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 2020

RESULTS

The board of directors (the "**Directors**" or the "**Board**") of Affluent Partners Holdings Limited (the "**Company**") hereby announces the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2020, together with the comparative figures for the previous year, as follows:

* *For identification purpose only*

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	4	**111,978**	171,266
Cost of sales		**(83,429)**	(122,745)
Gross profit		**28,549**	48,521
Other losses, net	6	**(19,508)**	(341)
Fair value loss on convertible loan notes	16	**(1,365)**	(2,910)
Fair value loss on unlisted property fund	15	**(33,590)**	(3,500)
Fair value loss on other receivables	12(b)(ii)	**–**	(4,053)
Share of loss on investments in associates	11	**(28,614)**	–
Impairment losses on investments in associates	11	**(147,391)**	–
Selling expenses		**(4,225)**	(6,343)
Administrative expenses		**(66,080)**	(72,248)
Operating loss		**(272,224)**	(40,874)
Finance income		**371**	263
Finance costs		**(8,549)**	(2,609)
Finance costs, net		**(8,178)**	(2,346)
Loss before income tax	7	**(280,402)**	(43,220)
Income tax (expense)/credit	8	**(1,420)**	404
Loss for the year attributable to equity holders of the Company		**(281,822)**	(42,816)
Loss per share	9		
Basic and diluted		**HK(15.53) cents**	HK(2.52) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

	2020	2019
	HK$'000	*HK$'000*
Loss for the year	**(281,822)**	(42,816)
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss		
– Exchange difference on translation of financial statements of foreign operations	**175**	(348)
Other comprehensive income/(loss) for the year, net of tax	**175**	(348)
Total comprehensive loss for the year attributable to equity holders of the Company	**(281,647)**	(43,164)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**1,874**	71,843
Right-of-use assets		**8,626**	–
Investments in associates	*11*	**–**	–
Convertible loan notes	*16*	**–**	32,546
Unlisted property fund	*15*	**4,710**	34,500
Other receivables, deposits and prepayments	*12*	**1,491**	4,676
Deferred tax assets		**–**	1,128
		16,701	144,693
Current assets			
Inventories		**34,102**	59,258
Trade and other receivables, and prepayments	*12*	**41,371**	45,466
Convertible loan notes	*16*	**31,992**	–
Cash and cash equivalents		**34,491**	28,443
		141,956	133,167
Current liabilities			
Trade and other payables, deposits received and accruals	*13*	**32,547**	21,682
Lease liabilities		**2,856**	–
Other borrowings	*14*	**30,734**	52,500
Amounts due to director/former director		**848**	–
Amount due to immediate holding company		**339**	5,700
		67,324	79,882
Net current assets		**74,632**	53,285

	Note	2020 HK$'000	2019 HK$'000
Total assets less current liabilities		**91,333**	197,978
Non-current liabilities			
Lease liabilities		**5,909**	–
Deferred tax liabilities		**292**	–
		6,201	–
Net assets		**85,132**	197,978
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	*17*	**3,700**	3,394
Reserves		**81,432**	194,584
Total equity		**85,132**	197,978

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Attributable to equity holders of the Company					
	Share capital *(Note 17)* *HK$'000*	**Share premium** *(Note a)* *HK$'000*	**Translation reserve** *(Note b)* *HK$'000*	**Share option reserve** *(Note c)* *HK$'000*	**Accumulated losses** *(Note d)* *HK$'000*	**Total** *HK$'000*
Balances at 1 April 2018	3,394	410,810	(1,391)	–	(176,305)	236,508
Initial adoption of HKFRS 9	–	–	–	–	(3,918)	(3,918)
Balances at 1 April 2018 (restated)	3,394	410,810	(1,391)	–	(180,223)	232,590
Loss for the year	–	–	–	–	(42,816)	(42,816)
Other comprehensive loss:						
Exchange difference on translation of financial statements of foreign operations	–	–	(348)	–	–	(348)
Total comprehensive loss for the year	–	–	(348)	–	(42,816)	(43,164)
Equity-settled share-based payments	–	–	–	8,552	–	8,552
Balances at 31 March 2019	3,394	410,810	(1,739)	8,552	(223,039)	197,978
Balances at 1 April 2019	**3,394**	**410,810**	**(1,739)**	**8,552**	**(223,039)**	**197,978**
Loss for the year	**–**	**–**	**–**	**–**	**(281,822)**	**(281,822)**
Other comprehensive income:						
Exchange difference on translation of financial statements of foreign operations	**–**	**–**	**175**	**–**	**–**	**175**
Total comprehensive loss for the year	**–**	**–**	**175**	**–**	**(281,822)**	**(281,647)**
Issue of consideration shares upon acquisition of associates *(Note 11)*	**306**	**165,699**	**–**	**–**	**–**	**166,005**
Equity-settled share-based payments	**–**	**–**	**–**	**2,796**	**–**	**2,796**
Balances at 31 March 2020	**3,700**	**576,509**	**(1,564)**	**11,348**	**(504,861)**	**85,132**

Note:

(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 discretional contribution to the surplus reserve using its post-tax profits in accordance with resolutions of the board of directors. As at 31 March 2020, the statutory surplus reserves is nil (2019: nil), as the PRC subsidiaries continued to make a loss in its 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 has been changed from 12/F, Henan Building, Nos.90 & 92 Jaffe Road and Nos.15-19 Luard Road, Hong Kong to Office A, 6/F, Valiant Commercial Building, 22-24 Prat Avenue, Tsim Sha Tsui, Kowloon, Hong Kong with effect from 19 December 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.

Upon the completion of acquisition of approximately 49.55% of the issued share capital of the Company on 9 May 2018, the immediate holding company of the Company was changed to Pacific Wish Limited, a company incorporated in Hong Kong with limited liability, and the ultimate controlling parties of the Company were changed to 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 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 REVISED HKFRSs

New and revised 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 revised 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 2019.

HKFRS 16	Leases
HK (IFRIC) – Interpretation 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 revised 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.

3.1 HKFRS 16 "Leases"

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases – Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and enquires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group has applied HKFRS 16 for the first time in the current year. The Group has adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application being 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for the year ended 31 March 2019 was not restated and continues to be reported under HKAS 17.

Definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed, i.e. 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 application and the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices. The Group has used a practical expedient that is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

The Group being a lessee regarding leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has entered into lease contracts for various office properties and warehouse. As a lessee, the Group previously classified leases as operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Based on the specific transitional provisions available under HKFRS 16, lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the applicable lessee's incremental borrowing rate at 1 April 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 April 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the consolidated statement of financial position.

The Group has elected to apply the following practical expedients when applying HKFRS 16 at 1 April 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application; and

- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

The impacts arising from the adoption of HKFRS 16 as at 1 April 2019 are as follows:

	Carrying amounts previously reported at 31 March 2019	**Adjustments**	**Carrying amounts under HKFRS 16 at 1 April 2019**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Right-of-use assets	–	1,252	1,252
Current liabilities			
Lease liabilities	–	(1,193)	(1,193)
Non-current liabilities			
Lease liabilities	–	(59)	(59)

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 is as follows:

	At 1 April 2019
	HK$'000
Operating lease commitments disclosed as at 31 March 2019	12,319
Less: Short-term lease	(11,015)
Future interest expenses	(52)
Lease liabilities discounted at relevant incremental borrowing rates	(11,067)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	1,252

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The incremental borrowing rates applied by the relevant group entities at 11.25%.

As a lessor

Lessor accounting under HKFRS 16 is substantially, unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 does not have an impact for leases where the Group is the lessor.

New and revised HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts [2]
Amendments to HKFRS 3	Definition of a Business [3]
Amendments to HKFRS 10 and HKAS 28 *	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [1]
Amendments to HKAS 1 and HKAS 8	Definition of Material [4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform [4]
Amendments to HKFRS 16	Covid-19 Related Rent Concession[5]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting [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 2021*

3 *Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020*

4 *Effective for annual periods beginning on or after 1 January 2020*

5 *Effective for annual periods beginning on or after 1 June 2020*

* *On 6 January 2016, the HKICPA issued Effective Date of Amendments to HKFRS 10 and HKAS 28, following the International Accounting Standards Boards equivalent amendments. This update defers/removes the effective date of the amendments in Sale or Contribution of Assets between an Investor or its Associate or Joint Venture that the HKICPA issued on 7 October 2014. Early adoption of these amendments continues to be permitted.*

The Group has already commenced an assessment of the related impact of adopting the above new and revised HKFRSs. So far, it has concluded that the above new and revised HKFRSs will be adopted at the respective effective dates and the adoption of them is unlikely to have a significant impact on these consolidated financial statements of the Group.

4. REVENUE

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

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

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

	2020	2019
	HK$'000	*HK$'000*
Sales of pearls and jewellery from contracts with customers within the scope of HKFRS 15 recognised at a point in time	**109,791**	169,350
– Sales of pearls	**26,092**	35,645
– Design and sales of jewellery products	**83,699**	133,705
Revenue from other sources outside the scope of HKFRS 15		
Interest income from strategic investment and financial services	**2,187**	1,916
	111,978	171,266

The Group has adopted the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for pearls and jewellery products such that information about revenue that the Group will be entitled to when it satisfies the remaining unsatisfied (or partially satisfied) performance obligations under the contracts for all contracts that had an original expected duration of one year or less is not disclosed.

5. SEGMENT INFORMATION

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

(a) Sales of pearls and jewellery products — Design and sales of jewellery products, and sales of pearls

(b) Strategic investment and financial services — Real estate financial assets investments and investments in associates

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

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

	Sales of pearls and jewellery products *HK$'000*	**Strategic investment and financial services** *HK$'000*	**Total** *HK$'000*
For the year ended 31 March 2020			
Segment revenue	**109,791**	**2,187**	**111,978**
Segment loss	**(25,240)**	**(211,855)**	**(237,095)**
Finance income			**371**
Finance costs			**(8,549)**
Equity-settled share-based payments			**(2,796)**
Unallocated corporate expenses			**(32,333)**
Loss before income tax			**(280,402)**
For the year ended 31 March 2019			
Segment revenue	169,350	1,916	171,266
Segment loss	(1,803)	(10,841)	(12,644)
Finance income			263
Finance costs			(2,609)
Equity-settled share-based payments			(8,552)
Unallocated corporate expenses			(19,678)
Loss before income tax			(43,220)

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

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)/gains and finance income and costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

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

At 31 March 2020

	Sales of pearls and jewellery products *HK$'000*	Strategic investment and financial services *HK$'000*	Total *HK$'000*
Segment assets			
– Hong Kong	**102,576**	**865**	**103,441**
– United Kingdom ("UK")	**–**	**41,329**	**41,329**
– The PRC	**13,871**	**–**	**13,871**
	116,447	**42,194**	**158,641**
Unallocated corporate assets			**16**
Total assets			**158,657**
Segment liabilities			
– Hong Kong	**(9,936)**	**(5,132)**	**(15,068)**
– The PRC	**(17,876)**	**–**	**(17,876)**
	(27,812)	**(5,132)**	**(32,944)**
Unallocated corporate liabilities			**(40,581)**
Total liabilities			**(73,525)**

At 31 March 2019

	Sales of pearls and jewellery products *HK$'000*	Strategic investment and financial services *HK$'000*	Total *HK$'000*
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)

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, amounts due to director/former director/immediate holding company and other borrowings that are not attributable to individual segments.

Other segment information

For the year ended 31 March 2020

	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 loss and segment assets			
Additions to property, plant and equipment	**928**	**100**	**1,028**
Depreciation of property, plant and equipment	**(1,048)**	**(64)**	**(1,112)**
Depreciation of right-of-use assets	**(427)**	**(934)**	**(1,361)**
Loss on disposals of property, plant and equipment	**(39)**	**(2)**	**(41)**
Fair value loss on convertible loan notes	**–**	**(1,365)**	**(1,365)**
Fair value loss on unlisted property fund	**–**	**(33,590)**	**(33,590)**
Share of loss on investment in associates	**–**	**(28,614)**	**(28,614)**
Impairment losses on investment in associates	**–**	**(147,391)**	**(147,391)**
Written off of prepayment	**–**	**(1,026)**	**(1,026)**
Provision for allowance for expected credit losses ("ECL") on trade receivables, net	**(309)**	**–**	**(309)**
Reversal of impairment losses on inventories, net	**33,363**	**–**	**33,363**
Written off of property, plant and equipment	**(161)**	**(253)**	**(414)**

For the year ended 31 March 2019

	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 loss and segment assets			
Additions to property, plant and equipment	944	90	1,034
Depreciation of property, plant and equipment	(1,419)	(152)	(1,571)
Loss on disposals of property, plant and equipment	–	(16)	(16)
Fair value loss on convertible loan notes	–	(2,910)	(2,910)
Fair value loss on unlisted property fund	–	(3,500)	(3,500)
Fair value loss on other receivable	–	(4,053)	(4,053)
Reversal of allowance for ECL on trade receivables, net	551	–	551
Reversal of impairment losses on inventories, net	3,218	–	3,218
Written off of property, plant and equipment	(1,047)	–	(1,047)

Geographical Information

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

	Revenue from external customers		Non-current assets*	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
North America#				
– USA	**62,281**	98,712	**–**	–
– Others	**327**	318	**–**	–
Europe				
– Germany	**8,705**	16,917	**–**	–
– Italy	**18**	271	**–**	–
– UK	**2,187**	2,159	**–**	–
– Others	**3,003**	4,306	**–**	–
Hong Kong	**20,355**	21,748	**3,073**	70,837
Asian countries (excluding Hong Kong)				
– PRC	**828**	10,898	**7,427**	1,006
– Japan	**10,167**	10,121	**–**	–
– Others	**841**	1,695	**–**	–
Others	**3,266**	4,121	**–**	–
	111,978	171,266	**10,500**	71,843

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

\# *Revenue from the transactions with one individual customer, which is located in the USA, amounted to approximately HK$39,312,000 (2019: HK$53,788,000) which represented approximately 35% (2019: 31%) of total revenue of the Group for the year ended 31 March 2020.*

6. OTHER LOSSES, NET

	2020 *HK$'000*	2019 *HK$'000*
Exchange (loss)/gain, net	**(1,526)**	522
Loss on disposals of property, plant and equipment	**(17,678)**	(16)
Written off of property, plant and equipment	**(477)**	(1,172)
Loss on termination of lease premises	**(233)**	–
Bad debt recovered	**–**	163
Others	**406**	162
	(19,508)	(341)

7. LOSS BEFORE INCOME TAX

	2020 *HK$'000*	2019 *HK$'000*
Costs of inventories sold, before reversal of impairment on inventories	**101,725**	105,051
Employee benefit expenses (including directors' emoluments)	**49,085**	53,218
Auditors remuneration		
– Audit services		
– current year	**700**	1,108
– overprovided in prior years	**(200)**	–
– Non-audit services	**238**	236
Acquisition-related cost	**–**	804
Depreciation of property, plant and equipment	**2,376**	2,105
Depreciation of right-of-use assets	**1,361**	–
Written off of prepayment *(Note 12(b)(ii))*	**1,026**	–
Provision for/(reversal of) allowance for ECL on trade receivables, net * *(Note 12(a))*	**309**	(551)
Reversal of impairment on inventories, net #	**(33,363)**	(3,218)
Operating lease payments, gross	**11,308**	14,744
Less: operating lease income on sub-premises	**(3,009)**	(3,283)
Operating lease payments, net	**8,299**	11,461
Exhibition expenses	**2,742**	4,602
Commission expenses	**185**	–

* *The amount was included in the administrative expenses in the consolidated profit or loss.*

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

8. INCOME TAX EXPENSE/(CREDIT)

	2020	2019
	HK$'000	*HK$'000*
Over-provision in prior years:		
Hong Kong profits tax	**–**	(364)
	–	(364)
Deferred tax:		
Net charge/(credit) for current year	**1,420**	(40)
Income tax expense/(credit)	**1,420**	(404)

Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits for the year ended 31 March 2020 (2019: Nil). On 21 March 2018, the Hong Kong Legislative Council passes The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of entity not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

PRC corporate income tax

In accordance with the relevant PRC corporate income tax laws, regulations and implementation guidance notes, subsidiaries in the PRC are subject to the PRC corporate income tax rate at 25% of the estimated assessable profits during the year (2019: 25%). No provision for PRC corporate income tax have been made as the Company's subsidiaries in the PRC have tax losses brought forward which are available for off-set against the estimated assessable profits for the year ended 31 March 2020 (2019: 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.

9. LOSS PER SHARE

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

	2020	2019
Loss attributable to equity holders of the Company *(HK$'000)*	**(281,822)**	(42,816)
Weighted average number of ordinary shares for the purpose of calculating basic loss per share *(thousands)*	**1,814,320**	1,696,950

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 year.

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 years ended 31 March 2020 and 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.

10. DIVIDEND

The Directors do not recommend any payment of dividend in respect of the year ended 31 March 2020 (2019: Nil).

11. INVESTMENTS IN ASSOCIATES

	2020	2019
	HK$'000	*HK$'000*
Share of fair value of net assets on acquisition	**4,865**	–
Goodwill	**171,140**	–
Share of post-acquisition profit or loss	**(28,614)**	–
	147,391	–
Less: Impairment loss	**(147,391)**	–
	–	–

Campfire Group (as defined below)

On 10 June 2019, the Group and the two independent third parties entered into the sale and purchase agreement, pursuant to which the vendors have agreed to sell and the Group has conditionally agreed to acquire the sale shares, representing 30% of the issued share capital of Guardian City Limited ("Guardian City") at a total consideration of approximately HK$176,005,000, of which is satisfied by cash as to HK$10,000,000 and 153,000,000 shares issued by the Company at HK$1.085 per share (equivalent to HK$166,005,000) (Note 17). On 25 June 2019, the acquisition was completed. Upon the completion of the transaction, Guardian City became an associate of the Company. Guardian City is principally engaged in investment holding which holds 62.55% equity interest in Campfire Holdings Company Limited (collectively as "Campfire Group"). Campfire Group is principally engaged in operation of co-working spaces and co-living spaces in Hong Kong and UK. At the date of acquisition, Campfire Group operates a total of 12 co-working/co-living spaces. Details of the transaction were disclosed in the announcements of the Company dated 28 May 2019, 10 June 2019 and 25 June 2019.

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

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

Particulars of investments of associates as at 31 March 2020 are set forth below:

Name of associates	Place of incorporation/ operation	Proportion of ownership interest and proportion of voting power held by the Group 2020	2019	Principal activities
Directly held				
Guardian City#	BVI	**30%**	N/A	Investment holding
Indirectly held				
Campfire Holding Company Limited#	Hong Kong	**18.77%**	N/A	Operation of co-working spaces and co-living spaces

\# *Not audited by Moore Stephens CPA Limited or another member firm of Moore global network*

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

The following table illustrates the summarised financial information in respect of Campfire Group adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	HK$'000
As at 31 March 2020	
Current assets	36,028
Current liabilities	(114,652)
Non-current liabilities	(45,712)
Net liabilities	(124,336)
For the period from 25 June 2019 to 31 March 2020	
Revenue	76,395
Loss for the period	(152,486)

Impairment assessment

Since June 2019, the social movement has been dampening the economic activities in Hong Kong. The business operating environment in Hong Kong became uncertain and challenging, as well as weaker consumer sentiment, decline of visitor arrivals from mainland China to Hong Kong. Business of the clients of Campfire Group has been affected significantly and it resulted in a decline in demand of co-working spaces of Campfire Group. In addition, since the outbreak of novel coronavirus (the "COVID-19") in January 2020, travel restrictions, public health measures and quarantine requirement of travelers imposed by The Government of the Hong Kong Special Administrative Region ("HKSAR") and other countries have adversely affected the operation of Campfire Group, which has further result in a drop in demand of co-working space, and the average rental income of co-working space. In order to reduce losses and maintain the business of Campfire Group, the management of the Campfire Group has downsized the co-working space network in Hong Kong by closing down 9 out of the 13 sites in Hong Kong.

At the reporting date, the management of the Group carried out impairment assessment on the carrying amount of its interest in Campfire Group. The management considered that it is not possible to measure fair value less costs of disposal under current market conditions. Therefore, the management of the Group used the interest in associates' value in use as its recoverable amount. In determining the value in use of the associates, the Directors estimated the present value of the estimated future cash flows expected to arise from its share of the present value of the estimated future cash flows expected to be generated by Campfire Group, including the cash flows from the operations of Campfire Group and the proceeds from the ultimate disposal of the investment in Campfire Group. Based on the assessment, the recoverable amount is equal to zero. Accordingly, the Group has recognised the impairment loss of investment in Campfire Group of approximately HK$147,391,000 for the year ended 31 March 2020 based on the above assessment.

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

Dellos Group (as defined as below)

At 31 March 2020, the Group had hold 33% equity interests of Dellos Group Limited and its subsidiaries (the "Dellos Group"), of which the particulars of investments in associates are set forth below:

Name of associates	Place of incorporation/ operation	Proportion of ownership interest and proportion of voting power held by the Group 2020	2019	Principal activities
Directly held				
Dellos Group Limited#	the Cayman Islands	**33%**	33%	Investment holding
Indirectly held				
Natural Spring Global Limited#	the British Virgin (the "BVI")	**33%**	33%	Investment holding
Dellos F&B Co., Ltd# ("Dellos F&B")	Korea	**33%**	33%	Manufacturing, sale and distribution of fruit juice and other beverage products
Dellos International Limited#	Hong Kong	**33%**	33%	Trading of beverage products

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

Investments in and loans to Dellos Group were fully written down during the year ended 31 March 2018. The Group was informed by the management of Dellos Group on 20 June 2018 that Dellos F&B had filed an application for commencing rehabilitation proceedings (the "Rehabilitation Proceedings") with Seoul Rehabilitation Court (the "Court") on 13 February 2018 and the Court had approved the commencement of the Rehabilitation Proceedings on 7 March 2018.

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

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

According to the Rehabilitation Plan, the loans made by the Group to Dellos F&B had 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 latest financial information provided by the management of Dellos F&B, the financial position of Dellos F&B is net current liabilities. Furthermore, by reference to the published audited financial statement for the year ended 31 March 2018 all the non-financial assets of Dellos F&B were pledged to certain banks in Korea. The directors of the Company considered that the likelihood of recovery of the loans and interest receivables owed by Dellos Group to the Group.

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 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 for the year ended 31 March 2019 provided by the management of 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 upon the conversion of debts to equity 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 were still unlikely to be recovered.

Based on the advices from the Group's legal advisers, the management of Dellos F&B is planning to make a bankruptcy filing to the Korean court in July 2020 for the formally bankruptcy proceedings. Once the bankruptcy proceedings confirmed, the Rehabilitation Plan would no longer exist. In view of this, the directors of the Company considered that the investment cost and loans and interest receivables are unlikely to be recovered.

12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020	2019
	HK$'000	*HK$'000*
Trade receivables *(Note (a))*	**26,496**	34,014
Other receivables, deposits and prepayments *(Note (b))*	**16,366**	16,128
	42,862	50,142
Less: Non-current portion		
Other receivables, deposits and prepayments *(Note (b))*	**(1,491)**	(4,676)
	41,371	45,466

Notes:

(a) Trade receivables

	2020	2019
	HK$'000	*HK$'000*
Trade receivables, gross	**43,594**	52,187
Less: allowance for ECL on trade receivables	**(17,098)**	(18,173)
Trade receivables, net	**26,496**	34,014

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:

	2020	2019
	HK$'000	*HK$'000*
0 to 30 days	**10,504**	16,378
31 to 90 days	**6,332**	6,551
91 to 180 days	**4,280**	5,290
181 to 365 days	**4,418**	4,834
Over 365 days	**962**	961
	26,496	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.

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

	2020	2019
	HK$'000	*HK$'000*
Not overdue	**13,293**	10,420
Overdue by:		
1 to 30 days	**2,825**	12,531
31 to 90 days	**5,683**	5,888
91 to 180 days	**1,576**	2,414
181 to 365 days	**3,119**	2,761
	26,496	34,014

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

The management of the Company makes reference to the historical repayment to assess the impairment for individual debtors with significant balances while the Group collectively assesses the impairment for its remaining customers using a provision matrix with appropriate groupings based on shared credit risk characteristics of customers by reference to geographical area, past default experience and current past due exposure and are adjusted for forward-looking information (for example, the current and forecasted economic growth rates, export data and default rate in respective regions, which reflect the general economic conditions of the regions in which the debtors operate) that is available without undue cost or effort.

The allowance for impairment are measured at lifetime ECL in accordance with simplified approach. Included in the overdue balances of approximately HK$4,695,000 (2019: HK$5,175,000) has been overdue 90 days or more and the directors of the Company consider these are not in default based on the expected subsequent and historical repayment from certain largest customers and continuous business with the Group.

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

	Lifetime ECL – not credit impaired *HK$'000*	**Lifetime ECL – credit impaired** *HK$'000*	**Total** *HK$'000*
As at 1 April 2018	1,069	18,784	19,853
Changes in the loss allowance:			
– Written off	–	(1,129)	(1,129)
– Transferred to Lifetime ECL– credit impaired	(608)	608	–
– Charged/(credited) to consolidated profit or loss *(Note b)*	97	(648)	(551)
As at 31 March 2019 and 1 April 2019	558	17,615	18,173
Changes in the loss allowance:			
– Written off	–	(1,384)	(1,384)
– Transferred to Lifetime ECL– credit impaired	(74)	74	–
– Charged/(credited) to consolidated profit or loss *(Note b)*	1,883	(1,574)	309
As at 31 March 2020	2,367	14,731	17,098

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 2020, trade receivables with gross carrying amount of approximately HK$14,731,000 (2019: HK$17,615,000) were fully impaired and provided for those credit-impaired customers which are in unexpectedly difficult economic situations.

(b) Other receivables, deposits and prepayments

	2020	2019
	HK$'000	*HK$'000*
Other receivables *(Note i)*	**7,846**	4,708
Deposits	**4,171**	4,571
Prepayments *(Note ii)*	**4,349**	6,849
	16,366	16,128

Notes:

(i) At 31 March 2020, other receivables included the amount of approximately HK$4,627,000 (2019: HK$2,440,000) interest receivables due from Wonderland (UK), as define in Note 16, the issuer of convertible loan notes which carry interest at 6% per annum and payable on the date on which the convertible loan notes become payable or are redeemed (i.e. 9 November 2020) (Note 16).

(ii) Balance included prepayments for the IT system maintenance, onsite technical support and IT advisory services of HK$1,491,000 (2019: HK$2,236,000) which would be amortised over five years from commencement in the year ended 31 March 2018.

Balance at 31 March 2019 also included prepayment of GBP100,000 (equivalent to approximately HK$1,026,000) made by the Group to an independent third party (the Proposed JV Partner") in relation to formation of a joint venture (the "Proposed JV"). The Proposed JV will be formed to acquire and develop properties across the UK especially in the student housing, serviced apartments and invest in other suitable real estate projects. The said Proposed JV will be owned as to 51% by the Group and 49% by the Proposed JV Partner respectively.

The Group had entered into an interest-free loan facility letter during the year ended 31 March 2019 of GBP500,000 (equivalent to approximately HK$5,130,000) with the Proposed JV Partner in relation to financing the overheads in management and fulfilling the business objectives of the Proposed JV at the pre-operation stage prior to the formation of Proposed JV. Pursuant to the loan agreement, both parties agreed that, upon the formation of the Proposed JV, the loan shall be treated as fully repaid by the Proposed JV Partner and be set off against the agreed capital payment obligation under the MOU. In the event that formation and operation of Proposed JV failed, the amount due shall be repayable (in whole or in part) within a period of 6 months from the date of drawdown with interest-free. As at 31 March 2019, the Proposed JV Partner has drew downed the loan of approximately GBP100,000 (equivalent to approximately HK$1,000,000), in view of no binding investment agreement signed, such balance is not capital in nature and regarded as the prepayment for the pre-operation costs of the Proposed JV. During the year ended 31 March 2020, in view of no settlement from the Proposed JV Partner after the decision of not proceeding the project as discussed below, the management of the Group considered the recoverability of this loan was remote and written off of drawdown loan amount of approximately GBP100,000 (equivalent to approximately HK$1,026,000 (Note 7)) in the consolidated profit or loss accordingly.

Prior to the formation of the Proposed JV, the Group had entered into two interest-free loan agreements during the year ended 31 March 2019 of aggregate amount of GBP395,000 (equivalent to approximately HK$4,053,000) with the Proposed JV Partner in relation to financing the deposit paid for acquisition of parcels of lands and the student housing projects (the "Underlying Transactions") to the vendors. In the event that the Underlying Transactions are terminated by the Proposed JV Partner or the vendors and the deposit paid is not repayable to the Proposed JV Partner, the Group shall immediately irrevocably release the Proposed JV Partner from all and any liability (i.e. outstanding loan balances) pursuant to the loan agreements. The terms of the loan agreements failed the SPPI criterion, so that the loans are recognised as financial assets at fair value through profit or loss ("FVPL").

As at 31 March 2019, in view of the increasing uncertainties on UK's economies resulting from ever-changing BREXIT scenario, the management of the Company and the Proposed JV Partner agreed not to further proceed the Underlying Transactions. A deposit of the Underlying Transactions of GBP195,000 (equivalent to approximately HK$2,000,000) was forfeited upon termination by the Proposed JV Partner. The management of the Company also considered that it is unlikely to recover the remaining deposit of GBP200,000 (equivalent to approximately HK$2,053,000) upon the expiry of the Underlying Transactions. In view of such, the fair value of the said loan as at 31 March 2019 was considered as minimal and the fair value loss of approximately HK$4,053,000 was recognised in the consolidated profit or loss for the year ended 31 March 2019 accordingly.

The carrying amounts of the trade and other receivables approximate their fair values as these financial assets, which are measured at amortised cost, are expected to be received within one year.

13. TRADE AND OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

	2020	2019
	HK$'000	*HK$'000*
Trade payables	**3,376**	8,434
Accrued payroll and employee benefits	**13,308**	6,658
Other payables and other accruals	**15,433**	6,167
Deposits received	**430**	423
	32,547	21,682

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

	2020	2019
	HK$'000	*HK$'000*
0 to 60 days	**1,065**	6,894
61 to 120 days	**464**	40
More than 120 days	**1,847**	1,500
	3,376	8,434

As at 31 March 2020, consideration payables for acquisition of associates of HK$4,000,000 (Note 11) was included in other payables.

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

14. OTHER BORROWINGS

	2020	2019
	HK$'000	*HK$'000*
Other borrowings – secured		
Within one year *(Note (i))*	**25,650**	52,500
Other borrowings – unsecured		
Within one year *(Note (ii))*	**5,084**	–
	30,734	52,500

Notes:

(i) As at 31 March 2020, the Group's secured other borrowing with carrying amount of HK$25,650,000 (2019: Nil) carried fixed interest rate at 15.0% per annum and repayable within 12 months from the date of draw down. The borrowing is provided by a company, which Mr. Leung Alex is a common director. During the year ended 31 March 2020, the interest expense of approximately HK$3,064,000 was recognised in the consolidated profit or loss. The other borrowing is secured by convertible loan notes (Note 16) with an aggregate borrowing amount of HK$25,650,000 and accrued interests, if any. Pursuant to the supplemental deed, the Group shall remain as the registered holder of the convertible loan notes and repay the outstanding amount when the convertible loan notes redeemed.

As at 31 March 2019, secured other borrowings with carrying amount of HK$52,500,000 carried fixed interest rates ranging from 11.3% to 18.0% per annum. The other borrowings are secured by leasehold property and jointly guaranteed by the Company and its subsidiary (with an aggregate amount up to HK$52,500,000).

(ii) As at 31 March 2020, unsecured other borrowing with a carrying amount of HK$2,000,000 (2019: Nil) carried fixed interest rate at 12% per annum and repayable within 12 months from the date of 8 November 2019. The borrowing is provided by the Company's beneficial owner, Mr. Chan Vincent Wing Sing.

As at 31 March 2020, unsecured other borrowings with carrying amount of HK$3,084,000 (2019: Nil) carried fixed interest rate at 18.0% per annum. The balance was overdue and under the litigation from the lender as at 31 March 2020. Subsequent to 31 March 2020 and up to the date of this result announcement, the overdue balance and corresponding interest were settled and the litigation was closed.

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

15. UNLISTED PROPERTY FUND

	HK$'000
As at 1 April 2018	38,000
Fair value loss recognised in consolidated profit or loss	(3,500)
As at 31 March 2019 and 1 April 2019	34,500
Subscription	**3,800**
Fair value loss recognised in consolidated profit or loss	**(33,590)**
As at 31 March 2020	**4,710**

On 23 February 2018, the Group acquired 3,800 non-redeemable, non-voting participating shares ("Fund Shares") which represents 50% of an unlisted property fund (the "Fund") incorporated in the Cayman Islands. During the year ended 31 March 2020, the Group further subscribed 380 Fund Shares at a consideration of HK$3,800,000 which represent 10% of the Fund.

The investment objective of the 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 Fund was mandatorily classified and measured as financial assets at FVPL.

During the year, the Fund paid the management fee of approximately HK$3,040,000 (2019: HK$3,040,000) to its fund manager, a company incorporated in Hong Kong with limited liability, in which a shareholder who has significant influence over the Group also is a shareholder with significant influence over the fund manager.

The fair value of the Fund at initial recognition and the end of the reporting period was determined based on the valuation provided by CHFT, independent professional qualified valuer not connected with the Group.

The fair value of the Fund is level 3 fair value measurement. There is no transfer under the fair value hierarchy classification for the years ended 31 March 2020 and 2019.

The Fund was measured at fair value using the binomial option pricing model, at initial recognition and at the end of the subsequent reporting period. Key inputs into the model were as follows:

	2020	2019
Market value of the project	**GBP**	GBP
	58,000,000	72,841,000
Expected volatility	**6.2%**	3.49%
Time to maturity	**0.75 years**	1.89 years
Risk-free rate		
– HK	**0.617%**	1.410%
– UK	**0.089%**	0.644%

As at 31 March 2020 and 2019, the unlisted property fund is denominated in Hong Kong dollar.

16. CONVERTIBLE LOAN NOTES

	HK$'000
At 1 April 2018	27,064
Subscriptions	8,392
Fair value loss recognised in consolidated profit or loss	(2,910)
At 31 March 2019 and 1 April 2019	32,546
Subscriptions	**811**
Fair value loss recognised in consolidated profit or loss	**(1,365)**
At 31 March 2020	**31,992**

On 10 November 2017, the Group entered into the investment agreement and subscribed for certain convertible loan notes issued by Wonderland (UK) Holdings Limited ("Wonderland (UK)"). The principal amount 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 on 9 November 2020 and will 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 to the maturity date. Upon the full conversion of the convertible loan notes, the converted shares will represent 65% of the enlarged share capital of Wonderland (UK) immediately after the completion of issuance of new shares. 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.

During the year ended 31 March 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 31 March 2020, the Group has subscribed for approximately GBP3,500,000 (equivalent to approximately HK$37,548,000) (2019: GBP3,419,000 (equivalent to approximately HK$35,666,000)) convertible loan notes, representing approximately 100% (2019: 97.7%) 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 and it currently has approximately 22,700 sales associates.

The unlisted property fund classified as financial assets at FVPL (Note 15) 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 projects fund shall pay the agency fee to SIRL and Wonderland (UK) in return.

As at 31 March 2020, the Group's convertible loan notes with carrying amount amounting to approximately HK$31,992,000 has been pledged to secure the other borrowings granted to the Group (Note 14).

The convertible loan notes were analysed for classification in its entirety as the financial assets at FVPL.

The fair value of the convertible loan notes was determined based on the valuation provided by CHFT, independent professional qualified valuer not connected with the Group.

The fair value of the convertible loan notes is level 3 fair value measurement. There is no transfer under the fair value hierarchy classification for the years ended 31 March 2020 and 2019.

As at 31 March 2020 and 2019, the convertible loan notes contained both receivable component and derivative component which are not separated out and are classified as financial asset at FVPL. The methods and assumptions adopted for the valuation of the convertible loan notes are as follows:

Valuation of convertible loan notes as a whole

The convertible loan notes was measured at fair value using the binomial option pricing model and the key inputs into the model were as follows:

	2020	2019
Enterprise value of Wonderland (UK)	**GBP 1,583,818**	GBP 1,557,405
Conversion ratio	**99.9%**	99.9%
Volatility	**69.8%**	33%
Time to maturity	**0.62 year**	1.62 years
Credit spread	**19.4%**	10.4%
Risk-free rate	**0.11%**	0.644%

Note: The enterprise value of Wonderland (UK) was determined by applying the price to sales revenue ratio analysis ("P/S ratio" of 1.09 (2019: 1.62)) based on a number of comparable companies in similar business nature of Wonderland (UK) which are engaged in the real estate agency business in UK and their shares are listed on London Stock Exchange and adjusted with the discount for lack of marketability of 20% (2019: 20%).

The key significant unobservable inputs to determine the fair value of the derivative component are the enterprise value and expected volatility. A higher enterprise value and expected volatility used in the valuation would result in an increase in the fair value of the derivative component, and vice versa.

The convertible loan notes are denominated in GBP at the end of reporting period.

17. SHARE CAPITAL

	Number of shares	Share capital
	'000	*HK$'000*
Authorised:		
At 1 April 2018, ordinary shares of HK$0.01 each	1,000,000	10,000
Effect of share subdivision *(Note (a))*	4,000,000	–
At 31 March 2019, 1 April 2019 and 31 March 2020, ordinary shares of HK$0.002 each	**5,000,000**	**10,000**
Issued and fully paid:		
At 1 April 2018	339,390	3,394
Effect of share subdivision *(Note (a))*	1,357,560	–
At 31 March 2019 and 1 April 2019	1,696,950	3,394
Issuance of consideration share upon acquisition of associates *(Note 11)*	**153,000**	**306**
At 31 March 2020	**1,849,950**	**3,700**

Notes:

(a) Pursuant to an 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$1,000,000,000 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 are disclosed in the circular of the Company dated 10 September 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

The Board hereby reports the results of the Company and the Group for the year ended 31 March 2020 ("**FY20**"). During FY20, the consolidated loss attributable to equity holders of the Company was HK$281.8 million (year ended 31 March 2019 ("**FY19**"): HK$42.8 million), representing a substantial increase of 558.4% as compared with that in FY19. Basic loss per share was 15.53 HK cents (FY19: 2.52 HK cents), representing a substantial increase of 516.3% as compared with that in FY19 mainly due to the impairment losses on investments in associates, fair value loss on unlisted property fund and the loss on disposals of property, plant and equipment.

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 year which had an adverse impact on demand of the Group's pearl and jewellery products. Since January 2020, many countries have imposed travel restrictions, public health measures and quarantine requirement of travellers in order to contain the outbreak of coronavirus disease (COVID-19) (the "**Outbreak**") which resulted in the weakened consumer sentiment in the world which reduced the total Group's sales contribution in pearl and jewellery products (FY20: HK$109.8 million; FY19: HK$169.4 million). For FY20, the return on capital of pearls and jewellery products was (24.7) % (FY19: (1.5)%).

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 in order to maintain its diversified customer base.

Strategic Investment and Financial Services Segment

In the wake of rapid transformation in previous years, during FY20, 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 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. The Project is expected to be completed in 2020. As at 31 March 2020, the Group has 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. During FY20, the Group recognised a fair value loss on the investment in Sub-Fund amounting to approximately HK$33.6 million mainly due to the recent market downturns and the uncertainty in Brexit. Please refer to the Company's announcements dated 22 February 2018 and 2 March 2018.

As at the balance sheet date, the Group 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**"). Products under Dellos Group are sold in South Korea and countries across the world. Dellos Group develops the nano water-soluble technology with an independent third party, which could be applied to the manufacturing process of beverage for easily digested and absorbed by human body.

Investments in and loans to Dellos Group were fully written down during the year ended 31 March 2018. The Group was informed by the management of Dellos Group on 20 June 2018 that Dellos F&B Co., Ltd. ("**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.

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

Based on the advices from the Group's legal advisers, the management of Dellos F&B is planning to make a bankruptcy filing to the Korean court in July 2020 for the formally bankruptcy proceedings. Once the bankruptcy proceedings confirmed, the Rehabilitation Plan would no longer exist. In view of this, the Directors considered that the investment cost and loans and interest receivables are unlikely to be recovered during the year ended 31 March 2020.

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.

On 10 June 2019, the Group and the vendors entered into the sale and purchase agreement, pursuant to which the vendors have agreed to sell and the Group had conditionally agreed to acquire the sale shares ("**Acquisition**"), representing 30% of the issued share capital of Guardian City Limited (the "**Guardian City**"), at the total consideration of HK$176,005,000 (the "**Total Consideration**"). The Total Consideration shall be HK$176,005,000 which shall be satisfied by the Group by (i) cash in the sum of HK$10,000,000 and (ii) procure the allotment and issuance of 153,000,000 consideration Shares at the issue price of HK$1.085 per consideration Share by the Company to the vendors upon the completion. On 25 June 2019, the consideration Shares were allotted and issued 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 Guardian City respectively. As such, Guardian City becomes an associate of the Company. Guardian City is principally engaged in investment holding which holds 62.55% equity interest in Campfire Holdings Company Limited ("**Campfire Holdings**"). Campfire Holdings is principally engaged in investment holding and Campfire Holdings and its subsidiaries ("**Campfire Group**") are principally engaged in the operation of co-working spaces in Hong Kong with 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.

Since June 2019, the social movement has been dampening the economic activities in Hong Kong. The business operating environment in Hong Kong became uncertain and challenging, as well as weaker consumer sentiment, decline of visitor arrivals from mainland China to Hong Kong. As a result, the clients of Campfire Group have been affected significantly and it attributed to the decline of the demand of co-working spaces of Campfire Group. In addition, since the Outbreak in January 2020, the travel restrictions, public health measures and quarantine requirement of travellers which were imposed by Hong Kong government and other countries have adversely affected the operation of Campfire Group, which has in turn affected the demand of co-working space, as well as the average rental income of co-working space. In order to reduce losses and maintain the business of Campfire Group, the management of the Campfire Group has downsized the co-working space network in Hong Kong. As a result, Campfire Group has closed down 9 out of the 13 sites in Hong Kong and the Group has recognised the impairment loss of investment in Guardian City of approximately HK$147,391,000 for the year ended 31 March 2020 based on the above assessment.

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 considered 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.

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 had not been satisfied, the General Offer had not become unconditional and was 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.

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 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.

PROVISION OF FINANCIAL ASSISTANCE TO AN AFFILIATED COMPANY

On 1 August 2019, Thriving Oasis Limited (the "**Lender**"), a wholly-owned subsidiary of the Company, and Campfire Holdings Company Limited (the "**Borrower**"), an associated company of the Company, entered into the loan agreement (the "**Loan Agreement**"). Pursuant to the Loan Agreement, the Lender agreed to grant the loan (the "**Loan**") in the principal amount of up to HK$25,000,000 at the interest rate of 15% per annum to the Borrower for the period of 12 months from the drawdown date to the final repayment date subject to the terms and conditions of the Loan Agreement. From 1 August 2019 up to the balance sheet date, no amount of the Loan was utilised. For more details of the Loan Agreement, please refer to the Company's announcement dated 1 August 2019.

MAJOR TRANSACTION – DISPOSAL OF PROPERTY

In March 2018, the Group entered into an acquisition agreement in relation to the acquisition of the sale shares and sale loan of Summit Pacific Group Limited ("**Summit Pacific**") at the consideration of HK$70 million in cash. Summit Pacific held a property (the "**Property**") with a saleable area of approximately 2,567 sq. ft. located in Wanchai, Hong Kong. The 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 had been occupied as the headquarters of the Group as from 4 April 2019.

On 5 December 2019, Summit Pacific, the purchaser and the agent entered into the provisional agreement, pursuant to which Summit Pacific would sell and the purchaser would acquire the Property at the consideration of HK$53 million in cash (the "**Disposal**"). The Disposal constituted a major transaction for the Company and was therefore subject to the Shareholders' approval in the EGM. At the EGM held on 16 January 2020, the proposed Disposal was duly passed by the Shareholders by way of poll.

The completion of the Disposal of the Property took place on 16 January 2020. Upon the completion, the Property was no longer be the asset of the Group and the Group recorded a loss on disposals of property, plant and equipment amounted to approximately HK$17.7 million during FY20.

Please refer to the Company's announcements dated 23 March 2018, 19 April 2018, 28 September 2018, 4 October 2018, 4 April 2019, 5 December 2019, 7 January 2020 and 16 January 2020 and the Company's circular dated 31 December 2019.

FINANCIAL GUARANTEE

As at 31 March 2020, the Group had no financial guarantee.

LITIGATION

On 16 March 2020, the Company and its subsidiary have received a writ of summons endorsed with a statement of claim under action number HCA 248 of 2020 issued in the Court of First Instance of the High Court of the Hong Kong Special Administrative Region (the "**High Court**") by the solicitors acting for Great View Finance Limited (the "**Plaintiff**") against the Company and its subsidiary for demand immediate repayment of overdue borrowing of approximately HK$3,084,000 (the "**Claims**") and the interest on the Claims at the rate of 18% per annum from 17 January 2020 to the date of settlement.

Upon the settlement of Claims by the Group, on 8 June 2020, the Group has received a notice of discontinuance filed in the High Court by the Plaintiff, confirming the legal proceedings closed.

Other than the disclosure of above, as at the balance sheet date, the Group was not involved in any other material litigation or arbitration.

Please refer to the Company's announcements dated 17 March 2020 and 8 June 2020.

EVENTS AFTER THE BALANCE SHEET DATE

Placing of New Shares Under General Mandate

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

The net proceeds from the placing, after deduction of the placing commission and other related expenses, amounted to approximately HK$8.72 million will be used for general working capital for the Group including the settlement of the writ of summons as detailed in the Company's announcement dated 17 March 2020. Details of the transaction were disclosed in the Company's announcements dated 14 May 2020, 15 May 2020 and 1 June 2020.

PROSPECTS

Looking forward, with the real estate investment business, the investments in the Sub-Fund and the co-working space industry, our targets are the countries along "**Eurasia**". We anticipate that the Strategic Investment and Financial Services Segment will diversify the income streams of the Group, and generate additional investment returns on the available funds of the Company from time to time. We expect that the segment will be the growth driver of the Company and will actively make continuous efforts to find appropriate investment projects in the future.

Overall speaking, the social movement in Hong Kong and the Outbreak is expected to adversely impact on the business performance of the Group but the actual impact has yet to be quantified. Based on the Company's current observation and estimation, the downtrend on the Group's revenue is expected to be carried forward to certain extent for the second half of 2020 due to the slow down of economic activities and the change of consumption pattern caused by the Outbreak. The Group is taking all practicable measures to cope with the challenges ahead, while striving for the highest caution standard to protect the health and safety of our staff and our customers. The Company will continue to monitor the development of the Outbreak and its impact on the Company's operations and the impairment of the investment in Guardian City and react actively to its impacts on the financial position and operating results of the Group.

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

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

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 to HK$112.0 million for FY20 (FY19: HK$171.3 million), comprised sales of pearl and jewellery of HK$109.8 million (FY19: HK$169.4 million) and interest income on strategic investment and financial services of HK$2.2 million (FY19: HK$1.9 million), mainly as a result of the decrease in sales pf pearl and jewellery.

Gross profit decreased by HK$20.0 million or 41.2% to HK$28.5 million (FY19: HK$48.5 million). The decrease in gross profit was mainly due to the decrease in revenue from sales of pearl and jewellery during FY20 (FY20: 25.5%; FY19: 28.3%). The decrease in gross profit margin was also mainly attributable to the decrease in revenue from sales of pearl and jewellery during the year.

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

S&A expenses mainly comprised selling expenses of HK$4.2 million (FY19: HK$6.3 million) and administrative expenses of HK$66.1 million (FY19: HK$72.2 million). S&A expenses decreased by HK$8.2 million or 10.5% to HK$70.3 million (FY19: HK$78.5 million) in FY20, The decrease in S&A expenses was mainly due to the decrease in share-based payments expenses in administrative expenses and as a result of cost control measures deployed by the Group during FY20.

Loss Attributable to Equity Holders of the Company

The loss attributable to equity holders of the Company substantially increased by HK$239.0 million or 558.4% to HK$281.8 million in FY20 (FY19: HK$42.8 million) mainly due to the impairment losses on investments in associates, fair value loss on unlisted property fund and the loss on disposals of property, plant and equipment during the year as compared to FY19.

Liquidity and Capital Resources

During the year, the Group funded its operations through a combination of cash generated from operations and equity attributable to owners of the Company. As at 31 March 2020, the Group's total equity was HK$85.1 million (31 March 2019: HK$198.0 million), representing a decrease of 57.0% from last year.

As at 31 March 2020, the Group had cash and cash equivalents of HK$34.5 million (31 March 2019: HK$28.4 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$74.6 million (31 March 2019: HK$53.3 million). The current ratio, represented by the current assets divided by the current liabilities, was 2.1 (31 March 2019: 1.7).

As at 31 March 2020, the Group had outstanding borrowings and amount due to immediate holding company of HK$31.1 million (31 March 2019: HK$58.2 million) of which a borrowing amount of HK$25.7 million is secured by convertible loan notes with carrying value of HK$32.0 million and such borrowing is provided by a company of which Mr. Leung Alex is a common director and is at interest rate of 15% per annum and the tenor of which is 12 months (31 March 2019: the borrowings were secured by leasehold property of the Group with net carrying amount of 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 and Share Subdivision

As at 31 March 2020, 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 (31 March 2019: HK$0.002 each) (the "**Shares**") and its issued share capital was HK$3,699,899 (31 March 2019: HK$3,393,899).

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

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 31 March 2020, the Group had commitment, which was contracted but not provided and subject to fulfilment of conditions precedent, to make the remaining capital commitment to the unlisted property fund of HK$34.2 million (31 March 2019: HK$38.0 million).

Save for the above, the Group had no other significant commitments outstanding as at 31 March 2020.

Material Acquisitions and Disposals of Subsidiaries

The Group did not have any material acquisition or disposal of subsidiaries during FY19 and FY20.

Exposure to Fluctuations in Exchange Rates

The Group principally operates its businesses in Hong Kong and the PRC. The Group is exposed to foreign exchange fluctuations from various currencies, such as United States dollars, Great Britain Pounds, Renminbi and South Korean Won, which were the major foreign currencies transacted by the Group during FY19 and FY20.

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

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 2020, the Group had a total workforce of 201 (31 March 2019: 260), of whom 22 (31 March 2019: 41) were based in Hong Kong. The total staff costs, including Directors' emoluments and mandatory provident fund, was approximately HK$49.1 million in 2020 (31 March 2019: HK$53.2 million). Employees were remunerated on the basis of their performance and experience. Remuneration packages, including salary and year-end discretionary bonus, were determined by reference to market conditions and individual performance.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as the code of conduct for dealing in securities of the Company by the Directors. All Directors have confirmed, upon specific enquiries made by the Company, that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2020.

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. Lai Yat Yuen, Mr. Lee Kin Keung and Mr. Leung Ka Kui, Johnny 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 in conjunction with the auditor, 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 draft consolidated financial statements of the Group for the year ended 31 March 2020.

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 2020.

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 interest 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 2020 and, where appropriate, the applicable recommended best practices of the CG Code, except for the deviations disclosed below:

1. There is currently no officer carrying the title of Chief Executive Officer ("**CEO**") up to the date of this announcement. In the absence of a CEO, the duties of the CEO have been/will continue to be collectively undertaken by all executive Directors, namely Mr. Cheng Chi Kin, Mr. Leung Alex and Mr. Cheung Sze Ming. In the opinion of the Directors, the present arrangement is effective and efficient.

2. Under code provision A.1.3 of the CG Code, notice of at least 14 days should be given of a regular board meeting to all Directors an opportunity to attend. During the year ended 31 March 2020, certain regular Board meetings were convened with less than 14 days' notice to enable the Directors' to react timely and make expeditious decisions in respect of transactions which were of significance to the Group's business. As a result, the aforesaid regular Board meetings were held with a shorter notice period than required with no objection by all the Directors. The Board will do its best endeavours to meet the requirement of code provision A.1.3 of the CG Code in future.

SCOPE OF WORK OF MOORE STEPHENS CPA LIMITED

The figures in respect of the Group's consolidated income statement, consolidated statement of comprehensive income and consolidated statement of financial position, and the related notes thereto for the year ended 31 March 2020 as set out in the preliminary announcement of the Group have been agreed by the Group's auditor, Moore Stephens CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year.

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

By Order of the Board
AFFLUENT PARTNERS HOLDINGS LIMITED
Mr. Cheng Chi Kin
Chairman

Hong Kong, 30 June 2020

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