current year has had no material impact on the Group's consolidated financial performance and positions for the current and prior years and/or the disclosure set out in the consolidated financial statements.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

Changes in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund (“MPF”) — Long Service Payment (“LSP”) offsetting mechanism in Hong Kong

In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “**Amendment Ordinance**”) which abolishes the use of the accrued benefits derived from employers’ mandatory MPF contributions to offset severance payment and LSP (the “**Abolition**”). The Abolition will officially take effect on 1 May 2025 (the “**Transition Date**”). In addition, under the Amendment Ordinance, the last month’s salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The Group considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee’s LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA’s guidance, as a result of the Abolition, these contributions are no longer considered “linked solely to the employee’s service in that period” since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as “independent of the number of years of service” and the practical expedient in paragraph 93(b) of HKAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19. Accordingly, the Group has recognised a cumulative catch-up adjustment in profit or loss for the service cost, interest expense and remeasurement effect from changes in actuarial assumptions for the year ended 31 March 2023, with corresponding adjustment to the LSP obligation. The cumulative catch-up adjustment is calculated as the difference at the enactment date (16 June 2022) between the carrying amount of the LSP liability calculated under paragraph 93(b) of HKAS 19 before the Abolition and the carrying amount of the LSP liability calculated under paragraph 93(a) of HKAS 19 after the Abolition.

The following table summarises the impact of the adoption of the HKICPA guidance on the comparative presented in the Group’s consolidated income statement for the year ended 31 March 2023 and consolidated statement of financial position as at 31 March 2023. The adoption of the HKICPA guidance would not have impact on the cash flows for the year ended 31 March 2023.

For the year ended 31 March 2023

	As previously reported <i>HK\$’000</i>	The abolition of MPF-LSP offsetting mechanism <i>HK\$’000</i>	Total <i>HK\$’000</i>
<i>Consolidated income statement for the year ended 31 March 2023</i>			
Employee benefits expenses	(10,021)	(50)	(10,071)
Profit before taxation	8,726	(50)	8,676
Income tax expense	–	–	–
Profit for the year	8,726	(50)	8,676
<i>Consolidated statement of financial position as at 31 March 2023</i>			
Total current liabilities	21,513	(437)	21,076
Total assets less current liabilities	78,338	437	78,775
Defined benefit plan obligations	–	(487)	(487)
Total non-current liabilities	–	(487)	(487)
Net assets	78,338	(50)	78,288
Reserves	65,552	(50)	65,502
Total equity	78,338	(50)	78,288

The following table illustrates the amounts that would have been in the Group's consolidated income statement for the year ended 31 March 2024 and the consolidated statements of financial position as at that date, if the Group had not changed its accounting policy as noted above and had continued to apply the practical expedient in paragraph 93(b) of HKAS 19:

For the year ended 31 March 2024

	As reported <i>HK\$'000</i>	Backing out effect of adoption of the HKICPA guidance <i>HK\$'000</i>	If accounting policy had not been changed <i>HK\$'000</i>
<i>Consolidated income statement for the year ended 31 March 2024</i>			
Employee benefits expenses	(15,103)	(21)	(15,124)
Loss before taxation	(8,529)	(21)	(8,550)
Income tax expense	(16)	–	(16)
Loss for the year	(8,545)	(21)	(8,566)

***Consolidated statement of financial position
as at 31 March 2024***

Defined benefit plan obligations	466	(466)	–
Total non-current liabilities	43,016	(466)	42,550
Net assets	112,792	466	113,258
Reserves	82,723	466	83,189
Total equity	112,792	466	113,258

New and revised HKFRSs in issue but not yet effective

At the date of this announcement, the Group has not early adopted any of the following new and revised HKFRSs, that have been issued but are not yet effective, in these consolidated financial statements:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendment to HKAS 1	Non-current Liabilities with Covenants ²
Amendment to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangement ²
Amendments to HKAS 21	Lack of Exchangeability ³
HKFRS 18	Presentation and Disclosure in Financial Statements ⁴

¹ Effective for annual periods beginning on or after a date to be determined

² Effective for annual periods beginning on or after 1 January 2024

³ Effective for annual periods beginning on or after 1 January 2025

⁴ Effective for annual periods beginning on or after 1 January 2027

The Group has already commenced an assessment of the related impact of adopting the above new and revised HKFRSs. So far, it has concluded that the above new and revised HKFRSs will be adopted at the respective effective dates.

4. REVENUE

Revenue from sales of pearls and jewellery and skincare solutions products represents the amounts received and receivable from customers in respect of goods sold less returns and allowances.

Revenue from provision of different kinds of services is recognised based on relevant service and contract terms.

Interest income on financial assets is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

The Group's revenue recognised during the year is as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Recognised over time		
Scientific research services	87	–
Small animal breeding services	159	–
Consulting services	855	–
Brand authorisation services	599	–
Sales of pearls and jewellery and skincare solutions products from contracts with customers within the scope of HKFRS 15 recognised at a point in time	51,976	85,230
— Sales of pearls	1,165	6,721
— Design and sales of jewellery products	49,183	78,509
— Sales of skincare products	1,474	–
— Consulting services	154	–
Revenue from other sources outside the scope of HKFRS 15		
Interest income from strategic investment and financial services	–	1,650
	53,676	86,880

5. SEGMENT INFORMATION

The Group's operating segments have been determined based on the information reported to the executive directors, being the chief operating decision maker of the Group, that are used for performance assessment and to make strategic decisions. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other operating segments. Upon completion of the acquisition of Tonnott Group on 9 February 2024, the Group currently has five operating segments:

- | | |
|---|--|
| (a) Sales of pearls and jewellery products | Design and sales of jewellery products, and sales of pearls |
| (b) Strategic investment and financial services | Real estate financial assets investments |
| (c) Skincare solutions business segment | Sales of skincare solution products to cosmetic stores and hospitals by sales contracts, and individuals via online sales platforms, under the brand name — "FO" |
| (d) Research and development services segment | Provision of professional scientific services based on contracts with agreed terms of services |
| (e) Brand marketing and consulting services segment | Provision of brand marketing and consulting services based on contracts with agreed terms of services |

The executive directors assess the performance of the operating segments based on a measure of segment results. This measurement basis excludes the effects of non-recurring expenditure and of corporate expenses from the operating segments. Other information provided to the executive directors is measured in a manner consistent with that in the consolidated financial statements.

An analysis of the Group's reportable segment revenue, results, assets, liabilities and other selected financial information by operating segments are as follows:

	Sales of pearls and jewellery products <i>HK\$'000</i>	Strategic investment and financial services <i>HK\$'000</i>	Skincare solutions business <i>HK\$'000</i>	Research and development services <i>HK\$'000</i>	Brand marketing and consulting services <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 March 2024						
Segment revenue	50,348	-	1,474	245	1,609	53,676
Finance income	<u>27</u>	<u>1,282</u>	<u>13</u>	<u>-</u>	<u>1</u>	<u>1,323</u>
Segment profit/(loss)	<u>4,084</u>	<u>(7,510)</u>	<u>(399)</u>	<u>(3,540)</u>	<u>(990)</u>	(8,355)
Unallocated finance costs						(276)
Unallocated corporate income						<u>86</u>
Loss before income tax						<u>(8,545)</u>
For the year ended 31 March 2023						
Segment revenue	<u>85,230</u>	<u>1,650</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,880</u>
Segment (loss)/profit	<u>(1,033)</u>	<u>9,616</u>	<u>-</u>	<u>-</u>	<u>-</u>	8,583
Unallocated finance income						217
Unallocated finance costs						(1,029)
Unallocated corporate expenses						<u>1,005</u>
Profit before income tax (restated)						<u>8,676</u>

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

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

Segment assets and liabilities

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

At 31 March 2024

	Sales of pearls and jewellery products <i>HK\$'000</i>	Strategic investment and financial services <i>HK\$'000</i>	Skincare solutions business <i>HK\$'000</i>	Research and development services <i>HK\$'000</i>	Brand marketing and consulting services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets						
— Hong Kong	69,079	25,633	-	-	-	94,712
— The PRC	<u>1,072</u>	<u>-</u>	<u>3,598</u>	<u>16,114</u>	<u>7,423</u>	<u>28,207</u>
	<u>70,151</u>	<u>25,633</u>	<u>3,598</u>	<u>16,114</u>	<u>7,423</u>	<u>122,919</u>
Unallocated goodwill*						48,363
Unallocated corporate assets						<u>25,520</u>
Total assets						<u>196,802</u>
Segment liabilities						
— Hong Kong	(9,810)	(16,066)	-	-	-	(25,876)
— The PRC	<u>(1,265)</u>	<u>-</u>	<u>(2,342)</u>	<u>(1,084)</u>	<u>-</u>	<u>(4,691)</u>
	<u>(11,075)</u>	<u>(16,066)</u>	<u>(2,342)</u>	<u>(1,084)</u>	<u>-</u>	<u>(30,567)</u>
Unallocated corporate liabilities						<u>(53,443)</u>
Total liabilities						<u>(84,010)</u>

Note:

- * In current year, the Group has not completed the initial allocation of goodwill acquired in a business combination before the end of the current financial year in which the business combination is effected, therefore the initial allocation will be completed in next financial year.

At 31 March 2023

	Sales of pearls and jewellery products <i>HK\$'000</i>	Strategic investment and financial services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets			
— Hong Kong	62,115	32,675	94,790
— The PRC	<u>2,598</u>	<u>—</u>	<u>2,598</u>
	<u>64,713</u>	<u>32,675</u>	<u>97,388</u>
Unallocated corporate assets			<u>2,463</u>
Total assets			<u>99,851</u>
Segment liabilities			
— Hong Kong (restated)	(10,578)	(2,765)	(13,343)
— The PRC	<u>(1,463)</u>	<u>—</u>	<u>(1,463)</u>
	<u>(12,041)</u>	<u>(2,765)</u>	<u>(14,806)</u>
Unallocated corporate liabilities			<u>(6,757)</u>
Total liabilities (restated)			<u>(21,563)</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 convertible bond, certain accruals and other payables, and other borrowings that are not attributable to individual segments.

Other segment information

For the year ended 31 March 2024

	Sales of pearls and jewellery products HK\$'000	Strategic investment and financial services HK\$'000	Skincare solutions business HK\$'000	Research and development services HK\$'000	Brand marketing and consulting services HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit/(loss) and segment assets						
Additions to property, plant and equipment	179	-	-	-	-	179
Depreciation of property, plant and equipment	(141)	(18)	(99)	(207)	-	(465)
Depreciation of right-of-use assets	(1,000)	-	(101)	(158)	-	(1,259)
Reversal of/(provision for) allowance for ECL on trade receivables, net	4,641	-	(1,286)	(2,054)	(888)	413
Reversal of/(provision for) allowance for ECL on other receivables, net	-	-	260	(253)	(19)	(12)
Reversal of allowance for ECL on deposit, net	-	-	2	-	-	2
Impairment loss on property, plant and equipment and right-of use assets	(197)	-	-	-	-	(197)
Reversal of impairment losses on inventories, net	<u>12,840</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,840</u>

For the year ended 31 March 2023

	Sales of pearls and jewellery products HK\$'000	Strategic investment and financial services HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit/(loss) and segment assets			
Additions to property, plant and equipment	-	26	26
Depreciation of property, plant and equipment	(179)	(12)	(191)
Depreciation of right-of-use assets	(1,234)	-	(1,234)
Loss on termination of leases	(105)	-	(105)
Reversal of allowance for ECL on trade receivables, net	4,879	-	4,879
Reversal of/(provision for) allowance for ECL on other receivables, net	(302)	15,211	14,909
Reversal of impairment losses on inventories, net	<u>11,400</u>	<u>-</u>	<u>11,400</u>

Geographical Information

The Group mainly operates in Hong Kong, the PRC, the USA 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*	
	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The USA [#]	42,330	74,480	–	–
Europe				
— The UK	–	1,693	–	–
— Others	780	267	–	–
Hong Kong	6,790	8,988	1,528	886
Asian countries				
— The PRC (excluding Hong Kong)	3,328	538	25,555	93
— Others	448	607	–	–
Others	–	307	–	–
	<u>53,676</u>	<u>86,880</u>	<u>27,083</u>	<u>979</u>

* Non-current assets included property, plant and equipment, intangible assets, right-of-use assets and non-current prepayments 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\$42,330,000 (2023: HK\$74,233,000) which represented approximately 79% (2023: 85%) of total revenue of the Group for the year ended 31 March 2024.

6. OTHER GAINS/(LOSSES), NET

	2024	2023
	HK\$'000	HK\$'000
Exchange gain/(loss), net	4	(2,976)
Impairment loss on property, plant and equipment and right-of-use assets	(197)	–
Impairment loss on prepayment for pearls	(2,284)	–
Change in fair value of convertible bond	2,997	–
Loss on termination of leases	–	(105)
Government grants [#]	–	333
Others [^]	(36)	1,236
	<u>484</u>	<u>(1,512)</u>

The government grants were mainly consisted of the sum HK\$288,000 received by certain subsidiaries in connection with the new phase of Employment Support Scheme launched by Hong Kong Government and approximately HK\$45,000 received by a subsidiary in the PRC received from the relevant authorities of the PRC to support enterprise against the negative brought by the COVID-19 pandemic in 2023. There were no unfulfilled conditions or contingencies relating to these grants.

^ During the year ended 31 March 2023, included in the others were mainly the extension premium and cure payment in an aggregate amount of GBP120,000 (equivalent to approximately HK\$1,120,000 arisen from convertible loan notes and relevant interest previously recorded under other receivables.

7. (LOSS)/PROFIT BEFORE INCOME TAX

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Costs of inventories sold, excluding (reversal of)/provision for impairment on inventories	47,670	88,792
Costs of services	430	–
Reversal of provision for impairment loss on inventories, net [#]	(12,840)	(11,400)
Employee benefit expenses (including directors' emoluments)* (restated)	15,103	10,071
Auditor's remuneration		
— Audit services	1,600	650
— Non-audit services	16	62
Depreciation of property, plant and equipment	465	191
Depreciation of right-of-use assets	1,259	1,234
Amortisation of intangible assets	205	–
Reversal of allowance for ECL on trade receivables, net	(413)	(4,879)
Provision for/(reversal of) allowance for ECL on other receivables, net	12	(14,909)
Professional fee for acquisition of Tonnott Group	3,752	–
Short-term leases payments, gross	458	488

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

* No forfeited contribution available for offset against existing contributions to pension costs defined contribution plans and social security costs during the year (2023: Nil).

8. INCOME TAX EXPENSE

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current tax	18	–
Deferred tax credit	(2)	–
	<hr/>	<hr/>
Income tax expense	<u>16</u>	<u>–</u>

Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made as the Group has tax losses brought forward which are available for off-set against the estimated assessable profits for the year (2023: 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% or 5% for certain subsidiaries which are qualified as small low-profit enterprises under the Announcement of the State Administration of Taxation on Issues Relating to Implementation of Inclusive Income Tax Relief Policy for Small Low-profit Enterprises, of the estimated assessable profits during the year (2023: 25%). No provision for PRC corporate income tax has been made as the PRC subsidiaries have no estimated assessable profits for the year ended 31 March 2024 (2023: Nil).

Withholding tax on distributed/undistributed profits

The PRC tax law imposes a withholding tax at 10%, unless reduced by a tax treaty, for dividends distributed by PRC subsidiaries to its immediate holding company outside the PRC for earnings generated beginning on 1 January 2008. No withholding tax on distributed/undistributed profits of the Group for the year ended 31 March 2024 (2023: Nil).

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i> (restated Note 3)
(Loss)/profit before income tax	<u>(8,529)</u>	<u>8,676</u>
Tax calculated at statutory income tax rate at 16.5% (2023: 16.5%)	(1,407)	1,431
Effect of different tax rates of subsidiaries operating in other Jurisdictions	464	(313)
Tax effect of:		
Expenses that are not deductible for tax purpose	1,056	833
Income not subject to tax	(141)	(3,724)
Temporary differences not recognised	7	14
Tax losses not recognised	871	1,878
Utilisation of tax losses not recognised previously	<u>(834)</u>	<u>(119)</u>
	<u>16</u>	<u>–</u>

9. (LOSS)/EARNINGS PER SHARE

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i> (restated Note 3)
(Loss)/profit attributable to equity holders of the Company	<u>(7,448)</u>	<u>8,676</u>
	2024 <i>'000</i>	2023 <i>'000</i>
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share (thousands)	<u>644,990</u>	<u>603,392</u>

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 year. The weighted average number of shares used for the purpose of calculating basic (loss)/earnings per share for the years ended 31 March 2024 and 2023 has been adjusted for the issue of shares pursuant to the Rights Issue which increased the ordinary share on 12 May 2022.

As at 31 March 2024, the Company has outstanding convertible bond (2023: share options), of which the conversion of convertible bond will result an antidilution on loss per share for the year ended 31 March 2024, and the exercise price of the share options exceeded the average market price of ordinary shares, thus share option was not considered to be exercised during both years ended 31 March 2024 and 31 March 2023.

10. DIVIDEND

The directors do not recommend any payment of dividend in respect of the year ended 31 March 2024 (2023: Nil).

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables (<i>Note (a)</i>)	15,037	7,016
Other receivables, deposits and prepayments (<i>Note (b)</i>)	<u>23,175</u>	<u>5,984</u>
	<u><u>38,212</u></u>	<u><u>13,000</u></u>

Notes:

(a) Trade receivables

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables, gross	27,929	19,744
Less: allowance for ECL on trade receivables	<u>(12,892)</u>	<u>(12,728)</u>
Trade receivables, net	<u><u>15,037</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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0 to 30 days	7,119	–
31 to 90 days	2,798	7,016
91 to 180 days	4,740	–
181 to 365 days	<u>380</u>	<u>–</u>
	<u><u>15,037</u></u>	<u><u>7,016</u></u>

For pearls and jewellery segment, 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.

For other business segments, the Groups may request certain advance payment for the contract amount according to signed agreement for services, and may offer credit period up to 180 days depending on client's credit rating assessed by management, further extension would be additionally reviewed and approved by management.

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

	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not overdue	2,219	–
Overdue by:		
1 to 30 days	10,280	6,122
31 to 90 days	2,538	894
	<u>15,037</u>	<u>7,016</u>

The Group did not hold any collateral as security or other credit enhancements in respect of trade receivables that are past due but not impaired.

The management of the Company makes reference to the historical repayment to assess the impairment for individual debtors with significant balances while the Group collectively assesses the impairment for its remaining customers. For pearls and jewellery business segment, the management use a provision matrix with appropriate groupings based on shared credit risk characteristics of customers by reference to geographical area, past default experience and current past due exposure and are adjusted for forward-looking information (for example, the current and forecasted economic growth rates, export data and default rate in respective regions, which reflect the general economic conditions of the regions in which the debtors operate) that is available without undue cost or effort; and for other business segments, the management use expected loss rates with appropriate grouping based on shared credit risk characteristics by reference to past default experience and current past due exposure of the debtors, and the expected loss rates are based on the corresponding credit losses probability of a receivable progressing through successive stages of delinquency to write-off. The loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the probabilities of default and recovery ratio to be the most relevant factors, which is available without undue cost or effort.

The allowance for impairment are measured at lifetime ECL in accordance with simplified approach.

Movements in the allowance for ECL on trade receivables under HKFRS 9 are as follows:

	Lifetime ECL — not credit impaired HK\$'000	Lifetime ECL — credit impaired HK\$'000	Total HK\$'000
As at 1 April 2022	1,038	16,601	17,639
Changes in the loss allowance:			
— Written off	—	(32)	(32)
— Charged/(credit) to consolidated profit or loss	4,897	(9,776)	(4,879)
	<u>4,897</u>	<u>(9,776)</u>	<u>(4,879)</u>
As at 31 March 2023 and 1 April 2023	5,935	6,793	12,728
Changes in the loss allowance:			
— Arising from the acquisition of Tonnnett Group	424	166	590
— (Credited)/charged to consolidated profit or loss	(2,249)	1,836	(413)
Exchange realignment	(11)	(2)	(13)
	<u>(11)</u>	<u>(2)</u>	<u>(13)</u>
As at 31 March 2024	<u>4,099</u>	<u>8,793</u>	<u>12,892</u>

Notes:

- (a) There has been no change in the estimation techniques or significant assumptions made during the year in assessing the loss allowance for the trade receivables.
- (b) As of 31 March 2024, trade receivables with gross carrying amount of approximately HK\$8,793,000 (2023: HK\$6,793,000) were fully impaired and provided for those credit-impaired customers which are in unexpectedly difficult economic situations.

(b) Other receivables, deposits and prepayments

	2024 HK\$'000	2023 HK\$'000
Other receivables, gross	15,654	722
Less: allowance for ECL on other receivables (<i>Note (i)</i>)	(1,346)	(302)
	<u>14,308</u>	<u>420</u>
Other receivables, net	14,308	420
Deposits	709	587
Prepayments (<i>Note (ii)</i>)	8,158	4,977
	<u>8,158</u>	<u>4,977</u>
Prepayment non-current (<i>Note (iii)</i>)	23,175	5,984
	<u>10,954</u>	<u>—</u>
	<u>34,129</u>	<u>5,984</u>

Notes:

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

	Total <i>HK\$'000</i>
As at 1 April 2022	16,206
Changes in the loss allowance:	
— Exchange difference of ECL	(995)
— Credited to consolidated profit or loss	<u>(14,909)</u>
As at 31 March 2023 and 1 April 2023	302
Changes in the loss allowance:	
— Arising from the acquisition of Tonnnett Group	1,047
— Exchange difference of ECL	(15)
— Debited to consolidated profit or loss	<u>12</u>
As at 31 March 2024	<u><u>1,346</u></u>

As at year ended 31 March 2024, the gross balance of other receivables mainly represented other receivables for advances to business partners of approximately HK\$8,016,000 (2023: Nil), advances to staff of approximately HK\$816,000 (2023: Nil), and refundable of prepayment in acquisition of property, plant and equipment of approximately HK\$5,002,000 (2023: Nil), which are arisen from acquisition of Tonnnett Group. Certain guarantors have provided indemnities to the Group for any loss arisen from uncollected amount of the relevant other receivables.

- (ii) As at 31 March 2024, the balance of current prepayments mainly represented purchases of pearls of approximately HK\$3,900,000 (2023: HK\$4,192,000) with provision of impairment of approximately HK\$2,284,000 (2023: Nil), exhibition expenses of approximately HK\$423,000 (2023: HK\$423,000) and purchases of diamond ring of approximately HK\$3,780,000 (2023: Nil).
- (iii) As at 31 March 2024, the balance of non-current prepayments mainly represented prepayments for acquisition of property, plants and equipment of approximately HK\$10,954,000 (2023: Nil), which are arisen from acquisition of Tonnnett Group. Certain guarantors have provided indemnities to the Group for any loss arisen from uncollected amount of the relevant prepayments.

12. TRADE AND OTHER PAYABLES AND ACCRUALS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i> (restated Note 3)
Trade payables	7,874	9,006
Accrued payroll and employee benefits	4,146	402
Other payables and other accruals	12,160	8,910
	<u>24,180</u>	<u>18,318</u>

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0 to 60 days	3,245	8,669
61 to 120 days	3,168	–
More than 120 days	1,461	337
	<u>7,874</u>	<u>9,006</u>

As at 31 March 2024, consideration payables of HK\$4,000,000 (2023: HK\$4,000,000) for acquisition of 30% interest in Guardian City Limited in 2019, which was subsequently restructured in 2021 and become a financial asset at fair value through other comprehensive income of the Group since year ended 31 March 2021, and loan interest payables of HK\$59,000 (2023: HK\$37,000) were included in other payables.

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

13. SHARE CAPITAL

	Number of shares '000	Share capital <i>HK\$'000</i>
Authorised:		
At 1 April 2022 and 31 March 2023, ordinary shares of HK\$0.02 each	10,000,000	200,000
At 31 March 2024	<u>10,000,000</u>	<u>200,000</u>
Issued and fully paid:		
At 1 April 2022	319,649	6,393
Rights issue of new shares (<i>Note a</i>)	319,649	6,393
At 31 March 2023	639,298	12,786
Allotment and issues of consideration shares on 9 February 2024 (<i>Note b</i>)	39,954	799
At 31 March 2024	<u>679,252</u>	<u>13,585</u>

Notes:

(a) Rights issue in 2022

On 28 January 2022, the Company proposed rights issue on the basis of one rights share for every one existing share held on 17 March 2022 (“**Rights Issue**”), at the subscription price of HK\$0.11 per rights share (“**Rights Share**”).

On 4 May 2022, total of 18 valid acceptances and applications had been received for a total of 292,798,833 Rights Shares, which comprise: (i) a total of 9 valid acceptances for provisional allotments under the renounceable provisional allotment letters (“**PALs**”) in respect of a total of 159,587,737 Rights Shares, representing approximately 49.93% of the total number of Rights Shares available under the Rights Issue; and (ii) a total of 9 valid applications for excess Rights Shares under the form(s) of application for use by the qualifying shareholders who wish to apply for excess Rights Shares (“**EAFs**”) in respect of a total of 133,211,096 Rights Shares, representing approximately 41.67% of the total number of Rights Shares available under the Rights Issue.

On 5 May 2022, all conditions to the underwriting agreement entered into between the Company and underwriter dated 28 January 2022 have been fulfilled and became unconditional. As a result of the under subscription of the Rights Issue and in accordance with the terms of the Underwriting Agreement, the underwriter has procured subscribers to subscribe for 26,850,131 unsubscribed Rights Shares, representing approximately 8.40% of the total number of Rights Shares available for subscription under the Rights Issue.

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

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

(b) Issue of shares in 2024

In respect of the acquisition of Tonnett Group, allotment and issue of 39,954,338 new shares at issue price of HK\$0.2628 to satisfy the aggregate consideration for the sale and purchase of the sale share of the Tonnett Group contemplated under the sale and purchase agreement dated 29 June 2023, the issue of new shares took place on 9 February 2024 with the closing share price of HK\$0.69, details of which are disclosed in the announcement of the Company dated 9 February 2024.

14. GOODWILL

	<i>HK\$'000</i>
At 1 April 2022, 31 March 2023 and 1 April 2023	–
Acquisition of Tonnett Group	<u>48,363</u>
At 31 March 2024	<u><u>48,363</u></u>

Goodwill was arisen from the acquisition of Tonnett Group on 9 February 2024.

As of 31 March 2024, the Group has not completed the initial allocation of goodwill acquired in a business combination in which the business combination is effected on 9 February 2024, therefore the initial allocation will be completed in next financial year. For the purpose of impairment testing, goodwill and trademarks, included in intangible assets, with indefinite lives are not allocated and are expected to benefit from the Tonnett Group. The subsidiaries within Tonnett Group are identified at the lowest level at which goodwill and trademarks are monitored for internal management purposes. Goodwill and trademarks of the Group are monitored by management at the level of Tonnett Group based on the information available to the directors of the Company.

In the opinion of the directors, there was no indication that the Tonnett Group may be impaired, by comparing the carrying amount of Tonnett Group, including the goodwill and intangible assets with indefinite lives, with the recoverable amount of the unit.

15. CONVERTIBLE BOND

	2024 <i>HK\$'000</i>
Convertible bonds classified as non-current liabilities:	
At beginning of year	–
Issued during the year pursuant to the sale and purchase agreement	42,709
Change in fair value	<u>(2,997)</u>
At end of year	<u><u>39,712</u></u>

Convertible bond with principal amount of HK\$31,500,000 was arisen according to the sale and purchase agreement dated 29 June 2023, in respect of the acquisition of Tonnett Group (“**Convertible Bond**”).

Convertible Bond is carrying no interest, non-listed and in the principal amount of HK\$31.5 million to be issued by the Company to the Vendor to satisfy partial payment of the consideration for acquisition of Tonnett Group.

The conversion price is HK\$0.2628, being the initial conversion price per ordinary share of the Company, during the period commencing from the date of the Accumulated Guarantee Certificate or Compensation Confirmation (“**Conversion Commencement Date**”) and ending on the second anniversary of the Conversion Commencement Date (“**Maturity Date**”).

Convertible Bond will be locked up until the Accumulated Profit Guarantee is achieved, and where it cannot be achieved, the consideration of the acquisition of Tonnelt Group will be adjusted accordingly (“**Lock-up period**”). During the Lock-up Period, the Consideration Shares shall not be offered, sold, transferred, contracted for sale or otherwise disposed of. For the avoidance of doubt, there will be no restriction on the subsequent sale of the Consideration Shares after the Lock-up Period.

The fair value of Convertible Bond includes the consideration of the Accumulated Profit Guarantee of approximately HK\$39,712,000 based on fair value valuation by independent valuer.

Valuation of Convertible Bond is conducted by binomial option pricing model, a standard valuation model commonly used for valuation of financial derivative instruments. The model incorporates both contractual terms from the Convertible Bond issuance documents, as well as valuation parameters observed from market sources and the consideration of the Accumulated Profit Guarantee of approximately HK\$39,712,000 based on valuation. Key parameters adopted in the Convertible Bond and Accumulated Profit Guarantee valuation models are summarised as follows:

For the Convertible Bond with maturity date on 28 February 2027, the fair value of the Convertible Bond is measured at approximately HK\$70,800,000 (at date of issue: HK\$74,866,000), with key parameters adopted listed below:

	As at 31 March 2024	Date of issue
Share price (<i>note i</i>)	HK\$0.65	HK\$0.69
Risk free rates (<i>note ii</i>)	3.55%	3.27%
Credit spread (<i>note iii</i>)	3.08%	3.27%
Discount rates (<i>note iv</i>)	7.62%	7.52%
Volatility (<i>note v</i>)	92.02%	91.19%

In respect of the Accumulated Profit Guarantee, the independent valuer has set up five scenarios to analyse possible outcomes, resulting the fair value of approximately HK\$31,088,000 (at the date of issue: HK\$32,156,000).

Notes:

- (i) It represents the Company’s quoted price as at 31 March 2024 and date of issue of the Convertible Bond
- (ii) It is sourced from yield of HKMA Exchange Fund Notes with similar remaining maturity with the Convertible Bond
- (iii) It is sourced from US corporate index option-adjusted spread
- (iv) It is determined with reference to credit spread of comparable bonds and risk-free rate, as well as liquidity premium
- (v) It is calculated from historical share price of the Company

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

The Board hereby reports the results of Affluent Partners Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) for the year ended 31 March 2024 (“**FY24**”). During FY24, the consolidated loss attributable to equity holders of the Company was HK\$7.4 million (year ended 31 March 2023 (“**FY23**”): profit of HK\$8.7 million). The loss of the Group for FY24 amounted to HK\$8.5 million (FY23: profit of HK\$8.7 million) representing a substantial increase in loss of 197.7% as compared with the profit in FY23. The basic loss per share was HK\$0.01 (FY23: earnings per share of HK\$0.01), representing a substantial decrease of 200% as compared with that in FY23. The loss of the Group for the FY24 was mainly due to the decrease in reversal of allowances for expected credit losses on trade receivables and other receivables, the increase in administrative expenses and after offset the increase in gross profits.

BUSINESS REVIEW

Pearls and Jewellery Business Segment

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

The segmental revenue generated from the Pearls and Jewellery Business Segment decreased from HK\$85.2 million in FY23 to HK\$50.3 million in FY24. For FY23, the return on capital of pearls and jewellery products was 6.7% (FY23: (2.0)%).

The Group has been looking into various materials for its jewellery design to enrich the product collection in its pearls and jewellery business. Since last year, the Group had purchased some jade products and planned to launch the jade products to boost more sales and broaden the customers’ 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.

While the Board considers the market sentiment is continuously improving, nevertheless, the Group will continue to strictly control costs and improve operation efficiency and productivity in a bid to stay competitive. The Group will continue to actively participate in various important jewellery and gem fairs around the world when the market is recovering in order to maintain its diversified customer base. Moreover, the Group is cooperating with a local brand to explore the fine jewellery market. Such contribution will be happened in the coming year.

Strategic Investment and Financial Services Segment

During FY24, 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 as well as other potential investment opportunities.

Since the downturn of the economy, it has adversely affected the operation of the 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, the management of co-working business has downsized the co-working space network in Hong Kong and the Group has disposed one ordinary share representing entire issued ordinary share of a subsidiary which held the relevant investment, to an independent third party, at a consideration of HK\$1, on 29 July 2024.

Skincare Solutions Business, Research and Development Services and Brand Marketing and Consulting Services Segment

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 the sale of 100% shareholding in Tonnett Julis Holdings Limited (the “**Target Company**”) and 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 broad marketing and consulting service. The consideration of the Acquisition is HK\$42.0 million, which has been 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.

On 8 February 2024, an extraordinary general meeting of the Company was convened and the Shareholders approved the Acquisition and the transactions contemplated thereunder, including the issue of the consideration shares, the convertible bond and the conversion shares.

On 9 February 2024, all conditions precedent set out in the Sale and Purchase Agreement had been fulfilled and the completion took place in accordance with the terms and conditions of the Sale and Purchase Agreement. During FY24, upon the completion, the Company indirectly owns the entire issued share capital of the Target Company. As such, the Target Company has become an indirectly wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the Group's financial statements. Pursuant to the Sale and Purchase Agreement, the Company (i) has allotted and issued the 39,954,338 consideration Shares at the issue price of HK\$0.69 per consideration Share to the Vendor which was the closing share price at the date of issue; and (ii) has issued the convertible bond to the Vendor in the principal amount of HK\$31.5 million entitling the Vendor to convert into maximum number of 119,863,013 conversion shares at the conversion price of HK\$0.2628 per conversion share (subject to adjustment) to satisfy the consideration under the Acquisition.

Details of the Acquisition were disclosed in the Company's announcements dated 11 August 2022, 10 November 2022, 29 June 2023, 30 November 2023, 2 January 2024, 8 February 2024 and 9 February 2024 and the circular of the Company dated 25 January 2024.

During FY24, the Target Group contributed revenue and results to the Group from its skincare solutions business, research and development services and brand marketing and consulting services business segment.

LITIGATION

As at the reporting date, the group was not involved in any other material litigation or arbitration.

FINANCIAL GUARANTEE

As at 31 March 2024, the Group had no financial guarantee.

PROSPECTS

Overall speaking, although the Group's revenue in the Pearls and Jewellery Products segment was increased during FY23, based on the Group's current observation and estimation, the overall downtrend is expected to be carried forward to a certain extent for coming years due to the change of consumption pattern caused by the downturn. 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. In addition, the Group is cooperating with another local brand to explore the fine jewellery market. The Group has, from time to time, been looking for opportunities to leverage its management expertise to expand its existing business to further uncover the potential market of its ultimate female consumers.

The Group will further use its resources as a listed company to add value 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, during the year, the Group has completed 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.

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.

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, in addition with the new principal activities engaged in the provision of skincare solutions through self-transformed skincare brand and mid-to-high end functional skincare products; and the provision of scientific and pharmaceutical research and development services and the provision of branding marketing and consulting services, which are acquired during the year.

Revenue and Gross Profit

Revenue decreased to HK\$53.7 million for FY24 (FY23: HK\$86.9 million), comprised sales of pearl and jewellery of HK\$50.3 million (FY23: HK\$85.2 million) and interest income on strategic investment and financial services of HK\$nil million (FY23: HK\$1.7 million), and newly acquired business of skincare solutions and scientific and pharmaceutical research and development services and branding marketing and consulting services of HK\$3.4 million (FY23: Nil).

Gross profit increased by HK\$10.3 million to HK\$18.1 million (FY23: HK\$7.8 million). The gross profit margin during FY24 is increased mainly due to the reversal of provision for impairment loss on inventories upon sales of those inventories.

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

S&A expenses mainly comprised selling expenses of HK\$1.2 million (FY23: HK\$0.4 million) and administrative expenses of HK\$27.4 million (FY23: HK\$16.2 million). S&A expenses increased by HK\$12.0 million or 72.3% to HK\$28.6 million (FY23: HK\$16.6 million) in FY24. S&A expenses was increased during FY24 mainly due to expenses incurred by the newly acquired business, the professional fee for the Acquisition and the increase in salaries.

(Loss) profit Attributable to Equity Holders of the Company

The loss attributable to equity holders of the Company substantially increased by HK\$16.1 million or 185.1% to HK\$7.4 million in FY24 (FY23: profit of HK\$8.7 million) and the total comprehensive loss of the Group for FY24 was HK\$10.6 million (FY23: total comprehensive income of HK\$9.6 million) was mainly due to decrease in the reversal of allowance for expected credit losses on trade receivables and other receivables, net and the increase in administrative expenses and after offset the increase in gross profit during the year as compared to FY23.

Liquidity and Capital Resources

During the year, the Group funded its operations through a combination of cash generated from operations, equity attributable to equity holders of the Company, proceeds from borrowings and the issue of new shares and convertible bond. As at 31 March 2024, the Group’s total equity was HK\$112.8 million (2023: HK\$78.3 million), representing an increase of 44.1% from last year.

As at 31 March 2024, the Group had cash and cash equivalents of HK\$37.9 million (31 March 2023: HK\$41.3 million). Cash and cash equivalents were mainly denominated in United States dollars, Hong Kong dollars and Renminbi. The Group’s net current assets were HK\$80.3 million (31 March 2023: HK\$77.8 million). The current ratio, represented by the total current assets divided by the total current liabilities, was 3.0 (31 March 2023: 4.7).

As at 31 March 2024, the Group had outstanding borrowings of HK\$4 million (31 March 2023: HK\$2 million) which is at interest rate of 6% per annum and is scheduled to be repayable on 11 December 2024. With the available cash and cash equivalents and cash generated from operations, the Group has adequate financial resources to meet the anticipated future liquidity requirements and capital expenditure commitment.

Capital Structure

As at 31 March 2024, the total number of issued shares of the Company was 679,252,266 (31 March 2023: 639,297,928) of HK\$0.02 each (the “**Shares**”) and its issued share capital was HK\$13,585,045 (31 March 2023: HK\$12,785,959).

On 9 February 2024, the Company issued an aggregate of 39,954,338 ordinary Shares to the Vendor, being part of the consideration for acquisition of 100% shareholding in the Target Company. The issued price per consideration Shares was HK\$0.69 which was the closing share price at the date of issue.

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

Capital Commitments

At the end of the reporting periods, the Group had no significant commitments outstanding, except for capital commitment for certain property, plant and equipment of approximately HK\$2,898,000.

MAJOR TRANSACTION

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 the sale of 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 broad marketing and consulting service. The consideration of the Acquisition is HK\$42.0 million, which has been 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.

On 8 February 2024, an extraordinary general meeting of the Company was convened and the Shareholders approved the Acquisition and the transactions contemplated thereunder, including the issue of the consideration shares, the convertible bond and the conversion shares.

On 9 February 2024, all conditions precedent set out in the Sale and Purchase Agreement had been fulfilled and the completion took place in accordance with the terms and conditions of the Sale and Purchase Agreement. Upon Completion, the Company indirectly owns the entire issued share capital of the Target Company. As such, the Target Company has become an indirectly wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the Group's financial statements. Pursuant to the Sale and Purchase Agreement, the Company (i) has allotted and issued the 39,954,338 consideration Shares at the issue price of HK\$0.69 per consideration Share to the Vendor which was the closing share price at the date of issue; and (ii) has issued the convertible bond to the Vendor in the principal amount of HK\$31.5 million entitling the Vendor to convert into maximum number of 119,863,013 conversion shares at the conversion price of HK\$0.2628 per conversion share (subject to adjustment) to satisfy the consideration under the Acquisition.

Details of the Acquisition were disclosed in the Company's announcements dated 11 August 2022, 10 November 2022, 29 June 2023, 30 November 2023, 2 January 2024, 8 February 2024 and 9 February 2024 and the circular of the Company dated 25 January 2024.

Material Acquisitions and Disposals of Subsidiaries

Other than the above as disclosed in the section headed "MAJOR TRANSACTION", the Group did not have any material acquisition or disposal of subsidiaries during FY23 and FY24.

Exposure to Fluctuations in Exchange Rates

The Group principally operates its businesses in Hong Kong and the PRC. The Group is exposed to foreign exchange fluctuations from various currencies, such as United States dollars and Renminbi, which were the major foreign currencies transacted by the Group during FY23 and FY24.

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

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

Human Resources

As at 31 March 2024, the Group had a total workforce of 30 (31 March 2023: 30), of whom 15 (31 March 2023: 17) were based in Hong Kong. The total staff costs, including Directors' emoluments and mandatory provident fund, was approximately HK\$15.1 million in 2024 (2023: HK\$10.1 million). Employees were remunerated on the basis of their performance and experience. Remuneration packages, including salary and year-end discretionary bonus, were determined by reference to market conditions and individual performance.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) as the code of conduct for dealing in securities of the Company by the Directors. All Directors have confirmed, upon specific enquiries made by the Company, that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2024.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has complied with the requirements under Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules. The Company has received confirmation of independence from all three independent non-executive Directors, namely Mr. Wong Siu Keung, Joe, Mr. Chang Chunyu and Mr. Lee Ka Leung Daniel in accordance with Rule 3.13 of the Listing Rules.

The Board has reviewed the independence of all independent non-executive Directors and concluded that all of them are independent within the definition of the Listing Rules. Furthermore, the Board is not aware of the occurrence of any events which would cause it to believe that the independence of any of the independent non-executive Directors has been impaired up to the date of this announcement.

AUDIT COMMITTEE

The audit committee of the Company, which comprises three independent non-executive Directors of the Company, has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal control, risk management and financial reporting matters including the review of the audited consolidated financial statements of the Group for the year ended 31 March 2024.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2024.

CORPORATE GOVERNANCE CODE

The Group recognises the importance of achieving the highest standard of corporate governance consistent with the needs and requirements of its businesses and the best interests of all of its stakeholders, and the Board is fully committed to doing so. The Board believes that high standards of corporate governance provide a framework and solid foundation for the Group to manage business risks, enhance transparency, achieve high standard of accountability and protect stakeholders' interests.

The Group has adopted a corporate governance statement of policy which provides guidance on the application of the corporate governance principles on the Group, with reference to the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules.

In the opinion of the Directors, the Company has complied with all code provisions as set out in the CG Code throughout the year ended 31 March 2024 and, where appropriate, the applicable recommended best practices of the CG Code, except for the deviations disclosed below.

1. There is currently no officer carrying the title of Chief Executive Officer (“**CEO**”) up to the date of this announcement. In the absence of a CEO, the duties of the CEO have been/will continue to be collectively undertaken by all executive Directors, namely Mr. Cheung Sze Ming, Mr. Dong Peng and Dr. Su Yaoyao. In the opinion of the Directors, the present arrangement is effective and efficient.

2. Under code provision C.5.3 of the CG Code, notice of at least 14 days should be given of a regular board meeting to all Directors an opportunity to attend. During the year ended 31 March 2024, certain regular Board meetings were convened with less than 14 days' notice to enable the Directors to react timely and make expeditious decisions in respect of transactions which were of significance to the Group's business. As a result, the aforesaid regular Board meetings were held with a shorter notice period than required with no objection by all the Directors. The Board will do its best endeavours to meet the requirement of code provision C.5.3 of the CG Code in future.

SCOPE OF WORK OF MOORE CPA LIMITED

The figures in respect of the Group's consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position and consolidated statement of changes in equity, and the related notes thereto for the year ended 31 March 2024 as set out in the preliminary announcement of the Group have been agreed by the Group's auditor, Moore CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year.

The work performed by Moore CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no opinion or assurance conclusion has been expressed by Moore CPA Limited on the preliminary announcement.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was suspended from 9:00 a.m. on 2 July 2024 pending the release of this announcement. An application has been made to the Stock Exchange to resume the trading in the Shares from 9:00 a.m. on 1 August 2024.

By Order of the Board
AFFLUENT PARTNERS HOLDINGS LIMITED
Cheung Sze Ming
Executive Director

Hong Kong, 31 July 2024

As at the date of this announcement, the Board comprises Mr. Cheung Sze Ming, Mr. Dong Peng and Dr. Su Yaoyao as executive Directors; Mr. Zhu Yongjun and Mr. Cheng Chi Kin as non-executive Directors; Mr. Wong Siu Keung Joe, Mr. Chang Chunyu and Mr. Lee Ka Leung Daniel as independent non-executive Directors.