Affluent Foundation Holdings Limited
俊裕地基集團有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 1757)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019

The board ("**Board**") of directors (the "**Directors**") of Affluent Foundation Holdings Limited (the "**Company**") is pleased to announce the consolidated financial statements of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2019 as follows:

FINANCIAL HIGHLIGHTS

1. Revenue was approximately HK$400.0 million for the year ended 31 March 2019, representing an increase of approximately 8.9% as compared with the same for the year ended 31 March 2018.

2. Gross loss was approximately HK$42.4 million for the year ended 31 March 2019, whereas gross profit was approximately HK$40.7 million for the year ended 31 March 2018.

3. Loss attributable to equity holders of the Company was approximately HK$68.3 million for the year ended 31 March 2019. Profit attributable to equity holders of the Company was approximately HK$16.0 million for the year ended 31 March 2018.

4. Basic loss per share amounted to approximately HK5.97 cents for the year ended 31 March 2019 (2018: basic earnings per share HK1.78 cents).

5. The Board does not recommend the payment of final dividend for the year ended 31 March 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	**2019** **HK$'000**	2018 *HK$'000*
Revenue	3	**400,056**	367,220
Direct costs		**(442,444)**	(326,487)
Gross (loss)/profit		**(42,388)**	40,733
Other income	4	**6,174**	7,132
Administrative expenses		**(30,478)**	(25,496)
Finance costs	5	**(1,106)**	(746)
(Loss)/Profit before income tax	6	**(67,798)**	21,623
Income tax expense	7	**(485)**	(5,574)
(Loss)/Profit and total comprehensive (expenses)/income for the year attributable to equity holders of the Company		**(68,283)**	16,049
		HK cents	*HK cents*
(Loss)/Earnings per share attributable to equity holders of the Company			
Basic and diluted	9	**(5.97)**	1.78

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**23,332**	19,128
Current assets			
Trade and other receivables	10	**39,320**	77,688
Contract assets		**107,453**	–
Amounts due from customers for contract work		**–**	77,329
Tax recoverable		**1,544**	–
Cash and bank balances		**23,789**	10,995
		172,106	166,012
Current liabilities			
Trade and other payables	11	**52,497**	67,348
Bank borrowings		**26,483**	23,223
Obligations under finance leases		**3,668**	2,996
Contract liabilities		**3,865**	–
Amounts due to customers for contract work		**–**	2,362
Amount due to a director		**–**	1,687
Tax payable		**–**	2,401
		86,513	100,017
Net current assets		**85,593**	65,995
Total assets less current liabilities		**108,925**	85,123
Non-current liabilities			
Obligations under finance leases		**3,476**	817
Deferred tax liabilities		**2,523**	2,722
		5,999	3,539
Net assets		**102,926**	81,584
Equity			
Share capital		**12,000**	–
Reserves		**90,926**	81,584
Equity attributable to equity holders of the Company		**102,926**	81,584

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. GENERAL INFORMATION, BASIS OF PREPARATION AND PRESENTATION

1.1 General information

Affluent Foundation Holdings Limited (the "**Company**") was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands on 2 June 2017. The address of the Company's registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of the Company's principal place of business is Unit 903–905, 9/F, The Octagon, No. 6 Sha Tsui Road, Tsuen Wan, the New Territories, Hong Kong.

The Company is an investment holding company, and its subsidiaries (collectively referred to as the "**Group**") are principally engaged as subcontractor in the provision of services related to foundation works in Hong Kong.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 7 June 2018.

1.2 Reorganisation and basis of presentation

As at 31 March 2019, the Company's immediate and ultimate holding company is Oriental Castle Group Limited ("**Oriental Castle**"), a company incorporated in the British Virgin Islands (the "**BVI**") and owned by Mr. Chan Siu Cheong ("**Mr. Chan**") and Ms. Chu Wai Ling ("**Ms. Chu**"). Mr. Chan, Ms. Chu and Oriental Castle are collectively referred to as the controlling shareholders (the "**Controlling Shareholders**") of the Company.

Pursuant to a group reorganisation (the "**Reorganisation**") of the Company in connection with the listing of its shares on the Stock Exchange (the "**Listing**"), which was completed on 23 April 2018, the Company became the holding company of the companies now comprising the Group. Details of the Reorganisation are set out in the section headed "History, reorganisation and corporate structure – Reorganisation" in the Company's prospectus dated 23 May 2018 (the "**Prospectus**").

The consolidated financial statements have been prepared using the principles of merger accounting under Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout both years presented, or since their respective dates of incorporation where this is a shorter period. The consolidated statement of financial position as at 31 March 2018 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at that date.

1.3 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standard ("**HKFRSs**") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA and the accounting principles generally accepted in Hong Kong and 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 under the historical cost basis. The consolidated financial statements are presented in Hong Kong dollars ("**HK$**" or "**HKD**"), and all values are rounded to the nearest thousand (HK$'000), except where otherwise indicated.

2. ADOPTION OF NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

2.1 New and amended HKFRSs that are effective for annual periods beginning or after 1 April 2018

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 April 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKFRS 1	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

Other than as noted below, the adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

HKFRS 9 "Financial Instruments"

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "ECL model" for the impairment of financial assets.

When adopting HKFRS 9, the Group has applied the standard retrospectively to items that existed at 1 April 2018 in accordance with the transition requirement and also applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of HKFRS 9 in relation to classification, measurement, and impairment are recognised in retained earnings.

The adoption of HKFRS 9 has impacted the following areas:

– the classification and measurement of the Group's financial assets. Trade and other receivables, cash and bank balances which were previously classified as "loans and receivables" under HKAS 39, are now classified at "financial assets measured at amortised cost" under HKFRS 9. There have been no changes to the classification or measurement of financial liabilities as a result of the application of HKFRS 9.

– HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECL earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including cash and bank balances and trade and other receivables);

– contract assets as defined in HKFRS 15.

For trade receivables and contract assets arising from HKFRS 15, the Group applies a simplified approach of recognising lifetime ECL as these items do not have a significant financing component. For other financial assets measured at amortised cost, the Group applies a general approach of recognising ECL.

As at 1 April 2018, no credit loss allowance has been recognised against retained earnings.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 "Revenue from Contracts with Customers" and the related "Clarifications to HKFRS 15 Revenue from Contracts with Customers" (hereinafter referred to as "HKFRS 15") replace HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue-related Interpretations.

The Group has elected to use the cumulative effect transition method, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at 1 April 2018. Therefore, comparative information has not been restated and continues to be reported under HKASs 11 and 18.

In accordance with the transition guidance under HKFRS 15, the Group has only been applied to contracts that are incomplete as at 1 April 2018.

Summary of nature and effect of the changes on previous accounting policies are set out below:

Presentation of contract assets and liabilities

Previously, contract balances relating to construction contracts in progress were presented in the consolidated statement of financial position under "amounts due from customers for contract work" or "amounts due to customers for contract work".

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue.

At the date of initial application of HKFRS 15, unbilled revenue of HK$77,329,000 arising from some of construction contracts are conditional and hence such balance was reclassified from "amounts due from customers for contract work" to "contract assets".

At the date of initial application, retention receivables of HK$30,983,000 arising from the construction contracts are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts, and such balance was reclassified from "trade and other receivables" to "contract assets".

Besides, receipt in advance from customers of HK$3,577,000 previously included in "trade and other payables" were reclassified to "contract liabilities".

The reclassification of HK$2,362,000 from "amounts due to customers for contract work" to "contract liabilities" under HKFRS 15 represented the Group's obligations to transfer to the customers of the services to which the assets relate and the Group has received consideration from the customers.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Carrying amount at 31 March 2018 under HKAS 11 and HKAS 18	**Reclassification**	**Carrying amount at 1 April 2018 under HKFRS 15**
	HK$'000	*HK$'000*	*HK$'000*
Current assets			
Trade and other receivables	77,688	(30,983)	46,705
Amounts due from customers for contract work	77,329	(77,329)	–
Contract assets	–	108,312	108,312
Current liabilities			
Amounts due to customers for contract work	2,362	(2,362)	–
Trade and other payables	67,348	(3,577)	63,771
Contract liabilities	–	5,939	5,939

The adoption of HKFRS 15 has no material impact on the Group's consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows.

2.2 Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRS 3	Definition of a Business[5]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective date not yet determined
5 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

The directors anticipate that all the relevant new and amended HKFRSs will be adopted in the Group's accounting policy for the first period beginning after the effective date of such standards. The Group is in the process of making an assessment of the impact of these new and amended HKFRSs upon initial application. Currently it has been considered that adoption of them is unlikely to have an impact on the Group's results of operations and financial position, except for the following:

HKFRS 16 Leases

HKFRS 16 "Leases" replaced HKAS 17 and three related Interpretations.

Currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessee.

Once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease, the lessee will recognise and measure a "lease liability" at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee would recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of premises which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss and other comprehensive income over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after 1 April 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 on 1 April 2019 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019. Comparative information will not be restated. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets and not to perform a full review of existing leases and apply HKFRS 16 only to new contracts. Furthermore, the Group plans to use the practical expedient to account for leases for which the lease term ends within 12 months from the date of initial application as short-term lease.

As at 31 March 2019, the Group's future minimum lease payments under non-cancellable operating leases amount to HK$195,000 for premises, the majority of which is payable within one year after the reporting date.

The Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statements from 2019 onwards.

3. REVENUE AND SEGMENT INFORMATION

All revenue represents the contracting revenue arising from provision of services related to foundation works.

The chief operating decision-maker has been identified as the executive Directors of the Company. The Directors regard the Group's business of foundation works as a single operating segment and review the overall results of the Group as a whole to make decision about resources allocation. Accordingly, no segment analysis information is presented.

No separate analysis of segment information by geographical segment is presented as the Group's revenue and non-current assets are principally attributable to a single geographical region, which is Hong Kong.

Revenue from customers which individually contributed over 10% of the Group's revenue is as follows:

	2019	2018
	HK$'000	*HK$'000*
Customer A	**178,236**	98,444
Customer B	**83,190**	N/A*
Customer C	**61,504**	N/A*
Customer D	**62,185**	61,449
Customer E	**N/A***	99,734

* The corresponding revenue does not contribute over 10% of total revenue of the Group.

The disaggregation of revenue from contracts with customers is as follows:

	2019	2018
	HK$'000	*HK$'000*
By types of projects:		
Private sector projects	**274,355**	173,415
Public sector projects	**125,701**	193,805
	400,056	367,220

4. OTHER INCOME

	2019	2018
	HK$'000	*HK$'000*
Gain on disposal of property, plant and equipment	**5,058**	2,143
Machinery rental income	**–**	2,580
Sundry income	**1,116**	2,409
	6,174	7,132

5. FINANCE COSTS

	2019 *HK$'000*	2018 *HK$'000*
Bank loans interest wholly repayable within five years	**999**	405
Finance charge on obligations under finance leases	**107**	341
	1,106	746

6. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/Profit before income tax is stated after charging:

	2019 *HK$'000*	2018 *HK$'000*
(a) Staff costs (including directors' emoluments) *(note (i))*		
– Salaries, wages and other benefits	**98,971**	65,932
– Contributions to defined contribution retirement plans	**2,937**	2,060
	101,908	67,992
(b) Other items		
Depreciation, included in:		
Direct costs		
– Owned assets	**5,286**	4,641
– Leased assets	**1,477**	2,808
Administrative expenses		
– Owned assets	**1,320**	565
– Leased assets	**–**	979
	8,083	8,993
Subcontracting charges (included in direct costs)	**153,675**	65,242
Auditors' remuneration	**940**	730
Operating lease charges in respect of premises	**1,434**	1,667
Listing expenses	**5,103**	11,259
Donation	**1,000**	–
Provision of ECL allowance on contract assets	**1,727**	–

Note:

(i) Staff costs (including directors' emoluments)

	2019 *HK$'000*	2018 *HK$'000*
Direct costs	**90,301**	60,903
Administrative expenses	**11,607**	7,089
	101,908	67,992

7. INCOME TAX EXPENSE

	2019 *HK$'000*	2018 *HK$'000*
Provision for Hong Kong Profits Tax		
– Current tax	**734**	6,007
– Over provision in the prior years	**(50)**	–
	684	6,007
Deferred tax	**(199)**	(433)
	485	5,574

8. DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 March 2019.

9. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share attributable to equity holders of the Company is based on the following:

	2019	2018
(Loss)/Earnings		
(Loss)/Profit for the year attributable to equity holders of the Company *(in HK$'000)*	**(68,283)**	16,049
Number of shares		
Weighted average number of ordinary shares	**1,144,109,589**	900,000,000
Basic (loss)/earnings per share *(in HK cents)*	**(5.97)**	1.78

The weighted average number of ordinary shares used to calculate the basic loss per share for the year ended 31 March 2019 includes (i) 900,000,000 ordinary shares immediately after the Capitalisation Issue, as if all these shares had been in issue since 1 April 2017 and throughout the years ended 31 March 2018 and 2019; and (ii) 244,109,589 ordinary shares, representing the weighted average of 300,000,000 new ordinary shares issued pursuant to the public offer and placing of shares of the Company (the "**Share Offer**").

The weighted average number of ordinary shares used to calculate the basic earnings per share for the year ended 31 March 2018 includes (i) 1 ordinary share in issue as at 31 March 2018; (ii) 9,999 ordinary shares issued on 23 April 2018 as part of the Reorganisation; and (iii) 899,990,000 ordinary shares issued on 7 June 2018 pursuant to the Capitalisation Issue (as defined in the Prospectus), as if all these shares had been in issue since 1 April 2017 and throughout the year ended 31 March 2018.

(b) Diluted (loss)/earnings per share

There were no dilutive potential ordinary shares outstanding during the years ended 31 March 2019 and 2018 and therefore, diluted (loss)/earnings per share equals to basic (loss)/earnings per share.

10. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**14,290**	22,159
Retention receivables	**–**	30,983
Other receivables and prepayments	**23,895**	23,346
Utility and other deposits	**1,135**	1,200
	39,320	77,688

Based on the invoice dates, the ageing analysis of the trade receivables was as follows:

	2019	2018
	HK$'000	*HK$'000*
0–30 days	**2,952**	15,411
31–60 days	**1,658**	4,127
61–90 days	**500**	–
Over 90 days	**9,180**	2,621
	14,290	22,159

11. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**20,545**	40,659
Retention payables	**13,743**	7,180
Accruals and other payables	**18,209**	19,509
	52,497	67,348

The ageing analysis of trade payables based on the invoice date is as follows:

	2019	2018
	HK$'000	*HK$'000*
0–30 days	**4,587**	17,173
31–60 days	**2,793**	7,546
61–90 days	**1,753**	1,742
Over 90 days	**11,412**	14,198
	20,545	40,659

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

We are a subcontractor engaged in the provision of services related to foundation works in Hong Kong including ELS works, pile caps construction, and other services, such as demolition works, underground drainage works, earthworks and structural steelworks. To a lesser extent, we also engage in leasing of machineries to other construction companies.

The Group reported a net loss during the year ended 31 March 2019 comparing to net profit during the year ended 31 March 2018. The loss was mainly attributable to:

1. substantial increase in costs from foundation and site formation work due to unexpected bad geological conditions of the work sites, particularly the site located in Tsuen Wan, resulting in involving more labours to work; and

2. decrease in gross profit margin due to (a) substantial loss being incurred in some of the project works and variation orders of the completed projects; and (b) additional resources being required to deal with unforeseen ground conditions and site constraints in several construction projects; and (c) certain work done from construction projects are still under negotiation with customers which we have incurred service costs.

The Board of the Directors shall take appropriate actions to improve the financial performance of the Group in the future.

The Group will focus on the cost control in order to improve the financial performance. Considering the Hong Kong Government remained focus on the Hong Kong's land supply for private and residential housing and commercial buildings, the Group is positive that the loss could be turnaround in the future.

FINANCIAL REVIEW

During the year ended 31 March 2019, the Group had been awarded 7 new contracts, with an aggregate original contract sum of approximately HK$303.2 million and had completed 9 projects with an aggregate original contract sum of approximately HK$185.0 million.

As at 31 March 2019, the Group had 32 projects on hand (including projects in progress as well as projects that have been awarded to us but not yet commenced) with a total original contract sum of approximately HK$1,254.9 million.

Revenue

The revenue from foundation works of the Group for the year ended 31 March 2019 amounted to approximately HK$400.0 million, representing an increase of approximately HK$32.8 million, or 8.9% compared to approximately HK$367.2 million for the year ended 31 March 2018. The increase was primarily due to projects located in Lung Cheung Road and Tai Po contributed significant revenue for the year.

Gross (Loss)/Profit and Gross (Loss)/Profit Margin

The gross loss of the Group for the year ended 31 March 2019 amounted to approximately HK$42.4 million The gross profit of the Group for the year ended 31 March 2018 amounted to approximately HK$40.7 million. The decrease in gross profit was primarily due to the reasons discussed in the section "MANAGEMENT DISCUSSION AND ANALYSIS" above.

The Group prices its services based on various factors, including but not limited to the scope of works and the complexity of the projects. In this regard, the Group's profitability depends on the nature of projects engaged by the Group.

Other Income

The other income of the Group for the year ended 31 March 2019 amounted to approximately HK$6.2 million, representing an decrease of approximately HK$1.0 million or 13.4% compared to approximately HK$7.1 million for the year ended 31 March 2018. The decrease was primarily due to the decrease of machinery rental income and sales of construction wastes for the year ended 31 March 2019.

Administrative Expenses

The administrative expenses of the Group for the year ended 31 March 2019 amounted to approximately HK$30.5 million, representing an increase of approximately HK$5.0 million or 19.5% compared to approximately HK$25.5 million for the year ended 31 March 2018. The increase was primarily due to the increase of directors remuneration and staff salaries after the Listing. Also, provision of expected credit loss ("**ECL**") and donation during the years but no involved in last year.

Finance Costs

The finance costs of the Group for the year ended 31 March 2019 amounted to approximately HK$1.1 million, representing an increase of approximately HK$0.4 million or 48.3% compared to approximately HK$0.7 million for the year ended 31 March 2018. The increase was primarily due to the increase in bank borrowing for operation during the year ended 31 March 2019.

Profit attributable to equity holders of the Company

The Group reported loss attributable to equity holders of the Company of approximately HK$68.3 million for the year ended 31 March 2019 as compared to the profit of approximately HK$16.0 million for the year ended 31 March 2018. The reasons for turning from profit to loss were mainly attributable to the reasons discussed in the section "MANAGEMENT DISCUSSION AND ANALYSIS" above.

LIQUIDITY, FINANCIAL POSITION AND CAPITAL STRUCTURE

The Group has funded its liquidity and capital requirements primarily through capital contributions from shareholders, bank borrowings, cash inflows from operating activities and proceeds received from the Listing.

The shares of the Company (the "**Shares**") were successfully listed on the Main Board of the Stock Exchange on 7 June 2018 and there has been no change in the capital structure of the Group since then.

As at 31 March 2019, the Group had a total cash and cash equivalents of approximately HK$23.8 million (31 March 2018: approximately HK$11.0 million). The increase was primarily due to the proceeds received from the Listing.

As at 31 March 2019, the gearing ratio of the Group, calculated by the total debts (defined as the sum of the amount due to a Director, bank borrowings and obligations under finance leases) divided by the total equity is approximately 32.7% (31 March 2018: 35.2%). The decrease was primarily due to the increase in total equity and repayment of amount due to a Director.

TREASURY POLICY

The Group continues to manage its financial position carefully and maintains conservative policies in cash and financial management. The Board closely monitors the Group's liquidity position to ensure that the Group can meet its funding requirements for business development.

PLEDGE OF ASSETS

As at 31 March 2019, the Group's property, plant and equipment with an aggregate net book value of approximately HK$10.2 million (31 March 2018: HK$6.6 million) were pledged under finance leases.

EXPOSURE TO FOREIGN EXCHANGE RATE RISKS

As the Group only operates in Hong Kong and almost all of the revenue and transactions arising from its operations were settled in Hong Kong dollar, the Board is of the view that the Group's foreign exchange rate risks are insignificant. Thus, the Group has not entered into any derivative contracts to hedge against the foreign exchange rate risk during the year ended 31 March 2019.

CAPITAL EXPENDITURE

During the year ended 31 March 2019, the Group invested approximately HK$14.6 million on acquisition of plant and equipment, motor vehicles and computer equipment. Capital expenditure was principally funded by finance leases and internal resources.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Save as disclosed in this announcement, the Group has no material capital commitments or contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

As disclosed in the Company's announcement dated 30 April 2019, with effect from 30 April 2019, Mr. Kyaw Sai Hong has resigned as a company secretary of the Company (the "**Company Secretary**") and an authorised representative of the Company (the "**Authorised Representative**") under the Listing Rules and Part 16 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), and Mr. Woo Yuen Ping has been appointed as the Company Secretary and the Authorised Representative. Save as disclosed in this announcement, there is no material events after the reporting period and up to the date of this announcement.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year ended 31 March 2019, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies apart from the Reorganisation in relation to the Listing as disclosed in the Prospectus.

SIGNIFICANT INVESTMENT HELD

During the year ended 31 March 2019, the Group had no significant investment held.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed in the Prospectus, the Group does not have other plans for material investments and capital assets.

The receipts of the proceed and net of listing expenses (including underwriting fee), including both recognised in the consolidated statement of profit or loss and other comprehensive income and deducted from the share premium ("**Net Proceeds**") from the Listing were approximately HK$70.6 million. The Group intends to apply the Net Proceeds in accordance with the proposed applications set out in the section headed "Future plans and use of proceeds" in the Prospectus.

An analysis of the utilisation of the Net Proceeds up to the date of this announcement is set out below:

	Planned	**Actual use of Net Proceeds up to 31 March 2019**
	HK$'000	*HK$'000*
1 Acquire additional machineries and equipment	39,996	13,615
2 Strengthen the Group's manpower	14,000	2,896
3 Secure more contracts the Group intends to tender	10,000	–
4 General working capital	6,554	6,554
	70,550	23,065

As at the date of this announcement, the unutilised proceeds are placed in interest-bearing deposits with authorised financial institutions or licensed banks in Hong Kong.

The Directors regularly evaluates the Group's business objective and may change or modify plans against the changing market condition to ascertain the business growth of the Group. During the period under review, the Directors considered that no modification of the use of proceeds described in the Prospectus was required.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2019, the Group employed a total of 127 employees (including executive Directors and independent non-executive Directors), as compared to a total of 200 employees as at 31 March 2018. Total staff costs which included the Directors' emoluments for the year ended 31 March 2019 was approximately HK$101.9 million (year ended 31 March 2018: approximately HK$68.0 million). The salary and benefit level of the employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. The Group conducts annual review on salary increase, discretionary bonuses and promotions based on the performance of each employee.

The emoluments of the Directors are decided by the Board after recommendation from the remuneration committee of the Company, having considered the factors such as the Group's financial performance and the individual performance of the Directors, etc..

The Company has adopted a share option scheme as an incentive to Directors and eligible employees.

During the year ended 31 March 2019, the Group has not experienced any significant problems with its employees due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staffs.

FINAL DIVIDEND

The Board has resolved not to recommend the declaration of final dividend to shareholders of the Company for the year ended 31 March 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules as its own corporate government code. The Company has complied with the CG Code during the year ended 31 March 2019 with the exception of code provision A.2.1 as explained below.

According to code provision A.2.1 of the CG Code, the roles of the chairman of the Company (the "**Chairman**") and the chief executive officer of the Company (the "**Chief Executive Officer**") should be separate and performed by different individuals. Mr. Chan is the Chairman and the Chief Executive Officer of the Company. In view of the in-depth knowledge and substantial experience of Mr. Chan in the operations of the Group and his solid experience in foundation works, the Board believes it is in the best interests of the Company for Mr. Chan to assume both the roles of the Chairman and the Chief Executive Officer until such time as the Board considers that such roles should be assumed by different persons.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 of the Listing Rules (the "**Model Code**") as its own code of conduct regarding securities transactions by the Directors.

The Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiries by the Company, all the Directors have confirmed to the Company that they have fully complied with the required standard set out in the Model Code during the year ended 31 March 2019.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "**Share Option Scheme**") on 14 May 2018. The principal terms of the Share Option Scheme are summarised in Appendix V to the Prospectus. The main purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption on 14 May 2018, and there is no outstanding share option as at 31 March 2019.

COMPETING INTERESTS

The Directors confirm that neither the Controlling Shareholders nor their respective close associates is interested in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business during the period under review, and is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

COMPLIANCE ADVISER'S INTERESTS

As notified by the Company's compliance adviser, Dakin Capital Limited ("**Dakin**"), as at 31 March 2019, except for the compliance adviser agreement entered into between the Company and Dakin dated 14 May 2018, neither Dakin nor its directors, employees or close associates had any interests in relation to the Company, which is required to be notified to the Company pursuant to the Listing Rules.

ANNUAL GENERAL MEETING ("AGM")

The AGM will be held on Tuesday, 13 August 2019. The notice of the AGM will be published and despatched to shareholders of the Company in the manner as required by the Listing Rules and the articles of association of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The AGM is scheduled to be held on Tuesday, 13 August 2019. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 8 August 2019 to Tuesday, 13 August 2019 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the above AGM, all transfer forms accompanied by relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 7 August 2019.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2019.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained a sufficient amount of public float for its Shares as required under the Listing Rules during the year ended 31 March 2019.

REVIEW OF FINANCIAL INFORMATION

The audit committee of the Company (the "**Audit Committee**") consists of three members who are all independent non-executive Directors, namely, Mr. Ho Chi Wai, Mr. Cheung Kwok Yan Wilfred and Mr. Lau Leong Ho. Mr. Ho Chi Wai is the chairman of the Audit Committee. The Company's annual results for the year ended 31 March 2019 have been reviewed by the Audit Committee, which takes the view that the applicable accounting standards and requirements as well as the Listing Rules have been complied with by the Company and that adequate disclosures have been made. The Audit Committee has met the external auditors of the Company, Grant Thornton Hong Kong Limited ("**Grant Thornton**"), and reviewed the Group's results for the year ended 31 March 2019.

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2019 as set out in the preliminary announcement have been agreed by the Company's external auditors, Grant Thornton, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Grant Thornton in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Grant Thornton on the preliminary announcement.

GENERAL

A circular containing, inter alia, the information required by the Listing Rules, together with the notice of the upcoming AGM, will be despatched to the shareholders of the Company in due course.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual results announcement is published on the Company's website at http://www.hcho.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

The annual report of the Company for the year ended 31 March 2019 will be despatched to shareholders and published on the respective websites of the Company and the Stock Exchange in due course.

By order of the Board
Affluent Foundation Holdings Limited
Chan Siu Cheong
Chairman

Hong Kong, 28 June 2019

As at the date of this announcement, the executive Directors are Mr. Chan Siu Cheong and Mr. Sin Ka Pong, and the independent non-executive Directors are Mr. Ho Chi Wai, Mr. Cheung Kwok Yan Wilfred and Mr. Lau Leong Ho.