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## **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 2020**

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 2020 (the “**Relevant Period**”) as follows:

#### **FINANCIAL HIGHLIGHTS**

1. Revenue was approximately HK\$213.1 million for the Relevant Period, representing a decrease of approximately 46.7% as compared with the same for the year ended 31 March 2019.
2. Gross profit was approximately HK\$16.0 million for the Relevant Period, whereas gross loss was approximately HK\$42.4 million for the year ended 31 March 2019.
3. Loss and total comprehensive expenses attributable to equity holders of the Company was approximately HK\$25.7 million for the Relevant Period. Loss and total comprehensive expenses attributable to equity holders of the Company was approximately HK\$68.3 million for the year ended 31 March 2019.
4. Basic loss per share amounted to approximately HK2.15 cents for the Relevant Period (2019: basic loss per share approximately HK5.97 cents).
5. The Board did not recommend the payment of final dividend for the Relevant Period.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 March 2020*

	<i>Notes</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	3	<b>213,121</b>	400,056
Direct costs		<u><b>(197,088)</b></u>	<u>(442,444)</u>
Gross profit/(loss)		<b>16,033</b>	(42,388)
Other income	4	<b>3,369</b>	6,174
Administrative expenses		<b>(24,495)</b>	(28,751)
Other operating expenses		<b>(15,849)</b>	(1,727)
Finance costs	5	<u><b>(1,972)</b></u>	<u>(1,106)</u>
Loss before income tax	6	<b>(22,914)</b>	(67,798)
Income tax expense	7	<u><b>(2,832)</b></u>	<u>(485)</u>
Loss and total comprehensive expenses for the year attributable to equity holders of the Company		<u><b>(25,746)</b></u>	<u>(68,283)</u>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share attributable to equity holders of the Company			
Basic and diluted	9	<u><b>(2.15)</b></u>	<u>(5.97)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	<i>Notes</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>22,452</b>	23,332
Right-of-use assets		<b>8,204</b>	–
		<u><b>30,656</b></u>	<u>23,332</u>
<b>Current assets</b>			
Trade and other receivables	10	<b>36,395</b>	39,320
Contract assets		<b>109,159</b>	107,453
Tax recoverable		<b>2,224</b>	1,544
Cash and bank balances		<b>7,357</b>	23,789
		<u><b>155,135</b></u>	<u>172,106</u>
<b>Current liabilities</b>			
Trade and other payables	11	<b>54,693</b>	52,497
Bank borrowings		<b>38,942</b>	26,483
Lease liabilities/Obligations under finance leases		<b>5,039</b>	3,668
Contract liabilities		<b>2,717</b>	3,865
Tax payable		<b>1,789</b>	–
		<u><b>103,180</b></u>	<u>86,513</u>
<b>Net current assets</b>		<u><b>51,955</b></u>	<u>85,593</u>
<b>Total assets less current liabilities</b>		<u><b>82,611</b></u>	<u>108,925</u>
<b>Non-current liabilities</b>			
Bank borrowings		<b>1,511</b>	–
Lease liabilities/Obligations under finance leases		<b>230</b>	3,476
Deferred tax liabilities		<b>3,690</b>	2,523
		<u><b>5,431</b></u>	<u>5,999</u>
<b>Net assets</b>		<u><b>77,180</b></u>	<u>102,926</u>
<b>Equity</b>			
Share capital		<b>12,000</b>	12,000
Reserves		<b>65,180</b>	90,926
<b>Equity attributable to equity holders of the Company</b>		<u><b>77,180</b></u>	<u>102,926</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2020*

## 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 2020, 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 (the “**HKICPA**”) as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the year ended 31 March 2018, or since their respective dates of incorporation where this is a shorter period.

### 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 2019

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 2019:

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

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 16 “Leases”*

HKFRS 16 “Leases” replaces HKAS 17 “Leases” along with three Interpretations (HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease”, HK(SIC)-Int 15 “Operating Leases – Incentives” and HK(SIC)-Int 27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”). HKFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting HKFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from HKAS 17 and HK(IFRIC)-Int 4 and has not applied HKFRS 16 to arrangements that were previously not identified as lease under HKAS 17 and HK(IFRIC)-Int 4.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under HKAS 17 immediately before the date of initial application. The assets for which they are previously classified as held under finance lease are reclassified to right-of-use assets at the date of initial application.

The following is a reconciliation of total operating lease commitments at 31 March 2019 to the lease liabilities recognised at 1 April 2019:

	<i>HK\$’000</i>
Total operating lease commitments disclosed as at 31 March 2019	195
Recognition exemption – leases with remaining lease term of less than 12 months	(195)
Operating leases liabilities	–
Obligation under finance leases	7,144
<b>Total lease liabilities recognised under HKFRS 16 as at 1 April 2019</b>	<b>7,144</b>
<b>Of which are:</b>	
Current lease liabilities	3,668
Non-current lease liabilities	3,476
Lease liabilities recognised under HKFRS 16 at 1 April 2019	<u>7,144</u>

The following table summarises the impact of transition to HKFRS 16 on the Group's consolidated statement of financial position at 1 April 2019:

	As at 31 March 2019 HK\$'000	Effect on initial application of HKFRS 16 HK\$'000	As at 1 April 2019 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	10,203	(10,203)	–
Right-of-use assets	–	10,203	10,203
<b>Current liabilities</b>			
Lease liabilities	–	3,668	3,668
Obligation under finance leases	3,668	(3,668)	–
<b>Non-current liabilities</b>			
Lease liabilities	–	3,476	3,476
Obligation under finance leases	3,476	(3,476)	–

## 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.

Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>1</sup>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform <sup>1</sup>
HKFRS 17	Insurance Contracts <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 3	Definition of a Business <sup>4</sup>
Amendments to HKFRS 16	Covid-19-Related Rent Concessions <sup>5</sup>

<sup>1</sup> Accounting periods beginning on or after 1 January 2020

<sup>2</sup> Accounting periods beginning on or after 1 January 2021

<sup>3</sup> Effective date not yet been determined

<sup>4</sup> 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

<sup>5</sup> Accounting periods beginning on or after 1 June 2020

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

### ***Amendments to HKFRS 3 "Definition of a business"***

The amendments narrowed and clarified the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

- clarify that a business is considered as an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Guidance and illustrative examples are provided to help entities assess whether a substantive process has been acquired;

- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add an optional concentration test that permits simplified assessment of whether an acquired set of activities and assets is not a business; and
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs.

Amendments to HKFRS 3 are effective for annual reporting period beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The Directors expect that the amendments have no material impact on these consolidated financial statements.

***Amendments to HKAS 1 and HKAS 8 “Definition of Material”***

The amendments clarify the definition of material and state that “information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”. Materiality depends on nature or magnitude of information or both.

The amendments also:

- introduce the concept of obscuring information when considering materiality and provide some examples of circumstances that may result in material information being obscured;
- clarify that materiality assessment will need to take into account how primary users could reasonably be expected to be influenced in making economic decisions by replacing the threshold “could influence” with “could reasonably be expected to influence” in the definition of material; and
- clarify that materiality assessment will need to take into account of information provided to primary users of general purpose financial statements (i.e. existing and potential investors, lenders and other creditors that rely on general purpose financial statements for much of the financial information they need).

Amendments to HKAS 1 and HKAS 8 are effective for annual reporting period beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The Directors expect that the amendments have no material impact on these consolidated financial statements.

**3. REVENUE AND SEGMENT INFORMATION**

All revenue represents the contracting revenue arising from provision of services related to foundation works and is recognised over time.

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A	139,918	83,190
Customer B	41,440	62,185
Customer C	N/A*	176,326
Customer D	N/A*	61,504
	<u>139,918</u>	<u>383,105</u>

\* 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
By types of projects:		
Private sector projects	161,918	274,355
Public sector projects	51,203	125,701
	<u>213,121</u>	<u>400,056</u>

#### 4. OTHER INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Gain on disposal of property, plant and equipment	564	5,058
Income from sales of construction wastes	2,283	1,095
Bank interest income	6	21
Sundry income	516	–
	<u>3,369</u>	<u>6,174</u>

#### 5. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank loans interest wholly repayable within five years	1,655	999
Finance charge on lease liabilities (2019: Obligation under finance leases)	317	107
	<u>1,972</u>	<u>1,106</u>



## 6. LOSS BEFORE INCOME TAX

Loss before income tax is stated after charging:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(a) Staff costs (including directors' emoluments) ( <i>note (i)</i> )		
– Salaries, wages and other benefits	63,480	98,971
– Contributions to defined contribution retirement plans	1,847	2,937
	<u>65,327</u>	<u>101,908</u>
(b) Other items		
Depreciation, included in:		
Direct costs		
– Owned assets	6,518	5,286
– Assets held under finance lease	–	1,477
– Right-of-use assets	2,712	–
Administrative expenses		
– Owned assets	1,437	1,320
– Right-of-use assets	401	–
	<u>11,068</u>	<u>8,083</u>
Subcontracting charges (included in direct costs)	51,602	153,675
Auditor's remuneration	893	940
Operating lease charges in respect of:		
– premises held under operating leases	–	1,434
– short term leases and leases with lease term shorter than 12 months as at initial application of HKFRS 16	349	–
Listing expenses	–	5,103
Donation	–	1,000
Expected credit losses (“ECL”) allowance on:		
– Trade and other receivables	1,629	–
– Contract assets	14,220	1,727
	<u>14,220</u>	<u>1,727</u>

*Note:*

(i) Staff costs (including directors' emoluments)		
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Direct costs	52,898	90,301
Administrative expenses	12,429	11,607
	<u>65,327</u>	<u>101,908</u>

## 7. INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Provision for Hong Kong Profits Tax		
– Current tax	–	734
– Under/(Over) provision in the prior years	<u>1,665</u>	<u>(50)</u>
	1,665	684
Deferred tax	<u>1,167</u>	<u>(199)</u>
	<u><u>2,832</u></u>	<u><u>485</u></u>

## 8. DIVIDENDS

The Board did not recommend the payment of final dividend for the year ended 31 March 2020.

## 9. LOSS PER SHARE

### (a) Basic loss per share

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

	2020	2019
<b>Loss</b>		
Loss for the year attributable to equity holders of the Company ( <i>in HK\$'000</i> )	<u><u>(25,746)</u></u>	<u><u>(68,283)</u></u>
<b>Number of shares</b>		
Weighted average number of ordinary shares	<u><u>1,200,000,000</u></u>	<u><u>1,144,109,589</u></u>
<b>Basic (loss) per share (<i>in HK cents</i>)</b>	<u><u>(2.15)</u></u>	<u><u>(5.97)</u></u>

The weighted average number of ordinary shares used to calculate the basic loss per share for the year ended 31 March 2020 represents 1,200,000,000 ordinary shares in issue throughout the year.

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 2018 and throughout the year ended 31 March 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.

### (b) Diluted loss per share

There were no dilutive potential ordinary shares outstanding during the years ended 31 March 2020 and 2019 and therefore, diluted loss per share equals to basic loss per share.

## 10. TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	9,556	14,290
Less: ECL allowance	(771)	–
	<u>8,785</u>	<u>14,290</u>
Other receivables and prepayments	27,256	23,895
Utility and other deposits	1,212	1,135
Less: ECL allowance	(858)	–
	<u>27,610</u>	<u>25,030</u>
	<u><b>36,395</b></u>	<u><b>39,320</b></u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 – 30 days	5,700	2,952
31 – 60 days	1,935	1,658
61 – 90 days	–	500
Over 90 days	1,921	9,180
	<u>9,556</u>	<u>14,290</u>

## 11. TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	24,091	20,545
Retention payables	15,407	13,743
Accruals and other payables	15,195	18,209
	<u>54,693</u>	<u>52,497</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 – 30 days	2,238	4,587
31 – 60 days	3,098	2,793
61 – 90 days	1,070	1,753
Over 90 days	17,685	11,412
	<u>24,091</u>	<u>20,545</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW AND OUTLOOK**

The Group is a subcontractor engaged in the provision of services related to foundation works in Hong Kong including excavation and lateral support works, pile caps construction, and other services, such as demolition works, underground drainage works, earthworks and structural steelworks. To a lesser extent, the Group is also engaged in leasing of machineries to other construction companies.

The Group reported a net loss during the Relevant Period. The loss was mainly attributable to:

1. the decrease in revenue due to certain sizable projects which had been completed by the year ended 31 March 2019 and no longer contributed any revenue during the Relevant Period;
2. the outbreak of COVID-19 since January 2020 which has caused certain main contractors of the Group to postpone the schedule of resumption of work at work sites after the Chinese New Year. It has also caused the disruption in the supply of materials which has resulted in delay of site progress and increase in costs due to the prolonged need for maintaining the required site workforce; and
3. the postponement of commencement of a sizable new project under the instruction from the main contractor during the Relevant Period, resulting in slowing down work progress.

The Board shall take appropriate actions to improve the financial performance of the Group in the future. The Group will also focus on 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 Relevant Period, the Group had been awarded 10 new contracts, with an aggregate original contract sum of approximately HK\$345.6 million and had completed 12 projects with an aggregate original contract sum of approximately HK\$635.2 million.

As at 31 March 2020, the Group had 30 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\$969.9 million.

## **Revenue**

The revenue from foundation works of the Group for the Relevant Period amounted to approximately HK\$213.1 million, representing a decrease of approximately HK\$186.9 million or 46.7% as compared to approximately HK\$400.0 million for the year ended 31 March 2019. The decrease was primarily due to certain sizable projects which had been completed by the year ended 31 March 2019 and no longer contributed any revenue for the Relevant Period.

## **Gross profit/(loss) and gross profit/(loss) margin**

The gross profit of the Group for the Relevant Period amounted to approximately HK\$16.0 million. The gross loss of the Group for the year ended 31 March 2019 amounted to approximately HK\$42.4 million. The increase in gross profit was primarily due to the reasons:

1. certain loss-making projects had been completed resulting in the decrease of gross loss contributions from these projects; and
2. certain projects had been completed in which a well-off work done had been confirmed by customers.

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 Relevant Period amounted to approximately HK\$3.4 million, representing a decrease of approximately HK\$2.8 million or 45.4% as compared to approximately HK\$6.2 million for the year ended 31 March 2019. The decrease was primarily due to the decrease of gain on disposal of property, plant and equipment for the Relevant Period.

## **Administrative expenses**

The administrative expenses of the Group for the Relevant Period amounted to approximately HK\$24.5 million, representing a decrease of approximately HK\$4.3 million or 14.8% as compared to approximately HK\$28.8 million for the year ended 31 March 2019. The decrease was primarily due to the absence of listing expenses of approximately HK\$5.1 million for the year ended 31 March 2019.

## **Other operating expenses**

Other operating expenses mainly refer to the provision of expected credit loss ("ECL"). During the Relevant Period, the provision increased due to the bad economy environment and thus assumption made on the recoverability is worse than last year.

## **Finance costs**

The finance costs of the Group for the Relevant Period amounted to approximately HK\$2.0 million, representing an increase of approximately HK\$0.9 million or 78.3% as compared to approximately HK\$1.1 million for the year ended 31 March 2019. The increase was primarily due to the increase in bank borrowings for operation fund during the Relevant Period.

## **Loss and total comprehensive expenses attributable to equity holders of the Company**

The Group reported loss and total comprehensive expenses attributable to equity holders of the Company of approximately HK\$25.7 million for the Relevant Period as compared to approximately HK\$68.3 million for the year ended 31 March 2019. The reasons for the decrease in loss were mainly attributable to the reasons discussed in the paragraph headed “Business review and outlook” 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 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 2020, the Group had a total cash and cash equivalents of approximately HK\$7.4 million (as at 31 March 2019: approximately HK\$23.8 million). The decrease was primarily due to the operating expenses incurred.

As at 31 March 2020, the gearing ratio of the Group, calculated by the total debts (defined as the sum of the lease liabilities, bank borrowings and obligations under finance leases) divided by the total equity was approximately 59.2% (as at 31 March 2019: approximately 32.7%). The increase was primarily due to the increase in bank borrowings for operation fund during the Relevant Period.

## **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 2020, the Group’s property, plant and equipment with an aggregate net book value of approximately HK\$7.0 million (as at 31 March 2019: approximately HK\$10.2 million) were pledged under lease liabilities and bank borrowings.

## **EXPOSURE TO FOREIGN EXCHANGE RATE RISKS**

As the Group's business were located in Hong Kong and almost all of the revenue and transactions arising from its operations were settled in Hong Kong dollar for the Relevant Period, the Board was of the view that the Group's foreign exchange rate risks were insignificant. Thus, the Group had not entered into any derivative contracts to hedge against the foreign exchange rate risk during the Relevant Period.

## **CAPITAL EXPENDITURE**

During the year ended 31 March 2020, the Group invested approximately HK\$15.5 million on the acquisition of plant and equipment, motor vehicles and computer equipment. Capital expenditure was principally funded by lease arrangements and internal resources.

## **CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**

Save as disclosed in this annual results announcement, the Group did not have material capital commitments as at 31 March 2020.

## **CONTINGENT LIABILITIES**

As at 31 March 2020, the Group has been involved in a number of claims, litigations and potential claims against the Group, as a subcontractor, in relation to work-related injuries and non-compliances. The potential claims and litigations against the Group are insured by main contractor's insurance policy. The directors are of the opinion that the claims and litigations are not expected to have a material impact on the consolidated financial statements, and the outcome for potential claims is uncertain. Accordingly, no provision has been made as at 31 March 2020 and during the year ended 31 March 2020.

## **EVENTS AFTER THE REPORTING PERIOD**

Due to the outbreak of the Coronavirus Disease 2019 ("COVID-19") epidemic in January 2020, a series of precautionary and control measures have been and continued to be implemented. The economic activities in Hong Kong in general are expected to be affected by the epidemic due to postponement of work resumption in Hong Kong. The Group evaluated the impact of COVID-19 on its financial position and financial performance but given the dynamic nature of the disease, the Group is not yet able to quantify the influence. The Group will pay close attention to the development of COVID-19 and its impact and will continue to perform relevant assessment and take proactive measure as appropriate.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the Relevant Period, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

## SIGNIFICANT INVESTMENT HELD

During the Relevant Period, the Group had no significant investment held.

## FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed in the Company's prospectus dated 23 May 2018 (the "Prospectus"), the Group does not have other plans for material investments and capital assets.

The receipts of the proceeds 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 annual results announcement is set out below:

	<b>Planned</b>	<b>Actual use of</b>
	<b>HK\$'000</b>	<b>Net Proceeds up to</b>
		<b>31 March 2020</b>
		<b>HK\$'000</b>
1 Acquire additional machineries and equipment	39,996	28,768
2 Strengthen the Group's manpower	14,000	8,503
3 Secure more contracts the Group intends to tender	10,000	–
4 General working capital	6,554	6,554
	<u>70,550</u>	<u>43,825</u>

As at the date of this annual results 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 Relevant Period, 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 2020, the Group employed a total of 127 employees (including executive Directors and independent non-executive Directors), as compared to a total of 127 employees as at 31 March 2019. Total staff costs which included the Directors' emoluments for the Relevant Period were approximately HK\$65.3 million (as at 31 March 2019: approximately HK\$101.9 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 (the "**Share Option Scheme**") on 14 May 2018 as an incentive to Directors and eligible employees.

During the Relevant Period, the Group had not experienced any significant problems with its employees due to labour disputes nor had it experienced any difficulty in the recruitment and retention of experienced staffs.

## **FINAL DIVIDEND**

The Board did not recommend the payment of final dividend for the Relevant Period.

## **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 Relevant Period 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 has 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 Relevant Period.

## **SHARE OPTION SCHEME**

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 was no outstanding share option as at 31 March 2020.

## **COMPETING INTERESTS**

As at 31 March 2020, the Directors were not aware of any interest in a business of the Directors or any of their respective close associates (as defined in the Listing Rules) apart from the business of the Group, that competed or was likely to compete, either directly or indirectly, with the business of the Group.

## **COMPLIANCE ADVISER’S INTERESTS**

As notified by the Company’s compliance adviser, Dakin Capital Limited (“**Dakin**”), as at 31 March 2020, 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, 18 August 2020. 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, 18 August 2020. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 13 August 2020 to Tuesday, 18 August 2020 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the 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, 12 August 2020.

## **PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SECURITIES**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Relevant Period.

## **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 maintained a sufficient amount of public float for its shares as required under the Listing Rules during the Relevant Period.

## **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 Relevant Period 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 Relevant Period.

## **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 Relevant Period 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 Relevant Period. 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**

This 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](http://www.hkexnews.hk).

The annual report of the Company for the Relevant Period 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, 29 June 2020

*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.*