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AFFLUENT PARTNERS HOLDINGS LIMITED
錢唐控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1466)

Website: http://www.affluent-partners.com

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

The board of directors (the "Board") of Affluent Partners Holdings Limited (the "Company") hereby announces the condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2020, together with the comparative figures for the corresponding period in 2019.

* *For identification purposes only*

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 September 2020

	Notes	**Six months ended 30 September 2020** *HK$'000* **(Unaudited)**	2019 *HK$'000* (Unaudited)
Revenue	*4*	**16,589**	63,608
Cost of sales		**(29,904)**	(46,091)
Gross (loss)/profit		**(13,315)**	17,517
Other losses, net		**(620)**	(183)
Fair value gain/(loss) on convertible loan notes		**1,215**	(598)
Fair value gain on unlisted property fund		**–**	4,700
Selling expenses		**(247)**	(3,111)
Administrative expenses		**(28,333)**	(36,074)
Operating loss		**(41,300)**	(17,749)
Finance income		**5**	226
Finance costs		**(2,278)**	(4,325)
Finance costs, net		**(2,273)**	(4,099)
Share of results of associates	*9*	**–**	(5,862)
Loss before income tax	*5*	**(43,573)**	(27,710)
Income tax credit	*6*	**–**	119
Loss for the period attributable to equity holders of the Company		**(43,573)**	(27,591)
Loss per share attributable to equity holders of the Company	*8*		
— Basic and diluted		**(20.78) HK cents**	(15.51) HK cents

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2020

	Six months ended 30 September	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the period	**(43,573)**	(27,591)
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss		
— Exchange difference on translation of financial statements of foreign operations	**20**	(1,004)
Other comprehensive income/(loss) for the period, net of tax	**20**	(1,004)
Total comprehensive loss for the period attributable to equity holders of the Company	**(43,553)**	(28,595)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 September 2020

	Notes	30 September 2020 HK$'000 (Unaudited)	31 March 2020 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**1,566**	1,874
Right-of-use assets		**2,261**	8,626
Investments in associates	*9*	**–**	–
Unlisted property fund	*12*	**4,710**	4,710
Other receivables, deposits and prepayments	*11*	**–**	1,491
		8,537	16,701
Current assets			
Inventories		**28,622**	34,102
Trade and other receivables, deposits and prepayments	*11*	**14,553**	41,371
Convertible loan notes	*10*	**33,207**	31,992
Cash and cash equivalents		**13,993**	34,491
		90,375	141,956
Current liabilities			
Trade and other payables, deposits received and accruals	*13*	**17,310**	32,547
Other borrowings	*14*	**27,650**	30,734
Lease liabilities		**1,629**	2,856
Amounts due to director/former director		**773**	848
Amount due to immediate holding company		**339**	339
		47,701	67,324
Net current assets		**42,674**	74,632
Total assets less current liabilities		**51,211**	91,333
Non-current liabilities			
Lease liabilities		**729**	5,909
Deferred tax liabilities		**292**	292
		1,021	6,201
Net assets		**50,190**	85,132

	Note	30 September 2020 HK$'000 (Unaudited)	31 March 2020 HK$'000 (Audited)
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	*15*	**4,440**	3,700
Reserves		**45,750**	81,432
Total equity		**50,190**	85,132

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Affluent Partners Holdings Limited was incorporated in the Cayman Islands on 13 May 2014 as an exempted company with limited liability under the Companies Law, Cap 22 (Laws 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's principal place of business has been changed from 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.

The immediate holding company of the Company is Pacific Wish Limited, a company incorporated in Hong Kong with limited liability, and the ultimate controlling parties of the Company are Mr. Chan Vincent Wing Sing and Ms. Hui Ka Man Emily.

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

2. BASIS OF PREPARATION AND PRESENTATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 13 of the Main Board Listing Rules and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated financial statements should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2020.

The condensed consolidated financial statements are presented in Hong Kong dollar ("HK$"), which is also the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise indicated.

The condensed consolidated financial statements have been prepared on historical cost basis except for certain financial instruments which were measured at fair values.

The condensed consolidated financial statements have not been audited by the Company's independent auditor, but have been reviewed by the Company's audit committee (the "Audit Committee").

3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted in preparing the condensed consolidated financial statements were consistent with those applied for the consolidated financial statements of the Group for the year ended 31 March 2020 other than changes in accounting policies resulting from adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective for the accounting periods beginning on or after 1 April 2020.

Adoption of new and revised HKFRSs

In the current interim period, the Group has adopted, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2020 for the preparation of the Group's condensed consolidated interim financial statements:

Amendments to HKAS 1 (Revised) and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKFRS 3 (Revised)	Definition of a Business

The adoption of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated interim financial statements.

4. SEGMENT INFORMATION

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

(a)	Sale of pearls and jewellery products	Design and sale of jewellery products, and sale of pearls
(b)	Strategic investment and financial services	Real estate financial assets investment and investments in associates

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

An analysis of the Group's reportable segment revenue, results, assets, liabilities and other selected financial information for the six months ended 30 September 2020 by operating segments are as follows:

Segment revenue and results

For the six months ended 30 September 2020

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

For the six months ended 30 September 2019

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

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

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

Segment assets and liabilities

At 30 September 2020

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

	Sale of pearls and jewellery products *HK$'000* (Unaudited)	Strategic investment and financial services *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Segment assets			
— Hong Kong	**47,220**	**675**	**47,895**
— United Kingdom ("UK")	**–**	**43,641**	**43,641**
— The People's Republic of China (the "PRC")	**7,266**	**–**	**7,266**
	54,486	**44,316**	**98,802**
Unallocated corporate assets			**110**
Total assets			**98,912**
Segment liabilities			
— Hong Kong	**(4,042)**	**(5,102)**	**(9,144)**
— The PRC	**(2,574)**	**–**	**(2,574)**
	(6,616)	**(5,102)**	**(11,718)**
Unallocated corporate liabilities			**(37,004)**
Total liabilities			**(48,722)**

At 31 March 2020

	Sale of pearls and jewellery products *HK$'000* (Audited)	Strategic investment and financial services *HK$'000* (Audited)	Total *HK$'000* (Audited)
Segment assets			
— Hong Kong	102,576	865	103,441
— The 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)

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 six months ended 30 September 2020

	Sale of pearls and jewellery products	**Strategic investment and financial services**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
Amounts included in the measure of segment loss and segment assets			
Additions to property, plant and equipment	**24**	**–**	**24**
Depreciation of property, plant and equipment	**(279)**	**(30)**	**(309)**
Depreciation of right-of-use assets	**(710)**	**(208)**	**(918)**
Gain on disposals of property, plant and equipment	**93**	**–**	**93**
Gain on early termination of lease	**33**	**–**	**33**
Fair value gain on convertible loan notes	**–**	**1,215**	**1,215**
Provision for allowance for expected credit losses ("ECLs") on trade receivables, net	**(15,610)**	**–**	**(15,610)**
Provision for impairment loss on inventories, net	**(15,532)**	**–**	**(15,532)**

For the six months ended 30 September 2019

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

Geographical Information

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

	Revenue from external customers		**Non-current assets***	
	Six months ended 30 September 2020	Six months ended 30 September 2019	**At 30 September 2020**	At 31 March 2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
North America[#]				
— USA	**10,123**	38,718	**–**	–
— Others	**–**	288	**–**	–
Europe				
— Germany	**–**	5,330	**–**	–
— Italy	**–**	12	**–**	–
— UK	**1,189**	1,359	**–**	–
— Others	**773**	1,934	**–**	–
Hong Kong	**3,908**	5,942	**2,232**	3,073
Asian countries (excluding Hong Kong and Korea)				
— PRC	**7**	1,906	**1,595**	7,427
— Japan	**84**	4,676	**–**	–
— Others	**–**	1,335	**–**	–
Others	**505**	2,108	**–**	–
	16,589	63,608	**3,827**	10,500

* *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$7,979,000 (2019: HK$25,588,000) which represented more than 48% (2019: 40%) of total revenue of the Group for the six months ended 30 September 2020.*

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

5. LOSS BEFORE INCOME TAX

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

	Six months ended 30 September	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories	**11,193**	31,823
Provision for impairment loss on inventories, net#	**15,532**	5,599
Employee benefit expenses (including directors' emoluments)		
— Salaries, wages, other benefits, pension costs and social security costs	**10,840**	19,654
— Equity settled share-based payments	**1,271**	10,294
Less: lapse of share options	**(1,447)**	–
Equity settled share-based payments, net	**(176)**	10,294
	10,664	29,948
Provision for/(reversal of) allowance for ECLs, net*	**15,610**	(499)
Depreciation of property, plant and equipment	**310**	1,365
Depreciation of right-of-use assets	**918**	597
Operating lease payment, gross	**82**	6,453
Less: operating lease income on sub-leased premises	**–**	(1,642)
Operating lease payment, net	**82**	4,811
Interest on lease liabilities	**134**	53
(Gain)/loss on disposals of property, plant and equipment	**(93)**	37
Written off of property, plant and equipment	**–**	253
Gain on early termination of lease	**(33)**	–

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

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

6. INCOME TAX CREDIT

	Six months ended 30 September	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current:		
Hong Kong profits tax	**–**	–
Deferred:		
Net credit for the period	**–**	(119)
Income tax credit	**–**	(119)

Hong Kong profits tax has been provided at a rate of 16.5% (2019: 16.5%) on the estimated assessable profits for the six months ended 30 September 2020.

In accordance with the relevant PRC corporate income tax laws, regulations and implementation guidance notes, subsidiaries in the PRC are subject to the PRC corporate income tax rate at 25% of the estimated assessable profits during the period (2019: 25%).

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

7. DIVIDEND

The directors do not recommend any payment of interim dividend for the six months ended 30 September 2020 (2019: nil).

8. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period attributable to equity holders of the Company of approximately HK$43,573,000 (2019: HK$27,591,000) and the weighted average number of ordinary shares of 209,655,000 (2019: 177,888,000) in issue during the period.

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period. For the six months ended 30 September 2020, the number of shares used for the purpose of calculating basic loss per share has been retrospectively adjusted for the issue of shares pursuant to the Share Consolidation (Note 15) as if the Share Consolidation had occurred on 1 April 2019.

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

For the six months ended 30 September 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.

9. INVESTMENTS IN ASSOCIATES

	At 30 September 2020 *HK$'000* (Unaudited)	At 31 March 2020 *HK$'000* (Audited)
Share of fair value of net assets on acquisition	**4,865**	4,865
Goodwill	**171,140**	171,140
Share of post-acquisition profit or loss	**(28,614)**	(28,614)
	147,391	147,391
Less: Impairment loss	**(147,391)**	(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 15). On 25 June 2019, the acquisition was completed. Upon the completion of the transaction, Guardian City became an associate of the Company. Guardian City is principally engaged in investment holding which holds 62.55% equity interest in Campfire Holdings Company Limited (collectively as "Campfire Group"). Campfire Group is principally engaged in operation of co-working spaces in Hong Kong. At the date of acquisition, Campfire Group operated a total of 13 co-working/co-living spaces. Details of the transaction were disclosed in the announcements of the Company dated 28 May 2019, 10 June 2019 and 25 June 2019.

As 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 condensed consolidated interim statement of financial position.

Particulars of investments of associates as at 30 September 2020 and 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 30 September 2020	31 March 2020	Principal activities
Directly held				
Guardian City	BVI	**30%**	30%	Investment holding
Indirectly held				
Campfire Holding Company Limited	Hong Kong	**18.77%**	18.77%	Operation of co-working space and co-living spaces

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:

	At 30 September 2020	At 31 March 2020
	HK$'000	*HK$'000*
Current assets	**19,575**	36,028
Current liabilities	**(132,788)**	(114,652)
Non-current liabilities	**(13,478)**	(45,712)
Net liabilities	**(126,691)**	(124,336)

	Six months ended 30 September 2020	For the period from 25 June 2019 to 31 March 2020
	HK$'000	*HK$'000*
Revenue	**4,562**	76,395
Loss for the period	**(2,355)**	(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 11 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 of the Company 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. The key assumptions included no growth rate and use of 15% to discount the cash flow projections to net present value. In view of the COVID-19 pandemic since early 2020 and ongoing travel restrictions which has caused adverse impact on co-working spaces industry, the management of the Group considered that no reversal of impairment loss of investment in Campfire Group should be made for the period ended 30 September 2020.

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 30 September 2020, no amount was utilised.

Dellos Group (as defined below)

At 30 September 2020 and 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 30 September 2020	31 March 2020	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

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. As at 30 September 2020, the bankruptcy proceedings are still proceeding.

10. CONVERTIBLE LOAN NOTES

	At 30 September 2020 *HK$'000* **(Unaudited)**	At 31 March 2020 *HK$'000* (Audited)
Convertible loan notes	**33,207**	31,992

On 10 November 2017, the Group subscribed for certain convertible loan notes issued by Wonderland (UK) Holdings Limited ("Wonderland (UK)"). The principal amount is GBP3,500,000 (equivalent to approximately HK$36,050,000) which carries interest at 6% per annum and payable on the date on which the convertible loan notes become payable or are redeemed. The maturity date of the convertible loan notes is 9 November 2020, which can be redeemed at 100% of the principal amount. The convertible loan notes can be converted at any time from the date the convertible loan notes are fully subscribed and paid up until the maturity date. Upon the full conversion of the convertible loan notes, the converted shares will represent 80% of the enlarged share capital of Wonderland (UK). At any time after the convertible loan notes are fully subscribed by the Group, full conversion would be made automatically when the pre-tax audited net profit of Wonderland (UK) exceeded GBP1,000,000 for the financial year immediately prior to the maturity date. The convertible loan notes would become immediately due and payable if Wonderland (UK) ceased to be the exclusive licensee of a global real estate brand in England.

On 26 February 2019, the Group entered into the deeds of variation to the investment agreement, pursuant to which (i) the conversion rate of the convertible loan notes was varied from 65% to 99.9%; and (ii) the Group and the existing legal and beneficial owner of Wonderland (UK) (the "Selling Shareholder") have the call option to acquire and put option to sell, respectively, the two fully paid ordinary shares (representing the sale shares held by the Selling Shareholder) at a consideration of GBP350 upon the fully subscription of convertible loan notes by the Group. Pursuant to the investment agreement, the Group has subscribed for the convertible loan notes upon the receipt of notice of drawdown issued by Wonderland (UK). As at 30 September 2020, the Group has subscribed for GBP3,500,000 (equivalent to approximately HK$37,548,000) (31 March 2020: GBP3,500,000 (equivalent to approximately 37,548,000)) convertible loan notes, representing 100% of the total subscription amount.

Wonderland (UK) is a company incorporated and registered in England and Wales with limited liability and it is the exclusive licensee of Sotheby's International Realty Limited ("SIRL") and is principally engaged in the operation of realty agency business in England. In addition, Wonderland (UK) holds the entire equity interest of SIRL which mainly deals in residential sales, letting, development sales, investment and international sales in England and Wales and it currently has approximately 22,000 sales associates. The unlisted property fund classified as financial assets at fair value through profit or loss (Note 12) has appointed SIRL and Wonderland (UK), acting as real estates agent to assist with the sub-selling of the apartments in the residential real estate project, and the unlisted property fund shall pay the agency fee to SIRL and Wonderland (UK) in return.

As at 30 September 2020, the Group's convertible loan notes with carrying amount amounting to approximately HK$33,207,000 (31 March 2020: HK$31,992,000) has been pledged to secure the other borrowings granted to the Group (Note 14(i)).

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

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 September 2020 *HK$'000* (Unaudited)	At 31 March 2020 *HK$'000* (Audited)
Trade receivables *(Note a)*	**7,013**	26,496
Other receivables, deposits and prepayments *(Note b)*	**7,540**	16,366
	14,553	42,862
Less: Non-current portion		
Other receivables, deposits and prepayments *(Note b)*	**–**	(1,491)
	14,553	41,371

Notes:

(a) Trade receivables

	At 30 September 2020 *HK$'000* (Unaudited)	At 31 March 2020 *HK$'000* (Audited)
Trade receivables — gross	**39,637**	43,594
Less: Allowance for ECLs on trade receivables	**(32,624)**	(17,098)
Trade receivables — net	**7,013**	26,496

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

	At 30 September 2020 *HK$'000* (Unaudited)	At 31 March 2020 *HK$'000* (Audited)
0 to 30 days	**4,463**	10,504
31 to 90 days	**2,384**	6,332
91 to 180 days	**82**	4,280
181 to 365 days	**84**	4,418
Over 365 days	**–**	962
	7,013	26,496

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 ECLs, as at the reporting date, based on due dates, is as follows:

	At 30 September 2020 *HK$'000* **(Unaudited)**	At 31 March 2020 *HK$'000* (Audited)
Not overdue	**1,101**	13,293
Overdue by:		
1 to 30 days	**3,497**	2,825
31 to 90 days	**2,415**	5,683
91 to 180 days	**–**	1,576
181 to 365 days	**–**	3,119
	7,013	26,496

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

(b) Other receivables, deposits and prepayments

	At 30 September 2020 *HK$'000* **(Unaudited)**	At 31 March 2020 *HK$'000* (Audited)
Other receivables	**5,788**	7,846
Deposits	**725**	4,171
Prepayments	**1,027**	4,349
	7,540	16,366
Less: Non-current portion		
Prepayments	**–**	(1,491)
Current portion	**7,540**	14,875

12. UNLISTED PROPERTY FUND

	At 30 September 2020 HK$'000 (Unaudited)	At 31 March 2020 HK$'000 (Audited)
Unlisted property fund	**4,710**	4,710

As at 30 September 2020, the Group acquired 4,180 non-redeemable, non-voting participating shares of the unlisted property fund which was incorporated in the Cayman Islands (31 March 2020: 4,180). At 30 September 2020, the Group has contributed HK$41,800,000 to the unlisted property fund (31 March 2020: HK$41,800,000).

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

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

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

13. TRADE AND OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

	At 30 September 2020 HK$'000 (Unaudited)	At 31 March 2020 HK$'000 (Audited)
Trade payables	**1,433**	3,376
Accrued payroll and employee benefit	**2,817**	13,308
Other payables and other accruals	**13,060**	15,433
Deposits received	**–**	430
	17,310	32,547

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

	At 30 September 2020 HK$'000 (Unaudited)	At 31 March 2020 HK$'000 (Audited)
0 to 60 days	**1,088**	1,065
61 to 120 days	**56**	464
Over 120 days	**289**	1,847
	1,433	3,376

As at 30 September 2020, consideration payables for acquisition of associates of HK$4,000,000 (31 March 2020: HK$4,000,000) (Note 9) was included in other payables.

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

14. OTHER BORROWINGS

	At 30 September 2020 *HK$'000* **(Unaudited)**	At 31 March 2020 *HK$'000* (Audited)
Other borrowings — secured:		
Within one year *(Note (i))*	**25,650**	25,650
Other borrowings — unsecured:		
Within one year *(Note (ii))*	**2,000**	5,084
	27,650	30,734

Notes:

(i) As at 30 September 2020, the Group's secured other borrowing with carrying amount of HK$25,650,000 (31 March 2020: HK$25,650,000) carried fixed interest rate at 15.0% per annum. The borrowing is provided by a company, which Mr. Leung Alex is a common director. During the period ended 30 September 2020, the interest expense of approximately HK$1,929,000 was recognised in the condensed consolidated interim income statement. The other borrowing is secured by convertible loan notes (Note 10) 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.

(ii) As at 30 September 2020, unsecured other borrowing with a carrying amount of HK$2,000,000 (31 March 2020: HK$2,000,000) carried fixed interest rate at 12% per annum and repayable within 12 months from the date of 8 November 2019. The borrowing 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 carried fixed interest rate at 18.0% per annum.

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

15. SHARE CAPITAL

	Number of shares *'000*	Share capital *HK$'000*
Authorised:		
At 1 April 2019, 30 September 2019 and 1 April 2020 (Unaudited), ordinary share of HK$0.002 each	5,000,000	10,000
Effect of Share Consolidation *(Note (c))*	(4,500,000)	–
At 30 September 2020, ordinary shares of HK$0.02 each	500,000	10,000
Issued and fully paid:		
At 1 April 2019	1,696,950	3,394
Issuance of consideration shares upon acquisition of associates *(Note 9)*	153,000	306
At 30 September 2019 and 1 April 2020 (Unaudited)	1,849,950	3,700
Placing of new shares *(Note (b))*	369,900	740
Effect of Share Consolidation *(Note (c))*	(1,997,860)	–
At 30 September 2020 (Unaudited)	221,990	4,440

Notes:

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

(b) On 14 May 2020, the Company entered into the placing agreement with the placing agent pursuant to which the Company has conditionally agreed to place, through the placing agent on a best efforts basis, up to 369,900,000 placing shares at the placing price of HK$0.025 per placing share to certain independent placees. The net proceeds (after deducting the placing commission and other related expenses and professional of approximately HK$461,000) from the placing has been used for general working capital for the Group including the settlement of the writ of summons as detailed in the Company's announcement dated 17 March 2020.

(c) Pursuant to the ordinary resolution passed by the shareholders of the Company at the extraordinary general meeting of the Company held on 3 September 2020, a share consolidation was approved with effect from 7 September 2020 in which every ten share issued and unissued ordinary share of HK$0.002 each in the share capital of the Company was consolidated into one consolidated shares having a par value of HK$0.02 per consolidated share ("Share Consolidation"). Immediately upon the Share Consolidation becoming effective, the authorised share capital of the Company of HK$10,000,000 was divided into 500,000,000 consolidated shares, of which 221,984,964 consolidated shares were issued and fully paid. Details of the Share Consolidation was disclosed in the circular of the Company dated 10 August 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

The board of directors (the "Board") of Affluent Partners Holdings Limited (the "Company") hereby presents the results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2020 (the "Period" or "HY20"). During the Period, the loss attributable to equity holders of the Company was approximately HK$43.6 million (six months ended 30 September 2019 ("HY19"): HK$27.6 million).

BUSINESS REVIEW

Pearls and Jewellery Business Segment

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

The global market sentiment for pearl and fine jewellery continued to be very weak during the Period which had an adverse impact on demand of the Group's pearl and jewellery products. Since early this year, many countries have imposed travel restrictions, public health measures and quarantine requirement of travellers in order to contain the outbreak of coronavirus disease (COVID-19) ("the Outbreak") and the Outbreak continued even after the Period which resulted in the weakened consumer sentiment in the world and reduced the total Group's sales contribution in pearl and jewellery products (HY20: HK$15.5 million; HY19: HK$62.5 million). For HY20, the return on capital of pearls and jewellery products was approximately (50.3)% (HY19: (3.5)%).

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 when the Outbreak is stable in order to expand into a diversified customer base.

Strategic Investment and Financial Services Segment

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

On 22 February 2018, the Group entered into a subscription agreement with Orient Capital Opportunity Fund SPC (the "Investment Fund") pursuant to which the Group has agreed to subscribe for participating shares of the value equivalent to HK$76 million in the Investment Fund in respect of the Orient Capital Real Estate Fund SP (the "Sub-Fund") in accordance with the terms and conditions of the subscription agreement and the private placing memorandum. The principal investment objective of the Sub-Fund is to achieve capital returns by investing solely in a residential estate project (the "Project") in West London. The Project is expected to be completed in 2020. During the year ended 31 March 2020, the Group recognised a fair value loss on the investment in the Sub-Fund amounting to approximately HK$33.6 million mainly due to the market downturns and the uncertainty in Brexit. As at 30 September 2020, the Group has contributed HK$41.8 million to the Sub-Fund and the remaining portion of HK$34.2 million is subject to be called from time to time. Please refer to the Company's announcements dated 22 February 2018 and 2 March 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 to the vendors under the general mandate approved by the shareholder of the Company (the "Shareholders") at the annual general meeting of the Company held on 28 September 2018. At the completion, the Group, the vendor 1 and the vendor 2 were interested in 30.0%, 20.4% and 14.4% equity interests in Guardian City respectively. As such, Guardian City becomes an associate of the Company. Guardian City is principally engaged in investment holding which holds 62.55% equity interest in Campfire Holdings Company Limited ("Campfire Holdings"). Campfire Holdings is principally engaged in investment holding and Campfire Holdings and its subsidiaries ("Campfire Group") are principally engaged in the operation of co-working spaces in Hong Kong with under the Campfire brand. Details of the Acquisition were disclosed in the announcements made by the Company on 28 May 2019, 10 June 2019 and 25 June 2019.

Since June 2019, the social movement has been dampening the economic activities in Hong Kong. The business operating environment in Hong Kong became uncertain and challenging, as well as weaker consumer sentiment, decline of visitor arrivals from mainland China to Hong Kong. As a result, the clients of Campfire Group have been affected significantly and it attributed to the decline of the demand of co-working spaces of Campfire Group. In addition, since the Outbreak in January 2020, the travel restrictions, public health measures and quarantine requirement of travellers which were imposed by Hong Kong government and other countries have adversely affected the operation of Campfire Group, which has in turn affected the demand of co-working space, as well as the average rental income of co-working space. In order to reduce losses and maintain the business of Campfire Group, the management of the Campfire Group has downsized the co-working space network in Hong Kong. As a result, Campfire Group has closed down 11 out of the 13 sites in Hong Kong and the Group had fully impaired the investment cost in Guardian City during the year ended 31 March 2020 based on the above assessment.

Looking forward, with the completion of the loan notes, its 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, the uncertainty in Brexit and the Outbreaks, we consider to minimise our investments in the United Kingdom. We expect that the segment will be one of the growth drivers of the Company in the future and we will make continuous efforts to find appropriate investment projects. The Group will further use its resources as a listed company to add value for the acquisition projects, so as to increase its profitability and return.

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, an associated company of the Company, entered into the loan agreement (the "Loan Agreement"). Pursuant to the Loan Agreement, the Lender has 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 Campfire Holdings 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. 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 under the Listing Rules and was therefore subject to the Shareholders' approval in the EGM. At the EGM held on 16 January 2020, the Disposal was duly passed by the Shareholders by way of poll.

The completion of the Disposal took place on 16 January 2020. Upon the completion, the Property was no longer 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 for the year ended 31 March 2020.

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.

LITIGATION

On 16 March 2020, the Company and Summit Pacific 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 Summit Pacific 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.

After the settlement of the Claims by the Group, on 8 June 2020, the Group had received a notice of discontinuance filed in the High Court by the Plaintiff, confirming that the legal proceedings closed. Please refer to the Company's announcements dated 17 March 2020 and 8 June 2020.

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

PLACING OF NEW SHARES UNDER GENERAL MANDATE

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

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

As at the date of this announcement, the Company received the net proceeds of approximately HK$8.82 million of which HK$3.29 million was used to settle the Claims and the remaining amount of around HK$5.53 million was utilized as working capital.

FINANCIAL REVIEW

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

Revenue and Gross Profit

Revenue decreased during the Period (HY20: HK$16.6 million; HY19: HK$63.6 million), comprised sales of pearl and jewellery of approximately HK$15.5 million (HY19: HK$62.5 million) and interest income on strategic investment and financial services of approximately HK$1.1 million (HY19: HK$1.1 million), mainly due to the substantial decrease in the sales of pearl and jewellery.

Gross profit decreased by approximately HK$30.8 million or 176% to gross loss amounted to approximately HK$13.3 million (HY19: gross profit of HK$17.5 million). The gross loss margin of 80.1% during HY20 was mainly due to the provision for impairment loss on inventories amounted to HK$15.5 million (HY19: gross profit margin of 27.5%).

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

S&A expenses mainly comprised selling expenses of approximately HK$0.2 million (HY19: HK$3.1 million) and administrative expenses of approximately HK$28.3 million (HY19: HK$36.1 million). S&A expenses decreased by approximately HK$10.7 million or 27.3% to approximately HK$28.5 million (HY19: HK$39.2 million) in HY20, mainly due to the substantial decrease in sales of pearls and jewellery which decreased the selling expenses. Other than the decrease in the selling expenses, the increase in provision for allowance for expected credit losses on trade receivables was setoff with as a result of cost control measures deployed by the Group.

Loss Attributable to Equity Holders of the Company

The loss attributable to equity holders of the Company increased by approximately HK$16 million or 58.0% to approximately HK$43.6 million (HY19: HK$27.6 million) in HY20 mainly due to the substantial decrease in revenue, the increase in provision for impairment loss on inventories and the increase in provision for allowance for expected credit losses on trade receivables.

Liquidity and Capital Resources

During the Period, the Group funded its operations through a combination of cash generated from operations and equity attributable to equity holders of the Company. As at 30 September 2020, the Group's total equity was approximately HK$50.2 million (31 March 2020: HK$85.1 million), representing a decrease of approximately 41.0% from 31 March 2020, mainly due to the loss for the period.

As at 30 September 2020, the Group had cash and cash equivalents of approximately HK$14.0 million (31 March 2020: HK$34.5 million). Cash and cash equivalents were mainly denominated in United States dollar, Hong Kong dollar and Chinese Renminbi. The Group's net current assets were approximately HK$42.7 million (31 March 2020: HK$74.6 million). The current ratio, represented by the current assets divided by the current liabilities, was 1.9 (31 March 2020: 2.1).

As at 30 September 2020, the Group had outstanding borrowings and amount due to immediate holding company of approximately HK$28.0 million (31 March 2020: HK$31.1 million) of which a borrowing amount of HK$25.7 million (31 March 2020: HK$25.7 million) is secured by convertible loan notes of the Group with carrying value of HK$33.2 million (31 March 2020: 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. 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 Consolidation

As at 30 September 2020, the total number of issued shares of the Company was 221,984,964 (31 March 2020: 1,849,949,645) of HK$0.02 each (31 March 2020: HK$0.002 each) (the "Shares") and its issued share capital was HK$4,439,699 (31 March 2020: HK$3,699,899).

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

On 7 August 2020, the Company proposed on the basis that every ten (10) issued and unissued ordinary Shares be consolidated into one (1) consolidated Share (the “Share Consolidation”). The Directors also proposed to change the board lot size for trading on the Stock Exchange from 2,000 existing Shares to 8,000 consolidated Shares (the “Change in Board Lot Size”) upon the Share Consolidation becoming effective. The Board considered that the Share Consolidation would bring about a corresponding upward adjustment in the trading price of the Shares. As such, the Directors (including independent non-executive Directors) were of the opinion that the Share Consolidation was in the interests of the Company and the Shareholders as a whole. The Share Consolidation was approved by the Shareholders at the extraordinary general meeting of the Company held on 3 September 2020 and the Share Consolidation and the Change in Board Lot Size have become effective on 7 September 2020.

Please refer to the Company’s announcements dated 7 August 2020, 12 August 2020, 13 August 2020, 20 August 2020 and 3 September 2020 and the Company’s circular dated 11 August 2020.

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

CAPITAL EXPENDITURE

The Group’s capital expenditure during the Period, which was primarily related to purchase of property, plant and equipment, amounted to approximately HK$0.02 million (HY19: HK$3 million).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

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

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

HUMAN RESOURCES

As at 30 September 2020, the Group had a total workforce of 49 (31 March 2020: 201), of which 17 (31 March 2020: 22) were based in Hong Kong. The total staff costs, including directors' emoluments, mandatory provident fund and share-based payment expenses, were approximately HK$10.7 million (HY19: HK$29.9 million) during the Period. Employees were remunerated on the basis of their performance and experience. Remuneration packages, including salary, year-end discretionary bonus and the Share Option Scheme, were determined by reference to market conditions and individual performance.

FINANCIAL GUARANTEE

As at 30 September 2020, the Group had no financial guarantee.

PROSPECTS

Looking forward, with the real estate agency 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 adversely impacted on the business performance of the Group. 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 next year due to the slowdown 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 react actively to its impacts on the financial position and operating results of the Group.

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

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

CORPORATE GOVERNANCE CODE

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

The Group has adopted a corporate governance statement of policy which provides guidance on the application of the corporate governance principles on the Group, with reference to the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules. In the opinion of the Directors, the Company had complied with all code provisions as set out in the CG Code throughout the six months ended 30 September 2020 and, where appropriate, the applicable recommended best practices of the CG Code, except for the following deviation:

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

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for securities transactions by the Directors. The Company confirmed that, having made specific enquiry of all Directors, all of the Directors confirmed that they had complied with the required standard as set out in the Model Code throughout the six months ended 30 September 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 September 2020.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The condensed consolidated financial statements for the Period have not been audited. The audit committee of the Company, which comprises three Independent Non-executive Directors, namely Mr. Chiu Sin Nang, Kenny, Mr. Lee Kin Keung and Mr. Dong Bo, Frederic, has reviewed the unaudited interim results of the Group for the Period and has recommended their adoption to the Board.

By order of the Board
AFFLUENT PARTNERS HOLDINGS LIMITED
Cheng Chi Kin
Chairman and Executive Director

Hong Kong, 27 November 2020

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