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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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

The board (“**Board**”) of directors (the “**Directors**”) of Affluent Foundation Holdings Limited (the “**Company**”) is pleased to announce the condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 September 2020 (the “**Relevant Period**”) as follows:

FINANCIAL HIGHLIGHTS

1. Revenue was approximately HK\$113.4 million for the Relevant Period, representing an increase of approximately 12.4% as compared with the same for the six months ended 30 September 2019.
2. Gross profit was approximately HK\$2.7 million for the Relevant Period, representing a decrease of approximately 68.9% as compared with the same for the six months ended 30 September 2019.
3. Gross profit margin decreased to approximately 2.4% for the Relevant Period as compared with 8.6% for the six months ended 30 September 2019.
4. Loss attributable to equity holders of the Company was approximately HK\$6.7 million for the Relevant Period (six months ended 30 September 2019: approximately HK\$10.1 million).
5. Basic loss per share amounted to approximately HK0.56 cents for the Relevant Period (six months ended 30 September 2019: approximately HK0.84 cents).
6. The Board does not recommend the payment of interim dividend for the Relevant Period.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

	<i>Notes</i>	Six months ended 30 September	
		2020	2019
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Revenue	4	113,424	100,880
Direct costs		<u>(110,733)</u>	<u>(92,229)</u>
Gross profit		2,691	8,651
Other income	5	2,301	551
Administrative expenses		(10,190)	(19,821)
Finance costs	6	<u>(903)</u>	<u>(877)</u>
Loss before income tax	7	(6,101)	(11,496)
Income tax (expense)/credit	8	<u>(602)</u>	<u>1,432</u>
Loss and total comprehensive expenses for the period attributable to equity holders of the Company		<u>(6,703)</u>	<u>(10,064)</u>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share attributable to equity holders of the Company			
Basic and diluted	10	<u>(0.56)</u>	<u>(0.84)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	<i>Notes</i>	As at 30 September 2020 <i>HK\$'000</i> (unaudited)	As at 31 March 2020 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		27,467	22,452
Right-of-use assets		6,539	8,204
		34,006	30,656
Current assets			
Trade and other receivables	11	41,429	36,395
Contract assets		110,571	109,159
Tax recoverable		–	2,224
Cash and bank balances		15,868	7,357
		167,868	155,135
Current liabilities			
Trade and other payables	12	74,794	54,693
Amount due to a director		116	–
Bank borrowings		37,994	38,942
Lease liabilities		4,210	5,039
Deferred government grants		2,316	–
Contract liabilities		5,513	2,717
Tax payable		1,789	1,789
		126,732	103,180
Net current assets		41,136	51,955
Total assets less current liabilities		75,142	82,611
Non-current liabilities			
Bank borrowings		373	1,511
Lease liabilities		–	230
Deferred tax liabilities		4,292	3,690
		4,665	5,431
Net assets		70,477	77,180
Equity			
Share capital		12,000	12,000
Reserves		58,477	65,180
Equity attributable to equity holders of the Company		70,477	77,180

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

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.

As at 30 September 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.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 September 2020 have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange and Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The condensed consolidated interim financial statements do not include all of the information required in annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 March 2020.

The condensed consolidated interim financial statements are presented in Hong Kong dollars (“**HK\$**” or “**HKD**”), and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

3. SIGNIFICANT AND SUMMARY OF ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared in accordance with the accounting policies adopted in the Group’s most recent annual consolidated financial statements for the year ended 31 March 2020, except for the adoption of new accounting policies as a result of the adoption of the new and amended Hong Kong Financial Reporting Standards (“**HKFRSs**”) as set out below:

3.1 Adoption of new and amended HKFRSs

In the current period, the Group has applied for the first time the new and amended HKFRSs issued by the HKICPA, which are relevant to the Group’s operations and effective for the Group’s condensed consolidated interim financial statements for the annual period beginning on 1 April 2020:

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

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

For those new and amended HKFRSs, have been published but are not yet effective, and have not been early adopted by the Group, the Group is in the process of assessing their impact on the Group's results and financial position.

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).

The adoption of these amendments has had no impact on the Group's condensed consolidated interim financial statements.

3.2 Significant accounting policies

The accounting policies and methods of computation used in the preparation of the condensed consolidated interim financial statements are consistent with those used in annual consolidated financial statements of the Group for the year ended 31 March 2020, except as described below:

Government grants

During the six months ended 30 September 2020, grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate. Government grants relating to the subsidy of staff costs are included in liabilities as “deferred government grants” in the consolidated statement of financial position and are recognised in “other income” in profit or loss over the expected subsidy period of the staff costs.

4. REVENUE AND SEGMENT INFORMATION

The Group's principal activities are disclosed in Note 1 to the condensed consolidated interim financial statements.

	Six months ended 30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Contracting revenue	113,424	100,880

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 reviews 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:

	Six months ended 30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Customer A	84,667	67,427
Customer B	18,801	20,586

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

	Six months ended 30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
By types of projects:		
Private sector projects	93,313	79,827
Public sector projects	20,111	21,053
	113,424	100,880

5. OTHER INCOME

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Bank interest income	–	6
Gain on disposal of property, plant and equipment	2	349
Government grants (<i>note (a)</i>)	2,220	–
Machinery rental income	75	12
Income from disposal of construction wastes	–	184
Sundry income	4	–
	<u>2,301</u>	<u>551</u>

Note a: Being the grants received or receivables of HK\$1,322,000, HK\$828,000 and HK\$70,000 respectively from the Employment Support Scheme (“ESS”) under COVID-19 Anti-epidemic Fund, ESS for the Construction Sector (Casual Employees) under COVID-19 Anti-epidemic Fund and other subsidy schemes launched by the Government of the Hong Kong Special Administrative Region (the “**Hong Kong Government**”). The balance of HK\$2,316,000 receipt in advance of government grants from the ESS under COVID-19 Anti-epidemic Fund is recognised in current liabilities of the consolidated statement of financial position.

6. FINANCE COSTS

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Bank loans interest wholly repayable within five years	824	706
Finance charge on lease liabilities	79	171
	<u>903</u>	<u>877</u>

7. LOSS BEFORE INCOME TAX

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Loss before income tax is stated after charging/(crediting):		
(a) Staff costs (including directors' emoluments) (<i>note (i)</i>)		
– Salaries, wages and other benefits	31,761	29,528
– Contributions to defined contribution retirement plans	946	919
	<u>32,707</u>	<u>30,447</u>
(b) Other items		
Depreciation, included in:		
Direct costs		
– Owned assets	3,769	3,097
– Assets held under finance lease	–	899
– Right-of-use assets	1,446	366
Administrative expenses		
– Owned assets	458	723
– Right-of-use assets	219	182
	<u>5,892</u>	<u>5,267</u>
Subcontracting charges (included in direct costs)	31,031	21,153
Auditor's remuneration	180	208
Short term leases and leases with lease term shorter than 12 months as at initial application of HKFRS 16	141	269
Provision of expected credit loss ("ECL") allowance on		
– Trade and other receivables	423	88
– Contract assets	424	8,792
Reversal of ECL allowance on contract assets	–	(3)

Note:

- (i) Staff costs (including directors' emoluments)

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Direct costs	27,469	24,683
Administrative expenses	5,238	5,764
	<u>32,707</u>	<u>30,447</u>

8. INCOME TAX EXPENSE/(CREDIT)

Hong Kong Profit Tax has not been provided as the Group incurred tax losses for the six months ended 30 September 2020 and 2019.

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Provision for Hong Kong Profits Tax		
– Current tax	–	–
Deferred tax	602	(1,432)
Total income tax expense/(credit)	<u>602</u>	<u>(1,432)</u>

9. DIVIDENDS

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

10. 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:

	Six months ended 30 September	
	2020	2019
	(unaudited)	(unaudited)
Loss		
Loss for the period attributable to equity holders of the Company (in HK\$'000)	<u>(6,703)</u>	<u>(10,064)</u>
Number of shares		
Weighted average number of ordinary shares	<u>1,200,000,000</u>	<u>1,200,000,000</u>
Basic loss per share (in HK cents)	<u>(0.56)</u>	<u>(0.84)</u>

The weighted average number of ordinary shares used to calculate the basic loss per share for the six months ended 30 September 2020 and 30 September 2019 represents 1,200,000,000 ordinary shares in issue throughout the periods.

(b) Diluted loss per share

There were no dilutive potential ordinary shares outstanding during the six months ended 30 September 2020 and 2019 and therefore, diluted loss per share equals to basic loss per share.

11. TRADE AND OTHER RECEIVABLES

	As at 30 September 2020 <i>HK\$'000</i> (unaudited)	As at 31 March 2020 <i>HK\$'000</i> (audited)
Trade receivables	16,414	9,556
Less: ECL allowance	<u>(771)</u>	<u>(771)</u>
	<u>15,643</u>	<u>8,785</u>
Other receivables and prepayments	25,663	27,256
Utility and other deposits	1,404	1,212
Less: ECL allowance	<u>(1,281)</u>	<u>(858)</u>
	<u>25,786</u>	<u>27,610</u>
	<u>41,429</u>	<u>36,395</u>

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

	As at 30 September 2020 <i>HK\$'000</i> (unaudited)	As at 31 March 2020 <i>HK\$'000</i> (audited)
0 – 30 days	14,881	5,700
31 – 60 days	–	1,935
61 – 90 days	–	–
Over 90 days	<u>1,533</u>	<u>1,921</u>
	<u>16,414</u>	<u>9,556</u>

12. TRADE AND OTHER PAYABLES

	As at 30 September 2020 <i>HK\$'000</i> (unaudited)	As at 31 March 2020 <i>HK\$'000</i> (audited)
Trade payables	37,102	24,091
Retention payables	16,522	15,407
Accruals and other payables	21,170	15,195
	<u>74,794</u>	<u>54,693</u>

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

	As at 30 September 2020 <i>HK\$'000</i> (unaudited)	As at 31 March 2020 <i>HK\$'000</i> (audited)
0 – 30 days	13,924	2,238
31 – 60 days	2,706	3,098
61 – 90 days	2,534	1,070
Over 90 days	17,938	17,685
	<u>37,102</u>	<u>24,091</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 also engages in the leasing of machinery to third-party construction companies.

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

- (i) the 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) the competition for the contract price in the market; and
- (ii) the adverse impact by the COVID-19 epidemic and the complex economic situation, which has caused the difficulty for the Group to negotiate the work done of the completed projects with our customers.

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 remains 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.

FUTURE PROSPECTS

The Hong Kong Government continues to stress for more efforts to increase land supply for both residential and commercial developments. Therefore, the Group remains positive with the prospects of the construction industry in Hong Kong even though we are facing keen competition in the foundation industry and increase in the cost of production. The Group will continue to focus on its competitive edge and maintain its competitive position in the market.

The Group entered into a notice of acceptance for a project with contract value of approximately HK\$377.2 million with a main contractor after the Relevant Period. In view of this and other on-going projects, it is expected that the business and revenue of the Group will be stable.

BUSINESS REVIEW

During the Relevant Period, the Group had been awarded 1 new contract, with an aggregate original contract sum of approximately HK\$44.9 million. As at 30 September 2020, the Group had 25 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\$965.8 million.

FINANCIAL REVIEW

Revenue

The revenue from foundation works of the Group for the Relevant Period amounted to approximately HK\$113.4 million, representing an increase of approximately HK\$12.5 million or 12.4% as compared to approximately HK\$100.9 million for the six months ended 30 September 2019. The increase in revenue was primarily because all sizable projects were in full swing during the Relevant Period.

Gross Profit and Gross Profit Margin

The gross profit of the Group for the Relevant Period amounted to approximately HK\$2.7 million, representing a decrease of approximately HK\$6.0 million or 68.9% as compared to approximately HK\$8.7 million for the six months ended 30 September 2019. The decrease in gross profit due to (a) substantial loss being incurred in some of the project works and variation orders of the completed projects; and (b) the competition for the contract price in the market.

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\$2.3 million, representing an increase of approximately HK\$1.8 million or 317.6% as compared to approximately HK\$0.6 million for the six months ended 30 September 2019. The increase was primarily due to the grants received from the ESS under COVID-19 Anti-epidemic Fund launched by the Hong Kong Government during the Relevant Period.

Administrative Expenses

The administrative expenses of the Group for the Relevant Period amounted to approximately HK\$10.2 million, representing a decrease of approximately HK\$9.6 million or 48.6% as compared to approximately HK\$19.8 million for the six months ended 30 September 2019. The decrease was primarily due to the decrease in ECL allowance of HK\$8.0 million for the Relevant Period.

Finance Costs

The finance costs of the Group for the Relevant Period amounted to approximately HK\$0.9 million, representing an increase of approximately 3.0% as compared to approximately HK\$0.9 million for the six months ended 30 September 2019. The increase was primarily due to the slight increase in short term bank borrowings and lease liabilities during the Relevant Period.

Loss attributable to equity holders of the Company

As a result of foregoing, the Group reported loss attributable to equity holders of the Company of approximately HK\$6.7 million for the Relevant Period as compared to approximately HK\$10.1 million for the six months ended 30 September 2019, representing a decrease of loss of approximately HK\$3.4 million.

RISKS AND UNCERTAINTIES

The Group's results of operation may vary significantly from period to period depending on, among other factors, the political and economic environment, level of competitiveness, the quality of service and timeliness of subcontractors, and the adequacy and efficiency of internal processes implemented by staff and systems. The Group believes that there are certain risks and uncertainties involved both in the markets and in the operations which can be summarised as below.

Operational Risks

Due to unexpected circumstances such as bad weather and geological issues, the actual time and costs incurred in construction projects may exceed our estimation at the time of tendering submission and the work in progress may be interrupted. As the result, such variation could adversely affect the Group's operations and financial results. In such situations, the Group will implement measures such as re-allocating human resources and recruiting additional manpower including subcontracting the works in order to expedite the work progress.

On the other hand, it is inevitable that there could be chance of industrial accidents happened. In order to minimise the rate of accidents, the Group has already recruited two qualified safety officers to regularly monitor the work environment, implementation of safety rules and regulations and establishing safety policies. In addition, the Group also appointed a registered safety auditor to conduct corporate safety audit semi-annually to maximise the effectiveness of safety management.

It is quite common in the construction industry that collection of receivables takes longer time and it may lead to late settlement by customers especially at the times of unexpected crises due to political and economic factors. To mitigate the pressure on financial liquidity, the Group produces aging analysis on regular basis and contacts the management level of the customers so as to get better understanding of their solvency status.

Market Risks

Due to the construction industry in Hong Kong being dominantly subject to the Hong Kong Government's large-scale infrastructure projects which require prolonged process of legislative approval, it is more passive toward the future's prospect of the industry. Nevertheless, the Group will not just rely on participating in projects from public sector but the Group will also be more involved in projects from the private sectors.

In the meantime, demand of residential and commercial buildings is growing continuously. The Group perceived that such demand will sustain the booming in the construction industry and attract more competitive entrants to the industry. In order to grip holding of the market shares, the Group planned to acquire new fleets of machinery to cope with the demand. With its in-depth experience and knowledge in the field, the Group is capable to continue providing one-stop construction machinery service to meet the needs of various customers.

LIQUIDITY, FINANCIAL POSITION AND CAPITAL STRUCTURE

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

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.

As at 30 September 2020, the Group had in total value of cash and cash equivalents of approximately HK\$14.4 million (31 March 2020: approximately HK\$5.9 million).

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 30 September 2020, the Group’s property, plant and equipment with an aggregate net book value of approximately HK\$6.2 million (31 March 2020: approximately HK\$7.0 million) were pledged under bank borrowings.

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 Relevant Period.

CAPITAL EXPENDITURE

During the Relevant Period, the Group invested approximately HK\$9.2 million on acquisition of property, plant and equipment. Capital expenditure was principally funded by lease arrangements and internal resources.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 September 2020, the Group had no material capital commitments or contingent liabilities.

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.

USE OF PROCEEDS FROM LISTING

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 Company's Prospectus.

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

		Actual use of Net Proceeds up to the date of this announcement	Unutilised amount up to the date of this announcement	
	Planned	HK\$'000	HK\$'000	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
1	Acquire additional machineries and equipment	39,996	39,996	–
2	Strengthen the Group's manpower	14,000	11,686	2,314
3	Secure more contracts the Group intends to tender	10,000	–	10,000
4	General working capital	6,554	6,554	–
		<u>70,550</u>	<u>58,236</u>	<u>12,314</u>

As at the date of this announcement, the unutilised proceeds were placed in interest-bearing deposits with authorised financial institutions or licensed banks in Hong Kong. The Group will gradually apply the remaining Net Proceeds in the manner set out in the Company's Prospectus depending on actual business needs.

The Directors regularly evaluate 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 30 September 2020, the Group employed a total of 141 employees (including executive Directors and independent non-executive Directors), as compared to a total of 127 employees as at 31 March 2020. Total staff costs which include Directors' emoluments for the Relevant Period were approximately HK\$32.7 million (six months ended 30 September 2019: approximately HK\$30.4 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 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 staff.

INTERIM DIVIDEND

The Board has resolved not to recommend the declaration of interim dividend to shareholders of the Company for the Relevant Period (2019: Nil).

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 30 September 2020.

COMPETING INTERESTS

As at 30 September 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.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold 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 has maintained a sufficient amount of public float for its Shares as required under the Listing Rules for the Relevant Period.

EVENTS AFTER THE RELEVANT PERIOD

There have been no material subsequent events after the Relevant Period and up to the date of this announcement.

AUDIT COMMITTEE

The Company established the audit committee (the “**Audit Committee**”) on 14 May 2018 with written terms of reference in compliance with Rule 3.22 of the Listing Rules and the provisions of the CG Code. The primary duties of the Audit Committee include, among others, (a) making recommendations to the Board on the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor; (b) reviewing our financial statements, our annual report and accounts and our half-year report and significant financial reporting judgments contained therein; and (c) reviewing our financial controls, internal control and risk management systems. The Audit Committee comprises three 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.

REVIEW OF FINANCIAL INFORMATION

The Group’s interim results for the Relevant Period have been reviewed by the Audit Committee of the Company, 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.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim 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 interim 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, 30 November 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.