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 2019

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 2019, together with the comparative figures for the corresponding period in 2018.

* *For identification purposes only*

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 September 2019

	Notes	Six months ended 30 September 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Revenue	5	**63,608**	88,782
Cost of sales		**(46,091)**	(65,082)
Gross profit		**17,517**	23,700
Other losses, net		**(183)**	(787)
Fair value (loss)/gain on convertible loan notes		**(598)**	2,632
Fair value gain/(loss) on unlisted property fund		**4,700**	(6,500)
Selling expenses		**(3,111)**	(3,251)
Administrative expenses		**(36,074)**	(30,819)
Operating loss		**(17,749)**	(15,025)
Finance income		**226**	30
Finance costs		**(4,325)**	–
Finance (costs)/income, net		**(4,099)**	30
Share of results of associates	10	**(5,862)**	–
Loss before income tax	6	**(27,710)**	(14,995)
Income tax credit	7	**119**	199
Loss for the period attributable to equity holders of the Company		**(27,591)**	(14,796)
Loss per share attributable to equity holders of the Company	9		
—Basic and diluted		**(1.55) HK cents**	(0.87) HK cents

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2019

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the period	**(27,591)**	(14,796)
Other comprehensive loss:		
Items that may be reclassified to profit or loss		
– Exchange difference on translation of financial statements of foreign operations	**(1,004)**	(527)
Other comprehensive loss for the period, net of tax	**(1,004)**	(527)
Total comprehensive loss for the period attributable to equity holders of the Company	**(28,595)**	(15,323)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	Notes	30 September 2019 HK$'000 (Unaudited)	31 March 2019 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**73,103**	71,843
Right-of-use assets		**655**	–
Investments in associates	*10*	**172,438**	–
Convertible loan notes	*11*	**32,758**	32,546
Other receivables, deposits and prepayments	*12*	**5,393**	4,676
Unlisted property fund	*13*	**43,000**	34,500
Deferred tax assets		**1,248**	1,128
		328,595	144,693
Current assets			
Inventories		**49,073**	59,258
Trade and other receivables, deposits and prepayments	*12*	**33,527**	45,466
Cash and cash equivalents		**40,155**	28,443
		122,755	133,167
Current liabilities			
Trade and other payables, deposits received and accruals	*14*	**25,709**	21,682
Other borrowings	*15*	**76,500**	52,500
Amounts due to immediate holding company		**339**	5,700
Lease liabilities		**825**	–
		103,373	79,882
Net current assets		**19,382**	53,285
Total assets less current liabilities		**347,977**	197,978
Net assets		**347,977**	197,978
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	*16*	**3,700**	3,394
Reserves		**344,277**	194,584
Total equity		**347,977**	197,978

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 Unit 2108, 21/F, Harcourt House, 39 Gloucester Road, Wan Chai, Hong Kong to 12/F, Henan Building, Nos. 90 & 92 Jaffe Road and Nos. 15-19 Luard Road, Hong Kong with effect from 4 April 2019.

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 2019.

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.

2. BASIS OF PREPARATION AND PRESENTATION (Continued)

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 2019 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 2019.

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 2019 for the preparation of the Group's condensed consolidated interim financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, 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. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

Impacts and changes in accounting policies of adoption on HKFRS 16 Leases

The Group has adopted HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases", and the related interpretations.

4.1 Key changes in accounting policies resulting from adoption of HKFRS 16

The Group adopted the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (Continued)

Impacts and changes in accounting policies of adoption on HKFRS 16 Leases (Continued)

4.1 Key changes in accounting policies resulting from adoption of HKFRS 16 (Continued)

As a lessee (Continued)

Right-of-use assets (Continued)

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 “Financial Instruments” and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (Continued)

Impacts and changes in accounting policies of adoption on HKFRS 16 Leases (Continued)

4.1 Key changes in accounting policies resulting from adoption of HKFRS 16 (Continued)

As a lessee (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (Continued)

Impacts and changes in accounting policies of adoption on HKFRS 16 Leases (Continued)

4.1 Key changes in accounting policies resulting from adoption of HKFRS 16 (Continued)

As a lessee (Continued)

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

4.2 Transition and summary of effects arising from initial adoption of HKFRS 16

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK (IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial adoption.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (Continued)

Impacts and changes in accounting policies of adoption on HKFRS 16 Leases (Continued)

4.2 Transition and summary of effects arising from initial adoption of HKFRS 16 (Continued)

As a lessee

The Group has adopted HKFRS 16 using the cumulative effect approach and recognised the right-of-use asset at the amount equal to the lease liability, adjusted by the amount of any prepayments or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 March 2019.

The comparative information presented has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group also applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial adoption;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial adoption;

iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and

iv. used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (Continued)

Impacts and changes in accounting policies of adoption on HKFRS 16 Leases (Continued)

4.2 Transition and summary of effects arising from initial adoption of HKFRS 16 (Continued)

As a lessee (Continued)

The following tables summarised the impact of transition to HKFRS 16 on statement of financial position as of 31 March 2019 to that of 1 April 2019 as follows:

	HK$'000
Summary of financial position as at 1 April 2019	
Right-of-use assets	1,252
Lease liabilities (non-current)	59
Lease liabilities (current)	1,193

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 March 2019 could be reconciled to the lease liabilities at the date of initial adoption recognised in the condensed consolidated interim statement of financial position as at 1 April 2019:

	HK$'000
Reconciliation of operating lease commitment to lease liabilities	
Operating lease commitment as of 31 March 2019	12,319
Less: Short-term lease	(11,015)
Less: Future interest expenses	(52)
Total lease liabilities as of 1 April 2019	1,252

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the condensed consolidated interim statement of financial position as at 1 April 2019 is 11.25%.

4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES (Continued)

Impacts and changes in accounting policies of adoption on HKFRS 16 Leases (Continued)

4.2 Transition and summary of effects arising from initial adoption of HKFRS 16 (Continued)

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial adoption and comparative information has not been restated. The adoption of HKFRS 16 has had no material impact on the Group's condensed consolidated interim financial statements for the six months ended 30 September 2019.

5. SEGMENT INFORMATION

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

(a)	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.

5. **SEGMENT INFORMATION (Continued)**

An analysis of the Group's reportable segment revenue, results, assets, liabilities and other selected financial information for the six months ended 30 September 2019 by operating segments are as follows:

Segment revenue and results

For the six months ended 30 September 2019

	Sale of pearls and jewellery products	**Strategic investment and financial services**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
Segment revenue	**62,519**	**1,089**	**63,608**
Segment loss	**(3,967)**	**(1,874)**	**(5,841)**
Finance income			**226**
Finance costs			**(4,325)**
Equity-settled share-based payments			**(10,294)**
Unallocated corporate expenses			**(7,476)**
Loss before income tax			**(27,710)**

5. **SEGMENT INFORMATION (Continued)**

Segment revenue and results (Continued)

For the six months ended 30 September 2018

	Sale of pearls and jewellery products *HK$'000* (Unaudited)	Strategic investment and financial services *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Segment revenue	87,894	888	88,782
Segment loss	(745)	(4,804)	(5,549)
Finance income			30
Unallocated corporate expenses			(9,476)
Loss before income tax			(14,995)

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

Segment results represent 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 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.

5. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

At 30 September 2019

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

	Sale of pearls and jewellery products HK$'000 (Unaudited)	Strategic investment and financial services HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Segment assets			
– Hong Kong	114,149	178,485	292,634
– United Kingdom ("UK")	–	75,758	75,758
– The People's Republic of China (the "PRC")	11,807	–	11,807
	125,956	254,243	380,199
Unallocated corporate assets			71,151
Total assets			451,350
Segment liabilities			
– Hong Kong	(11,264)	(866)	(12,130)
– The PRC	(3,170)	–	(3,170)
	(14,434)	(866)	(15,300)
Unallocated corporate liabilities			(88,073)
Total liabilities			(103,373)

5. **SEGMENT INFORMATION (Continued)**

Segment assets and liabilities (Continued)

At 31 March 2019

	Sale of pearls and jewellery products *HK$'000* (Audited)	Strategic investment and financial services *HK$'000* (Audited)	Total *HK$'000* (Audited)
Segment assets			
– Hong Kong	118,608	1,217	119,825
– UK	–	70,512	70,512
– The PRC	16,890	–	16,890
	135,498	71,729	207,227
Unallocated corporate assets			70,633
Total assets			277,860
Segment liabilities			
– Hong Kong	(15,907)	(350)	(16,257)
– The PRC	(3,446)	–	(3,446)
	(19,353)	(350)	(19,703)
Unallocated corporate liabilities			(60,179)
Total liabilities			(79,882)

5. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

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 that are not attributable to individual segments.

Other segment information

For the six months ended 30 September 2019

	Sale of pearls and jewellery products *HK$'000* (Unaudited)	Strategic investment and financial services *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Amounts included in the measure of segment loss and segment assets			
Additions to property, plant and equipment	**350**	**100**	**450**
Depreciation of property, plant and equipment	**(473)**	**(30)**	**(503)**
Depreciation of right-of-use assets	**–**	**(597)**	**(597)**
Loss on disposals of property, plant and equipment	**(37)**	**–**	**(37)**
Fair value loss on convertible loan notes	**–**	**(598)**	**(598)**
Reversal of allowance for expected credit losses ("ECLs") on trade receivables, net	**499**	**–**	**499**
Provision for impairment loss on inventories, net	**(5,599)**	**–**	**(5,599)**
Fair value gain on unlisted property fund	**–**	**4,700**	**4,700**
Written off of property, plant and equipment	**–**	**(253)**	**(253)**
Interest on lease liabilities	**–**	**(53)**	**(53)**

5. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the six months ended 30 September 2018

	Sale of pearls and jewellery products *HK$'000* (Unaudited)	Strategic investment and financial services *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Amounts included in the measure of segment loss and segment assets			
Additions to property, plant and equipment	945	90	1,035
Depreciation of property, plant and equipment	(793)	(76)	(869)
Impairment loss on property, plant and equipment	(469)	–	(469)
Loss on disposals of property, plant and equipment	–	(16)	(16)
Fair value gain on convertible loan notes	–	2,632	2,632
Reversal of allowance for ECLs on trade receivables, net	1,331	–	1,331
Reversal of impairment loss on inventories, net	3,474	–	3,474
Fair value loss on unlisted property fund	–	(6,500)	(6,500)

5. SEGMENT INFORMATION (Continued)

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 are detailed below:

	Revenue from external customers		Non-current assets*	
	Six months ended 30 September 2019	Six months ended 30 September 2018	**At 30 September 2019**	At 31 March 2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
North America#				
– USA	**38,718**	42,117	**–**	–
– Others	**288**	130	**–**	–
Europe				
– Germany	**5,330**	12,440	**–**	–
– Italy	**12**	191	**–**	–
– UK	**1,359**	933	**–**	–
– Others	**1,934**	2,573	**–**	–
Hong Kong	**5,942**	13,973	**72,624**	70,837
Asian countries (excluding Hong Kong and Korea)				
– PRC	**1,906**	7,441	**1,134**	1,006
– Japan	**4,676**	4,807	**–**	–
– Others	**1,335**	1,557	**–**	–
Others	**2,108**	2,620	**–**	–
	63,608	88,782	**73,758**	71,843

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

Revenue from the transactions with one individual customer amounted to approximately HK$25,588,000 (2018: HK$21,474,000) which represented more than 40% (2018: 20%) of total revenue of the Group for the six months ended 30 September 2019. The customer is situated in the USA, the revenue generated from the USA during the period amounted to approximately HK$38,718,000 (2018: HK$42,117,000). This revenue was attributable to North America region of the sales of pearls and jewellery products segment.

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

6. 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	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories	**31,823**	58,187
Provision for/(reversal of) impairment loss on inventories, net#	**5,599**	(3,474)
Employee benefit expenses (including directors' emoluments)		
– Salaries, wages, other benefits, pension costs and social security costs	**19,654**	21,856
– Equity settled share-based payment	**10,294**	–
	29,948	21,856
Reversal of allowance for ECLs, net*	**(499)**	(1,331)
Depreciation of property, plant and equipment	**1,365**	869
Depreciation of right-of-use assets	**597**	–
Impairment loss on property, plant and equipment	**–**	469
Operating lease payment, gross	**6,453**	7,641
Less: operating lease income on sub-leased premises	**(1,642)**	(1,642)
Operating lease payment, net	**4,811**	5,999
Interest on lease liabilities	**53**	–
Loss on disposals of property, plant and equipment	**37**	16
Written off of property, plant and equipment	**253**	–

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

* *The amount was included in the "administrative expenses" in the condensed consolidated interim income statement.*

7. INCOME TAX CREDIT

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current:		
Hong Kong profits tax	**–**	–
Over-provision in prior period:		
Hong Kong profits tax	**–**	(363)
Deferred:		
Net (credit)/charge for the period	**(119)**	164
Income tax credit	**(119)**	(199)

Hong Kong profits tax has been provided at a rate of 16.5% (2018: 16.5%) on the estimated assessable profits for the six months ended 30 September 2019.

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 (2018: 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.

8. DIVIDEND

The directors do not recommend any payment of interim dividend for the six months ended 30 September 2019 (2018: nil).

9. 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$27,591,000 (2018: loss of HK$14,796,000) and the weighted average number of ordinary shares of 1,778,884,000 (2018: 1,696,950,000) 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 2019, the assumed conversion of potential ordinary shares in relation to the share option has an anti-dilutive effect to the basic loss per share. For the six months ended 30 September 2018, the diluted loss per share were equal to the basic earnings per share because the Company has no dilutive potential ordinary shares.

10. INVESTMENTS IN ASSOCIATES

At 30 September 2019 and 31 March 2019, the Group had interests in the following principal associates, of which the particulars are set forth below:

Name of associates	Place of incorporation/ operation	*Notes*	Proportion of ownership interest and proportion of voting power held		Principal activities
			% **30 September 2019**	*%* 31 March 2019	
Directly held					
Dellos Group Limited	the Cayman Islands	*(b)*	**33**	33	Investment holding
Guardian City Limited	the British Virgin Islands	*(a)*	**30**	–	Investment holding
Indirectly held					
Natural Spring Global Limited	the British Virgin Islands	*(b)*	**33**	33	Investment holding
Dellos F&B Co., Ltd ("Dellos F&B")	Korea	*(b)*	**33**	33	Manufacturing, sale and distribution of fruit juice and other beverage products
Dellos International Limited	Hong Kong	*(b)*	**33**	33	Trading of beverage products
Campfire Holdings Company Limited	Hong Kong	*(a)*	**18.77**	–	Investment holding

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.

10. INVESTMENTS IN ASSOCIATES (Continued)

(a) On 10 June 2019, the Group and the independent vendors entered into the sale and purchase agreement, pursuant to which the vendors have agreed to sell and the Group have conditionally agreed to acquire the sale shares, representing 30% of the issued share capital of Guardian City Limited ("Guardian City") at the total consideration of approximately HK$176,005,000. Guardian City is principally engaged in investment holding which holds 62.55% equity interest in Campfire Holdings Company Limited, which is principally engaged in operation of co-working spaces and co-living spaces in Hong Kong. On 25 June 2019, the Group completed the transaction to acquire 30% of the issued share capital of Guardian City at an aggregate consideration of HK$178,300,000, which should be satisfied by the payment of the cash consideration of HK$10,000,000 and the allotment and issue of 153,000,000 consideration shares of the Company in the aggregate value of HK$168,300,000, based on the fair value of each share of HK$1.1, to the vendors. Details of the transaction were disclosed in the announcements of the Company dated 28 May 2019, 10 June 2019 and 25 June 2019 respectively.

	At 30 September 2019	At 31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Cost of investments in associates	**178,300**	–
Share of post-acquisition loss	**(5,862)**	–
	172,438	–

10. INVESTMENTS IN ASSOCIATES (Continued)

(b) On 18 April 2017, the Group had entered into a sale and purchase agreement with independent third parties (the "Vendors"), pursuant to which the Vendors have conditionally agreed to sell and transfer and the Group agreed to acquire 33% of the entire issued share capital of Dellos Group Limited and its subsidiaries ("Dellos Group"). On 10 May 2017, the Group completed the transaction and the consideration was satisfied by the payment of the cash consideration of HK$3,500,000 and the allotment and issue of 19,868,766 consideration shares of the Company in the aggregate fair value of approximately HK$76,693,000, based on the fair value of each share of HK$3.86 on 10 May 2017, to the Vendors. The aggregate costs of acquisition of the equity interest in Dellos Group were approximately HK$80,193,000.

During the course of preparation of the consolidated financial statements of the Group for the year ended 31 March 2018, the Group carried out follow up work with the Dellos Group in relation to the determination of the Group's share of net assets and profit or loss of the Dellos Group. During the course of carrying out the follow up work, 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 commencement of the Rehabilitation Proceedings on 7 March 2018. Therefore, the Group sought legal advice from its legal advisers in Korea to assess the implications of the Rehabilitation Proceedings on the Group's interests in the Dellos Group.

The rehabilitation plan (the "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 advice from the Group's legal advisers, the Group considered 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 Court's approval; and (iv) there would be no dividend payout during the rehabilitation period. It is considered highly unlikely that Dellos Group would bring to the Group any future economic benefits. Therefore, the entire investment cost of the Group in Dellos Group of approximately HK$80,193,000 was fully written down and the resulting loss of approximately HK$80,193,000 was recognised in consolidated profit or loss for the year ended 31 March 2018 and presented as "loss on investments in associates".

10. INVESTMENTS IN ASSOCIATES (Continued)

(b) (Continued)

According to the Rehabilitation Plan, the loans made by the Group to Dellos F&B have been made part of the rehabilitation claims, with the Group having been regarded as a rehabilitation creditor. Although the Group, as a rehabilitation creditor, will be able to obtain recovery of the loans in accordance with the terms of the Rehabilitation Plan, it is subject to approval by the Court and also the economic conditions of Dellos F&B. In addition, based on the financial information provided by Dellos F&B, the financial position of Dellos F&B is net current liabilities. Furthermore, all the non-financial assets of Dellos F&B were pledged to certain banks in Korea by reference to the published audited financial statements. The directors of the Company considered that the likelihood of recovery of the loans and interest receivables owed by Dellos Group to the Group, whose carrying amount as at 31 March 2018 amounting to approximately HK$13,871,000 is remote, hence, except for the amount of interest of approximately HK$345,000 which was subsequently settled on 13 June 2018 the balances are considered irrecoverable and are fully impaired. Accordingly, an impairment loss on the loans and interest receivables amounting to HK$13,871,000 was recognised in consolidated profit or loss for the year ended 31 March 2018.

On 17 October 2018, the Court approved the Rehabilitation Plan and under the Rehabilitation Plan, there will be yearly cash payment installments over a 10 year period (starting from 2019) in respect of the 30% of the outstanding debts and the remaining 70% of the outstanding debts will be converted into the equity of Dellos F&B. However, based on the latest financial information provided by Dellos F&B, its financial performance continued to deteriorate and its financial position is still in net current liabilities. In view of the diminished shareholding and no reliable estimation of future economic benefits derived, the directors of the Company considered that the above investment cost and loans and interest receivables are unlikely to be recovered. No reversal of loss on investment and impairment loss on loans and interest receivables should be made.

11. CONVERTIBLE LOAN NOTES

	At 30 September 2019 ***HK$'000*** **(Unaudited)**	At 31 March 2019 *HK$'000* (Audited)
Convertible loan notes	**32,758**	32,546

11. CONVERTIBLE LOAN NOTES (Continued)

On 10 November 2017, the Group subscribed for certain convertible loan notes issued by Wonderland (UK) Holdings Limited ("Wonderland (UK)"). The principal amount is GBP3,500,000 (equivalent to approximately HK$36,050,000) which carries 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 is 9 November 2020, which can be redeemed at 100% of the principal amount. The convertible loan notes can be converted at any time from the date the convertible loan notes are fully subscribed and paid up until the maturity date. Upon the full conversion of the convertible loan notes, the converted shares will represent 80% of the enlarged share capital of Wonderland (UK). At any time after the convertible loan notes are fully subscribed by the Group, full conversion would be made automatically when the pre-tax audited net profit of Wonderland (UK) exceeded GBP1,000,000 for the financial year immediately prior to the maturity date. The convertible loan notes would become immediately due and payable if Wonderland (UK) ceased to be the exclusive licensee of a global real estate brand in England.

On 26 February 2019, the Group entered into the deeds of variation to the investment agreement, pursuant to which (i) the conversion rate of the convertible loan notes was varied from 65% to 99.9%; and (ii) the Group and the existing legal and beneficial owner of Wonderland (UK) (the "Selling Shareholder") have the call option to acquire and put option to sell, respectively, the two fully paid ordinary shares (representing the sale shares held by the Selling Shareholder) at a consideration of GBP350 upon the fully subscription of convertible loan notes by the Group. Pursuant to the investment agreement, the Group has subscribed for the convertible loan notes upon the receipt of notice of drawdown issued by Wonderland (UK). As at 30 September 2019, the Group has subscribed for GBP3,500,000 (equivalent to approximately HK$36,477,000) (31 March 2019: GBP3,419,000 (equivalent to approximately HK$35,666,000)) convertible loan notes, representing 100% of the total subscription amount.

Wonderland (UK) is a company incorporated and registered in England and Wales with limited liability and it is the exclusive licensee of Sotheby's International Realty Limited ("SIRL") and is principally engaged in the operation of realty agency business in England. In addition, Wonderland (UK) holds the entire equity interest of SIRL which mainly deals in residential sales, letting, development sales, investment and international sales in England and Wales. The unlisted property fund (Note 13) has appointed SIRL and Wonderland (UK), acting as real estates agent to assist with the sub-selling of the apartments in the residential real estate project, and the unlisted property fund shall pay the agency fee to SIRL and Wonderland (UK) in return.

The convertible loan notes are classified as financial assets at fair value though profit or loss.

12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 September 2019 *HK$'000* (Unaudited)	At 31 March 2019 *HK$'000* (Audited)
Trade receivables *(Note a)*	**25,284**	34,014
Other receivables, deposits and prepayments *(Note b)*	**13,636**	16,128
	38,920	50,142
Less: Non-current portion		
Other receivables, deposits and prepayments *(Note b)*	**(5,393)**	(4,676)
	33,527	45,466

Notes:

(a) Trade receivables

	At 30 September 2019 *HK$'000* (Unaudited)	At 31 March 2019 *HK$'000* (Audited)
Trade receivables – gross	**42,527**	52,187
Less: Allowance for ECLs on trade receivables	**(17,243)**	(18,173)
Trade receivables – net	**25,284**	34,014

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.

12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Notes: (Continued)

(a) Trade receivables (Continued)

An ageing analysis of trade receivables, net of allowance for ECLs, as at the reporting date, based on invoice dates which approximate the respective revenue recognition dates, is as follows:

	At 30 September 2019	At 31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 30 days	**9,281**	16,378
31 to 90 days	**7,022**	6,551
91 to 180 days	**4,328**	5,290
181 to 365 days	**4,653**	4,834
Over 365 days	**–**	961
	25,284	34,014

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

	At 30 September 2019	At 31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Not overdue	**7,864**	10,420
Overdue by:		
1 to 30 days	**6,511**	12,531
31 to 90 days	**6,975**	5,888
91 to 180 days	**2,078**	2,414
181 to 365 days	**1,856**	2,761
Over 365 days	**–**	–
	25,284	34,014

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

12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Notes: (Continued)

(b) Other receivables, deposits and prepayments

	At 30 September 2019 ***HK$'000*** **(Unaudited)**	At 31 March 2019 *HK$'000* (Audited)
Other receivables	**4,313**	4,708
Deposits	**4,339**	4,571
Prepayments	**4,984**	6,849
	13,636	16,128
Less: Non-current portion		
Other receivables	**(3,530)**	(2,440)
Prepayments	**(1,863)**	(2,236)
	(5,393)	(4,676)
Current portion	**8,243**	11,452

13. UNLISTED PROPERTY FUND

	At 30 September 2019	At 31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Unlisted property fund	**43,000**	34,500

On 23 February 2018, the Group acquired 3,800 non-redeemable, non-voting participating shares (the "fund shares") of the unlisted property fund which was incorporated in the Cayman Islands. During the period ended 30 September 2019, the Group further subscribed an amount of HK$3,800,000 which represented 380 fund shares. The fair value of the unlisted property fund as at 30 September 2019 is approximately HK$43,000,000.

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

The investment is unlisted and the Group has 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.

The unlisted property fund was mandatorily classified and measured as financial assets at fair value through profit or loss.

The unlisted property fund is recognised as follows:–

	HK$'000
As at 1 April 2019	34,500
Subscription	3,800
Fair value gain recognised in profit or loss	4,700
As at 30 September 2019	43,000

14. TRADE AND OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

	At 30 September 2019	At 31 March 2019
	HK$'000	*HK$'000*
Trade payables	**4,593**	8,434
Accrued employee benefit expenses	**6,669**	6,658
Other payables and other accruals	**13,846**	6,167
Deposits received	**601**	423
	25,709	21,682

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

	At 30 September 2019	At 31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 60 days	**3,491**	6,894
61 to 120 days	**992**	40
Over 120 days	**110**	1,500
	4,593	8,434

15. OTHER BORROWINGS

	At 30 September 2019 HK$'000	At 31 March 2019 HK$'000
Other borrowings – secured*: *(Note)*		
Within one year	**52,500**	52,500
Other borrowings – unsecured*:		
Within one year	**24,000**	–
	76,500	52,500

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

As at 30 September 2019, the Group's fixed rate other borrowings carried interest rates ranging from 11.3% to 18.0% (31 March 2019: 11.3% to 18.0%) per annum.

Note:

Part of other borrowings are secured by leasehold land and buildings and jointly guaranteed by the Company and its subsidiary (with an aggregate amount up to HK$52,500,000).

16. SHARE CAPITAL

	Number of shares	Share capital
	'000	*HK$'000*
Authorised:		
At 1 April 2018 and 30 September 2018, (Unaudited), ordinary share of HK$0.01 each	1,000,000	10,000
Effect of share subdivision *(Note (a))*	4,000,000	–
At 1 April 2019 and 30 September 2019, ordinary shares of HK$0.002 each	5,000,000	10,000
Issued and fully paid:		
At 1 April 2018 and 30 September 2018 (Unaudited)	339,390	3,394
Effect of share subdivision *(Note (a))*	1,357,560	–
At 1 April 2019	1,696,950	3,394
Issuance of consideration shares upon acquisition of associates *(Note 10(a))*	153,000	306
At 30 September 2019 (Unaudited)	1,849,950	3,700

Notes:

(a) Pursuant to the ordinary resolution passed by the shareholders of the Company at the extraordinary general meeting of the Company held on 28 September 2018, a share subdivision was approved with effect from 2 October 2018 in which every one share issued and unissued ordinary share of HK$0.01 each in the share capital of the Company was subdivided into five subdivided shares having a par value of HK$0.002 per subdivided share ("Share Subdivision"). Immediately after the Share Subdivision, the authorised share capital of the Company of HK$10,000,000 was divided into 5,000,000,000 subdivided shares, of which 1,696,950,000 subdivided shares were issued and fully paid. Details of the Share Subdivision was disclosed in the circular of the Company dated 10 September 2018.

(b) On 25 June 2019, the Company issued an aggregate of 153,000,000 ordinary shares to vendors for acquisition of 30% shareholding in Guardian City Limited. Details of the transaction, which also constituted a discloseable transaction as defined under Chapter 14 of the Listing Rules, were disclosed in the announcements of the Company dated 28 May 2019, 10 June 2019 and 25 June 2019 (Note 10(a)).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Overview

The board of directors (the "Board") of Affluent Partners Holdings Limited (the "Company") hereby presents the results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2019 (the "Period" or "HY19"). During the Period, the loss attributable to equity holders of the Company was approximately HK$27.6 million (six months ended 30 September 2018 ("HY18"): HK$14.8 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 weak during the Period which had an adverse impact on demand of the Group's pearl and jewellery products. There was also a weakening consumption sentiment which reduced the total Group's sales contribution in pearl and jewellery products (HY19: HK$62.5 million; HY18: HK$87.9 million). For HY19, the return on capital of pearls and jewellery products was approximately (3.5)% (HY18: (0.6)%).

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 & gem fairs around the world in order to expand into a diversified customer base.

Business Review (Continued)

Strategic Investment and Financial Services Segment

In the wake of rapid transformation in previous years, 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 real estate investment funds as well as other potential investment opportunities.

On 10 November 2017, the Group entered into an investment agreement with Wonderland (UK) Holdings Limited ("Wonderland (UK)") to subscribe up to GBP3.5 million 6% convertible guaranteed redeemable loan notes (the "Loan Notes"). Wonderland (UK) is the exclusive licensee of the Sotheby's International Realty brand in England and holds the entire equity interest of Sotheby's International Realty Limited ("SIRL") which operates a real estate agency business under the Sotheby's International Realty brand in England. Pursuant to the deed of variation of the investment agreement entered into on 30 August 2018, the conversion rate of the Loan Notes was varied from 65% to 80%. Pursuant to another deed of variation of the investment agreement and various documents entered into on 26 February 2019, the conversion rate of the Loan Notes was varied from 80% to effectively 100%. As at 30 September 2019, the Group subscribed a total of GBP3.5 million Loan Notes. Please refer to the Company's announcements dated 1 September 2017, 3 October 2017, 20 October 2017 and 12 November 2017.

Business Review (Continued)

Strategic Investment and Financial Services Segment (Continued)

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$76,000,000 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. The Project comprises 49 apartment units and 31 car parking spaces which are located at 9 Lillie Square, Lillie Square London, SW6, United Kingdom. The Project is the fourth block within Phase 2 of a larger development known as Lillie Square. Lillie Square is owned and developed by a joint venture formed by Capital & Counties Properties PLC ("Capco"), one of the largest listed property investment and development companies that specialise in central London real estate, and interests of certain members of the Kwok family ("KFI"). KFI represents interests of certain members of the Kwok family, who are major shareholders of Sun Hung Kai Properties Limited, one of the largest real estate companies listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Project is expected to be completed in 2020. As at 30 September 2019, the Group contributed HK$41,800,000 to the Sub-Fund and the remaining portion of HK$34,200,000 is subject to be called from time to time. Please refer to the Company's announcements dated 22 February 2018 and 2 March 2018.

Business Review (Continued)

Strategic Investment and Financial Services Segment (Continued)

The Group currently holds 33% of the entire issued share capital of Dellos Group Limited, a company incorporated in the Cayman Islands with its main operating subsidiary in Korea, (collectively the "Dellos Group").

Beverage products under Dellos Group are sold in South Korea and across the world.

In early 2018, the then chief executive officer and a director of Dellos F&B Co., Ltd. ("Dellos F&B"), the operating subsidiary of Dellos Group in Korea, resigned. A new chief executive officer took over the role and the management of Dellos F&B discovered that the business of Dellos F&B was mismanaged under the former chief executive officer and some of the assets were inflated, and he misappropriated Dellos F&B's assets through current account with his connected entities. In March 2018, the Group's finance personnel visited Dellos F&B's factory and no signs of any irregularities were noted. However, 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 approved the commencement of the Rehabilitation Proceedings on 7 March 2018. The management of Dellos F&B explained to the Group that the deterioration of Dellos F&B's financial condition was brought by its former chief executive officer and Dellos F&B has already taken legal action against him for misappropriation of assets and for using the Dellos' trademark for selling to customers without permission.

Therefore, the Group immediately sought legal advice from its legal advisers in Korea to assess the implications of the Rehabilitation Proceedings on the Group's interests in the Dellos Group.

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. On 17 October 2018, the Court approved the Rehabilitation Plan and under the Rehabilitation Plan, there will be yearly cash payment instalments over a 10 year period (starting from end of 2019) in respect of the 30% of the outstanding debts and the remaining 70% of the outstanding debts will be converted into the equity of Dellos F&B.

Business Review (Continued)

Strategic Investment and Financial Services Segment (Continued)

The fair value of the equity interest of Dellos Group as at 31 March 2018 was close to zero which is determined based on the valuation provided by CHFT Advisory and Appraisal Limited ("CHFT"), independent professional qualified valuers not connected with the Group. The valuation was prepared using cost approach, where the nature of each account is reviewed and assessed individually. For the fixed assets valuation, another valuation report issued by a Korean valuation firm was adopted for further reference. Nevertheless, no cashflow projection, discount rate or growth rate was adopted in this valuation.

Based on the advice from the Group's legal advisers and CHFT, the Group considered it is probable that the shareholding of the Group in Dellos F&B will be diminished. Hence, the Directors 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 Court's approval; and (iv) there would be no dividend payout during the rehabilitation period. It is considered highly unlikely that Dellos Group would bring to the Group any future economic benefits. Therefore, the entire investment cost of the Group in Dellos Group of approximately HK$80,193,000 was fully written down as at 31 March 2018 as loss on investments in associates.

According to the Rehabilitation Plan, the loans made to Dellos F&B have been made part of the rehabilitation claims, with the Group having been regarded as a rehabilitation creditor subject to the Court's final approval.

Business Review (Continued)

Strategic Investment and Financial Services Segment (Continued)

Although the Group, as a potential rehabilitation creditor, may be able to obtain recovery of the loans in accordance with the terms of the Rehabilitation Plan, it is also subject to the economic conditions of Dellos F&B. In addition, based on the latest financial information provided by Dellos F&B, Dellos F&B is in a net current liabilities position. Furthermore, all the non-financial assets of Dellos F&B were pledged to certain banks in Korea by reference to the latest published audited financial statements. The Directors considered that the likelihood of recovery of the loans and interest receivables owed by Dellos Group to the Group, whose carrying amount as at 31 March 2018 amounting to approximately HK$13,871,000, is remote. Hence, except for the amount of interest of approximately HK$345,000 which was subsequently settled on 13 June 2018, the balances are considered irrecoverable and are fully impaired.

On 25 June 2019, the Group had completed the transaction in the acquisition representing 30% of the issued share capital of Guardian City Limited ("GCL"), at the total consideration of HK$176,005,000. The total consideration of HK$176,005,000 should be satisfied by the Group by (i) cash in the sum of HK$10,000,000 and (ii) procurement of 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. 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 GCL respectively. As such, GCL becomes an associate of the Company. GCL 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 are principally engaged in operation of co-working spaces and co-living spaces in Hong Kong with ongoing expansion plan in Asia Pacific region under the Campfire brand.

Business Review (Continued)

Strategic Investment and Financial Services Segment (Continued)

Looking forward, with the completion of the Loan Notes, its subsequent real estate agency business, the investment in the Sub-Fund 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 and the uncertainty in Brexit, we may consider to minimise 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.

Discloseable Transaction – Acquisition of Summit Pacific Group Limited

In March 2018, the Group entered into an acquisition agreement in relation to the acquisition (the "Summit Acquisition") of the sale shares and sale loan of Summit Pacific Group Limited ("Summit Pacific") at the consideration of HK$70,000,000 in cash. Summit Pacific is currently holding a property (the "Property") with a saleable area of approximately 2,567 sq. ft. located in Wanchai, Hong Kong. The Summit Acquisition, the terms of which were amended by a supplemental agreement entered into by the parties on 19 April 2018, was completed on 4 October 2018 and the Property has been occupied as the headquarters of the Group as from 4 April 2019. Please refer to the Company's announcements dated 23 March 2018, 19 April 2018, 28 September 2018 and 4 October 2018.

General Offer

On 27 April 2018, the Company was informed that Pacific Wish Limited ("Pacific Wish") (as purchaser) and Crown City Inc Limited (as vendor) entered into a sale and purchase agreement (the "Agreement") in relation to the sale and purchase of an aggregate of 168,177,382 Shares, representing approximately 49.55% of the issued share capital of the Company, for the total consideration of approximately HK$363 million (equivalent to HK$2.16 per Share). Completion took place on 9 May 2018. Pursuant to Rule 26.1 of the Hong Kong Codes on Takeovers and Mergers, Pacific Wish made a mandatory conditional general cash offer (the "General Offer") for all the issued shares (other than those already owned or agreed to be acquired by Pacific Wish and parties acting in concert with it). The General Offer lapsed on 30 August 2018 and Pacific Wish received acceptances in respect of a total of 14,102 Shares, representing approximately 0.004% of the issued share capital of the Company. As the conditions of the General Offer have not been satisfied, the General Offer has not become unconditional and lapsed on 30 August 2018. Please refer to the announcements of the Company dated 7 May 2018, 9 May 2018, 25 May 2018, 3 July 2018, 17 July 2018, 27 July 2018, 9 August 2018 and 30 August 2018 as well as the composite offer and response document dated 9 August 2018, jointly issued by Pacific Wish and the Company for further information relating to the Agreement and the General Offer.

Collaboration Agreement

On 26 October 2018, the Company entered into a collaboration agreement (the "Collaboration Agreement") with Equitativa Real Estate Limited ("Equitativa") in relation to setting up one or more REITs (the "REITs") along Eurasia to be managed by an entity or entities established and wholly owned by Equitativa or its affiliates. Under the Collaboration Agreement, the Group will facilitate the implementation of the REITs, identify assets to seed the REITs, refer clients for investment in the REITs and act as an advisor to and work closely with Equitativa in relation to the REITs. Equitativa or its affiliates will be responsible for the establishment and management of the REITs and will be appointed as the manager. The Group shall be entitled to a referral fee equivalent to certain percentage of the transaction value of any assets acquired by the REITs and for any investments in the REITs introduced by the Group. The Group will also be entitled to a one-off performance fee upon the successful listing of the REITs on a recognised stock exchange on a pro rata basis as relative to the assets identified and referred by the Group and acquired by the REITs. Details of the Collaboration Agreement were disclosed in the announcement made by the Company on 28 October 2018.

Grant of Share Options

On 29 October 2018, the Board granted and the grants were accepted by the eligible participants as defined in the share option scheme (the "Share Option Scheme") adopted by the Company on 17 October 2014 in respect of 64,796,000 share options at an exercise price of HK$1.34 per Share.

On 13 December 2018, the Board granted and the grants were accepted by the eligible participants as defined in the Share Option Scheme in respect of 1,000,000 share options at an exercise price of HK$1.2 per Share.

Details of the above grants of share options were disclosed in the announcements made by the Company on 29 October 2018 and 13 December 2018 respectively.

Acquisition of Sale Shares in Guardian City Limited

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 ("Guardian Acquisition"), representing 30% of the issued share capital of Guardian City Limited (the "Target Company"), at the total consideration of HK$176,005,000 (the "Total Consideration"). The Total Consideration of HK$176,005,000 shall be satisfied by the Group by (i) cash in the sum of HK$10,000,000 and (ii) procurement of 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 under the General Mandate to the vendors. 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 the Target Company respectively. As such, the Target Company becomes an associate of the Company. The Target Company 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 are principally engaged in operation of co-working spaces and co-living spaces in Hong Kong with ongoing expansion plan in Asia Pacific region 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.

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 decreased during the Period (HY19: HK$63.6 million; HY18: HK$88.8 million), comprised sales of pearl and jewellery of approximately HK$62.5 million (HY18: HK$87.9 million) and interest income on strategic investment and financial services of approximately HK$1.1 million (HY18: HK$0.9 million), mainly due to the decrease in the sales of pearl and jewellery.

Gross profit decreased by approximately HK$6.2 million or 26% to approximately HK$17.5 million (HY18: HK$23.7 million). The gross profit margin remained stable during HY19 (HY19: 27.5%; HY18: 26.7%).

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

S&A expenses mainly comprised selling expenses of approximately HK$3.1 million (HY18: HK$3.3 million) and administrative expenses of approximately HK$36.1 million (HY18: HK$30.8 million). S&A expenses increased by approximately HK$5.1 million or 15% to approximately HK$39.2 million (HY18: HK$34.1 million) in HY19, mainly due to an amount of HK$10.3 million (HY18: nil) share-based payment expenses included in the administrative expenses. Other than the share-based payment expenses, the S&A expenses were decreased 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 increased by approximately HK$12.8 million or 86% to approximately HK$27.6 million (HY18: HK$14.8 million) in HY19 mainly due to the decrease in revenue, the share-based payment expenses, the increase in finance costs and the loss in the share of results of associates.

Financial Review (Continued)

Liquidity and Capital Resources

During the Period, the Group funded its operations through a combination of cash generated from operations and equity attributable to equity holders of the Company. As at 30 September 2019, the Group's total equity was approximately HK$348.0 million (31 March 2019: HK$198.0 million), representing an increase of approximately 76% from last year.

As at 30 September 2019, the Group had cash and cash equivalents of approximately HK$40.2 million (31 March 2019: HK$28.4 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$19.4 million (31 March 2019: HK$53.3 million). The current ratio, represented by the current assets divided by the current liabilities, was 1.2 (31 March 2019: 1.7). As at 30 September 2019, the Group had outstanding borrowings and amount due to immediate holding company of approximately HK$76.8 million (31 March 2019: HK$58.2 million) in which the borrowings are secured by leasehold property of the Group with net carrying amount of approximately HK$68.8 million (31 March 2019: HK$69.3 million). With the available cash and cash equivalents and cash generated from operations, the Group has adequate financial resources to meet the anticipated future liquidity requirements and capital expenditure commitment.

Capital Structure

As at 30 September 2019, the total number of issued shares of the Company was 1,849,949,645 (31 March 2019: 1,696,949,645) of HK$0.002 each (the "Shares") and its issued share capital was HK$3,699,899 (31 March 2019: HK$3,393,899).

On 4 September 2018, the Company proposed that each of the then issued and unissued ordinary Shares be subdivided into five (5) subdivided Shares (the "Share Subdivision"). The Board considered that the Share Subdivision might facilitate trading and improve the liquidity of the subdivided Shares, thereby enabling the Company to attract more investors and broaden the Shareholders base. As such, the Directors (including independent non-executive Directors) were of the opinion that the Share Subdivision was in the interests of the Company and the Shareholders as a whole. The Share Subdivision was approved by the Shareholders at the extraordinary general meeting of the Company held on 28 September 2018 and has become effective from 2 October 2018. Please refer to the Company's announcement dated 4 September 2018 and the Company's circular dated 10 September 2018.

Financial Review (Continued)

Capital Structure (Continued)

On 25 June 2019, as part of the payment of the Total Consideration in the Guardian Acquisition, the Company allotted and issued 153,000,000 Consideration Shares at the issue price of HK$1.085 per Consideration Share to the Vendors.

Save as disclosed above, there was no movement 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 approximately HK$3 million (HY18: HK$1 million).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group principally operates its businesses in Hong Kong and Mainland China. The Group is exposed to foreign exchange fluctuations from various currencies, such as United States dollar, Great Britain Pound and Chinese 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 Mainland China, in which most of their transactions are denominated in Chinese Renminbi. The Group is not exposed to any significant foreign exchange transaction risk in relation to Chinese Renminbi and has not entered into any foreign exchange contract as hedging measures.

Notwithstanding the above, the Group is subject to foreign currency risk arising from certain transactions that are denominated in other currencies, such as Great Britain Pound. 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 2019, the Group had a total workforce of 243 (31 March 2019: 260), of which 36 (31 March 2019: 41) were based in Hong Kong. The total staff costs, including directors' emoluments, mandatory provident fund and share-based payment expenses, were approximately HK$29.9 million (HY18: HK$21.9 million) during the Period. Employees were remunerated on the basis of their performance and experience. Remuneration package, including salary, year-end discretionary bonus and the Share Option Scheme, was determined by reference to market conditions and individual performance.

FINANCIAL GUARANTEE

As at 30 September 2019, the Group had no financial guarantee.

PROSPECTS

Looking forward, with the completion of the Loan Notes, its subsequent real estate agency business, the investment in the Sub-Fund and the co-working space industry, we expect that our strategic investment and financial services segment will diversify the Group's income streams and generate more investment returns on the available funds of the Company from time to time. In view of the recent market downturns and the uncertainty in Brexit, we may consider to minimise our investments in the United Kingdom. In light of recent social incidents, the Group expects market sentiment may take some time to recover. We foresee that the co-working space industry and lettings in Hong Kong will become very tough in the near future. 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 in other areas.

Meanwhile, the Group will continue enhancing the development of the mature pearls and jewellery business, actively participating in various important jewellery & gem fairs around the world and optimising operation efficiency and productivity in a bid to stay competitive.

With the Collaboration Agreement entered into with Equitativa and the development of the existing Strategic Investment and Financial Services Segment, the Group will focus its investments and operations more in the real estate and investment and asset management sectors especially in Europe and Asia. 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.

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 Rules Governing the Listing of Securities on the Stock Exchange (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 six months ended 30 September 2019 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 Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct for securities transactions by the Directors. The Company confirms that, having made specific enquiry of all Directors, all of the Directors confirmed that they have complied with the required standard as set out in the Model Code throughout the six months ended 30 September 2019.

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 2019.

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. Lai Yat Yuen, Mr. Lee Kin Keung and Mr. Leung Ka Kui, Johnny, 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, 29 November 2019

As at the date of this announcement, the Board comprises Mr. Cheng Chi Kin (Chairman), Mr. Leung Alex and Mr. Cheung Sze Ming as executive Directors; and Mr. Lai Yat Yuen, Mr. Lee Kin Keung and Mr. Leung Ka Kui, Johnny as independent non-executive Directors.