



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

Interim Report
2020

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chan Siu Cheong
(Chairman and Chief Executive Officer)
Mr. Sin Ka Pong

Independent Non-executive Directors

Mr. Ho Chi Wai
Mr. Cheung Kwok Yan Wilfred
Mr. Lau Leong Ho

AUDIT COMMITTEE

Mr. Ho Chi Wai *(Chairman)*
Mr. Lau Leong Ho
Mr. Cheung Kwok Yan Wilfred

NOMINATION COMMITTEE

Mr. Chan Siu Cheong *(Chairman)*
Mr. Lau Leong Ho
Mr. Ho Chi Wai

REMUNERATION COMMITTEE

Mr. Cheung Kwok Yan Wilfred *(Chairman)*
Mr. Sin Ka Pong
Mr. Lau Leong Ho

COMPANY SECRETARY

Mr. Woo Yuen Ping

AUTHORISED REPRESENTATIVES

Mr. Sin Ka Pong
Mr. Woo Yuen Ping

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 903–905, 9/F
The Octagon
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New Territories, Hong Kong

REGISTERED OFFICE

Clifton House
75 Fort Street, P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Clifton House
75 Fort Street, P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANK

The Hongkong and Shanghai Banking Corporation Limited

AUDITOR

Grant Thornton Hong Kong Limited
Level 12
28 Hennessy Road
Wanchai, Hong Kong

LEGAL ADVISER AS TO HONG KONG LAW

Guantao & Chow Solicitors and Notaries
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WEBSITE

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STOCK CODE

1757

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 for the six months ended 30 September 2020 (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 Government of the Hong Kong Special Administrative Region (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.



MANAGEMENT DISCUSSION AND ANALYSIS

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 was primarily 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 Employment Support Scheme ("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 expected credit loss 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.



MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 Prospectus.

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

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

As at the date of this report, 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 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.



MANAGEMENT DISCUSSION AND ANALYSIS

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 (six months ended 30 September 2019: Nil).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

	Notes	Six months ended 30 September	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue	5	113,424	100,880
Direct costs		(110,733)	(92,229)
Gross profit		2,691	8,651
Other income	6	2,301	551
Administrative expenses		(10,190)	(19,821)
Finance costs	7	(903)	(877)
Loss before income tax	8	(6,101)	(11,496)
Income tax (expense)/credit	9	(602)	1,432
Loss and total comprehensive expenses for the period attributable to equity holders of the Company		(6,703)	(10,064)
Loss per share attributable to equity holders of the Company		HK cents	HK cents
Basic and diluted	11	(0.56)	(0.84)

The notes on pages 13 to 28 are an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	Notes	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	12	27,467	22,452
Right-of-use assets	13	6,539	8,204
		34,006	30,656
Current assets			
Trade and other receivables	14	41,429	36,395
Contract assets	15	110,571	109,159
Tax recoverable		–	2,224
Cash and bank balances	16	15,868	7,357
		167,868	155,135
Current liabilities			
Trade and other payables	17	74,794	54,693
Amount due to a director	18	116	–
Bank borrowings	19	37,994	38,942
Lease liabilities	20	4,210	5,039
Deferred government grants	21	2,316	–
Contract liabilities	15	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	19	373	1,511
Lease liabilities	20	–	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

Chan Siu Cheong
Director

Sin Ka Pong
Director

The notes on pages 13 to 28 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	(Accumulated losses)/ Retained earnings HK\$'000	Total HK\$'000
Balance at 1 April 2019 (audited)	12,000	77,625	301	13,000	102,926
Loss and total comprehensive expenses for the period	–	–	–	(10,064)	(10,064)
Balance at 30 September 2019 (unaudited)	12,000	77,625	301	2,936	92,862
Balance at 1 April 2020 (audited)	12,000	77,625	301	(12,746)	77,180
Loss and total comprehensive expenses for the period	–	–	–	(6,703)	(6,703)
Balance at 30 September 2020 (unaudited)	12,000	77,625	301	(19,449)	70,477

The notes on pages 13 to 28 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Cash flows from operating activities		
Cash from operations	15,806	264
Income tax refund/(paid)	2,224	(556)
<i>Net cash generated from/(used in) operating activities</i>	18,030	(292)
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,589)	(4,968)
Proceeds from disposal of property, plant and equipment	2	550
<i>Net cash used in investing activities</i>	(5,587)	(4,418)
Cash flows from financing activities		
Proceeds from borrowings	12,500	57,578
Repayment of borrowings	(14,586)	(40,777)
Repayment of lease liabilities	(1,059)	(2,468)
Repayment of interest paid in lease liabilities	(79)	(160)
Interest paid	(824)	(706)
Increase in pledged bank deposit	–	(1,500)
Increase in amount due to a director	116	–
<i>Net cash (used in)/from financing activities</i>	(3,932)	11,967
Net increase in cash and cash equivalents	8,511	7,257
Cash and cash equivalents at the beginning of period	5,857	23,789
Cash and cash equivalents at end of period (Note 16)	14,368	31,046

The notes on pages 13 to 28 are an integral part of these condensed consolidated interim financial statements.

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
Amendments to HKFRS 9, HKAS 39 and HKFRS 7
Amendments to HKAS 1 and HKAS 8

Definition of a Business
Interest Rate Benchmark Reform
Definition of Material



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

3. SIGNIFICANT AND SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.1 Adoption of new and amended HKFRSs (CONTINUED)

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 grants 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The resulting accounting estimates will, by definition, seldom equal the related actual results.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements of the Group for the year ended 31 March 2020.

5. 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 HK\$'000 (unaudited)	2019 HK\$'000 (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 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Customer A	84,667	67,427
Customer B	18,801	20,586

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

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

6. OTHER INCOME

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

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.

7. FINANCE COSTS

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

8. 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) (note (i))		
– Salaries, wages and other benefits	31,761	29,528
– Contributions to defined contribution retirement plans	946	919
	32,707	30,447
(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
	5,892	5,267
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
	32,707	30,447

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

9. 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 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Provision for Hong Kong Profits Tax		
– Current tax	–	–
Deferred tax	602	(1,432)
Total income tax expense/(credit)	602	(1,432)

10. 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).

11. 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 (unaudited)	2019 (unaudited)
Loss		
Loss for the period attributable to equity holders of the Company (in HK\$'000)	(6,703)	(10,064)
Number of shares		
Weighted average number of ordinary shares	1,200,000,000	1,200,000,000
Basic loss per share (in HK cents)	(0.56)	(0.84)

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

11. LOSS PER SHARE (CONTINUED)

(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.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2020, the Group acquired approximately HK\$9,242,000 (six months ended 30 September 2019: HK\$7,679,000) of property, plant and equipment.

During the six months ended 30 September 2020, the Group disposed property, plant and equipment with net carrying amount of approximately HK\$nil (six months ended 30 September 2019: HK\$201,000), resulting in a net gain on disposal of approximately HK\$2,000 (six months ended 30 September 2019: HK\$349,000).

As at 30 September 2020, the Group's plant and machinery of HK\$6,166,000 (31 March 2020: HK\$7,021,000) are pledged under bank borrowings (Note 19).

13. RIGHT-OF-USE ASSETS

During the six months ended 30 September 2020, the Group incurred nil (six months ended 30 September 2019: HK\$3,072,000) on the addition of right-of-use asset. The lease runs for an initial period of two years. No contingent rentals included.

As at 30 September 2020, the carrying amount of the Group's right-of-use assets in relation to "office premise", "warehouse" and "machinery" are HK\$255,000 (31 March 2020: HK\$473,000), HK\$733,000 (31 March 2020: HK\$1,282,000) and HK\$5,551,000 (31 March 2020: HK\$6,449,000) respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

14. TRADE AND OTHER RECEIVABLES

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

The directors of the Group consider that the fair values of trade and other receivables are not materially different from their carrying amounts, because their balances have short maturity periods on their inception.

As at 30 September 2020, no other receivables (31 March 2020: HK\$2,479,000) was related party balance due from Kam Lung Transport Co., which is a sole proprietorship established by Mr. Tsang Leung Lung, who is also the brother-in-law of Mr. Chan.

Trade receivables

The Group usually provide customers with a credit term of 30 to 45 days. For the settlement of trade receivables from provision of construction services, the Group usually reaches an agreement on the term of each payment with the customer by taking into account of factors such as, among other things, the credit history of the customer, its liquidity position and the Group's working capital needs, which varies on a case-by-case basis that requires the judgment and experience of the management.

As part of the Group's credit risk management, the Group uses debtors' ageing to assess the ECL allowance for its customers because these customers consists of a large number of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

ECL for trade and other receivables

The loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

ECL for trade and other receivables (CONTINUED)

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

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

The movements in the ECL allowance of trade receivables are as follows:

	Six months ended 30 September	
	2020 HK\$'000	2019 HK\$'000
At the beginning of the period (audited)	771	–
ECL allowance recognised during the period	–	39
At the end of the period (unaudited)	771	39

The movements in the ECL allowance of other receivables are as follows:

	Six months ended 30 September	
	2020 HK\$'000	2019 HK\$'000
At the beginning of the period (audited)	858	–
ECL allowance recognised during the period	423	49
At the end of the period (unaudited)	1,281	49

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

15. CONTRACT ASSETS AND/CONTRACT LIABILITIES

15.1 Contract assets

	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Unbilled revenue (Note (a))	78,434	81,887
Retention receivables (Note (b))	48,508	43,219
Less: ECL allowance (Note (c))	(16,371)	(15,947)
	110,571	109,159

Notes:

(a) Unbilled revenue

Unbilled revenue represents the Group's right to receive consideration for work completed and not yet billed because the rights are conditional upon the satisfaction by the customers on the construction work completed by the Group and the work is pending for the certification by the customers. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed construction work from the customers.

(b) Retention receivables

Retention receivables included in contract assets represents the Group's right to consideration for work performed and not yet billed because the rights are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed by the Group.

(c) ECL allowance

The Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

The movements in the ECL allowance of contract assets are as follows:

	Six months ended 30 September	
	2020 HK\$'000	2019 HK\$'000
At the beginning of the period (audited)	15,947	1,727
ECL allowance recognised during the period	424	8,792
ECL allowance reversed during the period	-	(3)
At the end of the period (unaudited)	16,371	10,516

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

15. CONTRACT ASSETS AND/CONTRACT LIABILITIES (CONTINUED)

15.1 Contract assets (CONTINUED)

As at 30 September 2020, the gross amount of contract assets are expected to be recovered within one year is HK\$87,650,000 (31 March 2020: HK\$92,969,000), whereas amounts expected to be recovered over one year is HK\$39,292,000 (31 March 2020: HK\$32,137,000). The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

During the six months ended 30 September 2020, transfers from contract assets recognised at the beginning of the year to receivables are HK\$20,532,000 (six months ended 30 September 2019: HK\$17,665,000).

15.2 Contract liabilities

	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Contract liabilities arising from construction contracts from billings in advance of performance	5,513	2,717

All of the contract liabilities is expected to be recovered/settled within one year.

Contract liabilities outstanding at the beginning of the year amounting to HK\$200,000 (2019: HK\$1,573,000) have been recognised as revenue during the period.

Unsatisfied long-term construction contracts

The transaction price allocated to the remaining unsatisfied or partially satisfied performance obligations as at 30 September 2020 are as follows:

	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Within one year	254,656	265,407

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

16. CASH AND BANK BALANCES

	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Pledged bank deposit	1,500	1,500
Cash at banks	14,368	5,857
Cash and bank balance	15,868	7,357
Less: Pledged bank deposit	(1,500)	(1,500)
Cash and cash equivalents	14,368	5,857

As at 30 September 2020, the pledged bank deposit were pledged to secure the bank borrowings as disclosed in note 19, these deposit earn interest at floating rate of 0.01% to 0.10% per annum (for the six months ended 30 September 2019: 0.25% per annum).

17. TRADE AND OTHER PAYABLES

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

Notes:

(a) (i) The Group is usually granted by suppliers with a credit term of 30 days.

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

	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (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
	37,102	24,091

(ii) As at 30 September 2020, included in other payables of HK\$1,041,000 (31 March 2020: HK\$nil) was related party balance: Kam Lung Transport Co., which is a sole proprietorship established by Mr. Tsang Leung Lung, who is also the brother-in-law of Mr. Chan.

(b) (i) All amounts are short-term and hence, the carrying values of the Group's trade payables and accruals and other payables are considered to be a reasonable approximation of fair value. As at 30 September 2020, included in trade and other payables of HK\$11,202,000 (31 March 2020: HK\$12,788,000) were expected to be repayable over one year. The Group classifies as current because the Group expects to realise them in its normal operating cycle.

(ii) As at 30 September 2020, included in other payables of HK\$6,616,000 (31 March 2020: HK\$2,963,000) was related to the purchase of property, plant and equipment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

18. AMOUNT DUE TO A DIRECTOR

Particulars of amount due to a director as follows:

	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Mr. Chan	116	–

The amount due to a director is non-trade in nature. The amount due is unsecured, non-interest bearing and repayable on demand.

19. BANK BORROWINGS

The secured bank loans were repayable as follows:

	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Carrying amount repayable (<i>Note (e)</i>)		
Within one year	37,994	38,362
In the second year	373	2,091
	38,367	40,453
Less: Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities) (<i>Note (d)</i>)	–	(580)
Carrying amount of bank loans repayable within one year	(37,994)	(38,362)
	(37,994)	(38,942)
Non-current liabilities	373	1,511

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

19. BANK BORROWINGS (CONTINUED)

- (a) As at 30 September 2020, the bank loans are interest-bearing at 2.75% to 5.00% (31 March 2020: 2.63% to 5.13 %) per annum.
- (b) As at 30 September 2020, the banking facilities of the Group, of which HK\$38,367,000 (31 March 2020: HK\$40,453,000) were utilised for bank borrowings, and HK\$nil (31 March 2020: HK\$2,403,000) were utilised for surety bonds given by a bank in favour of a customer of the Group, were secured by:
- (1) Life insurance;
 - (2) Blanket counter indemnity granted by the Group;
 - (3) Unlimited corporate guarantee from the Company;
 - (4) Pledged bank deposit (Note 16);
 - (5) All monies legal charge over the property with Mr. Chan as the mortgagor;
 - (6) Pledged of plant and machinery with carrying amount of HK\$6,166,000 as of 30 September 2020 (31 March 2020: HK\$7,021,000) (Note 12).
- (c) The surety bonds were given as security for the due performance and observance of the Group's obligation under the contracts entered into between the Group and the customer. If the Group fails to provide the satisfactory performance to the customer to whom surety bonds have been given, such customer may demand the bank to pay to it the sum or sums stipulated in such demand. The Group will then become liable to compensate such bank accordingly. During the six months ended 30 September 2020, the surety bonds have been released upon completion of the contract work.
- (d) Bank loans contain a repayment on demand clause and are therefore classified as current liabilities. None of the portion of bank loans due from repayment after one year is expected to be settled within one year.
- (e) The amounts are based on the scheduled repayment dates set out in the loan agreements.

20. LEASE LIABILITIES

The analysis of the Group's lease liabilities is as follows:

	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Total minimum lease payments:		
Due within one year	4,264	5,172
Due in the second to fifth year	–	230
Future finance charges	4,264 (54)	5,402 (133)
Present value of lease obligations	4,210	5,269

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

20. LEASE LIABILITIES (CONTINUED)

	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Present value of minimum lease payment:		
Due within one year	4,210	5,039
Due in the second to fifth year	–	230
	4,210	5,269
Less: Portion due within one year included under current liabilities	(4,210)	(5,039)
Portion due after one year included under non-current liabilities	–	230

The Group has entered into finance lease for plant and machinery. These lease periods are for one to two years. At the end of the lease term, the Group has the option to purchase the leased assets at a price that is expected to be sufficiently lower than the fair value of the leased asset at the end of the lease. None of the leases including contingent rentals. The effective interest rate on these finance leases was 2.25% to 4.29% for the six months ended 30 September 2020 (six months ended 30 September 2019: 4.26% to 4.29%).

Lease liabilities are effectively secured by the underlying assets at the rights to the leased assets would be converted to the lessor in the event of default by repayment by the Group.

During the six months ended 30 September 2020, the total cash outflows for the leases are HK\$1,279,000 (six months ended 30 September 2019: HK\$2,628,000).

At 30 September 2020, the Group had committed to leases for a warehouse which had not commenced. The total future cash outflows for leases that had not yet commenced were HK\$1,196,000 (31 March 2020: HK\$nil).

21. DEFERRED GOVERNMENT GRANTS

	As at 30 September 2020 HK\$'000 (unaudited)	As at 31 March 2020 HK\$'000 (audited)
Receipt in advance of Government grants	2,316	–

Balance represents the receipt in advance of government grants from the ESS under the COVID-19 Anti-epidemic Fund launched by the HKSAR.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

22. RELATED PARTY TRANSACTIONS

In addition to the balances and transactions detailed elsewhere in the condensed consolidated interim financial statements, the Group had the following related party transactions during the six months ended 30 September 2020 and 2019.

(a) Key management personnel remuneration

The emoluments of the directors and senior management of the Company, who represent the key management personnel during the six months ended 30 September 2020 and 2019 are as follows:

	Six months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Salaries, fee and allowances	2,661	2,290
Retirement benefit scheme contributions	40	44
	2,701	2,334

(b) Material related party transactions

Name of related party	Nature	Six months ended 30 September	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Kam Lung Transport Co. (Note (a))	Transportation expense for construction waste disposal	4,348	1,935
Ms. Chan Sze Nga (Note (b))	Salary and allowances	420	420
Ms. Chan Mei Po (Note (c))	Salary and allowances	270	270
Mr. Tsang Ue Sum (Note (d))	Salary and allowances	168	168
Ms. Chan Mei Lei (Note (e))	Salary and allowances	178	195

Notes:

- (a) Kam Lung Transport Co. is a sole proprietorship established by Mr. Tsang Leung Lung, who is also the brother-in-law of Mr. Chan. These related party transactions constitute continuing connected transactions under the Listing Rules.
- (b) Ms. Chan Sze Nga is the daughter of Mr. Chan and the niece of Mr. Tsang Leung Lung.
- (c) Ms. Chan Mei Po is the niece of Mr. Chan.
- (d) Mr. Tsang Ue Sum is the nephew of Mr. Chan and the son of Mr. Tsang Leung Lung.
- (e) Ms. Chan Mei Lei is the niece of Mr. Chan.

23. CONTINGENT LIABILITIES

As at 30 September 2020 and 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 30 September 2020 and during the six months ended 30 September 2020.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2020, interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or to be recorded in the register required to be kept pursuant to section 352 of the SFO, or to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Listing Rules, were as follows:

(i) Long position in the Shares

Name of Director	Capacity/ Nature of interest	Number of Shares held/interested in	Approximate percentage of shareholding
Mr. Chan Siu Cheong ("Mr. Chan") (Note)	Interest in a controlled corporation	900,000,000	75%

Note: Oriental Castle Group Limited ("Oriental Castle") is beneficially owned as to 90% by Mr. Chan and 10% by Ms. Chu Wai Ling ("Ms. Chu"). By virtue of the SFO, Mr. Chan is deemed to be interested in the Shares held by Oriental Castle. Ms. Chu is the spouse of Mr. Chan. Accordingly, Ms. Chu is deemed or taken to be interested in the Shares Mr. Chan is interested in under the SFO.

(ii) Long position in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Number of share(s) held/ interested in	Approximate percentage of shareholding
Mr. Chan (Note)	Oriental Castle	Beneficial owner	90	90%

Note: Oriental Castle is the direct shareholder of the Company and is an associated corporation within the meaning of Part XV of the SFO.

Other than as disclosed above, as at 30 September 2020, none of the Directors nor chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or to be recorded in the register required to be kept under section 352 of the SFO, or to be notified to the Company and the Stock Exchange under the Model Code.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 30 September 2020, so far as it is known by or otherwise notified by any Director or the chief executive of the Company, the following persons/entities (other than a Director or chief executive of the Company) who had or were deemed or taken to have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept under section 336 of the SFO were as follows:

Long position in the Company:

Name	Capacity/Nature of interest	Number of Shares held/interested in	Approximate percentage of shareholding
Oriental Castle	Beneficial Owner (Note 1)	900,000,000	75%
Ms. Chu	Interest of a spouse (Note 2)	900,000,000	75%

Notes:

1. Oriental Castle is the direct shareholder of the Company. Oriental Castle is beneficially owned as to 90% by Mr. Chan and 10% by Ms. Chu. By virtue of the SFO, Mr. Chan is deemed to be interested in all the Shares held by Oriental Castle.
2. Ms. Chu is the spouse of Mr. Chan. Accordingly, Ms. Chu is deemed or taken to be interested in the Shares Mr. Chan is interested in under the SFO.

Save as disclosed above, as at 30 September 2020, the Directors are not aware of any other corporation or individual (other than a Director or the chief executive of the Company) who had, or were deemed or taken to have, any interests or short positions in any Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept under section 336 of the SFO.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company adopted the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules. During the six months ended 30 September 2020, the Company complied with the CG Code with the exception of code provision A.2.1 of the CG Code.

According to code provision A.2.1 of the CG Code, the role of the chairman and the chief executive officer of the Company should be separate and should not be performed by the same individual. Since the Listing Date and up to the date of this report, the role of the chairman and the chief executive officer of the Company are both performed by Mr. Chan. 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 work, the Board believes that it is more effective and efficient overall business planning and implementation of business decisions and strategies of the Group and in the best interests of the Group if Mr. Chan takes up the dual roles of chairman and chief executive officer of the Company. Therefore, the Board considers that the deviation from code provision A.2.1 of the CG Code is appropriate in such circumstance and that there are sufficient checks and balances in place by the operations of the Board, which comprises experienced and high calibre individuals and adequate independent element in the composition of the Board.

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE (CONTINUED)

The Board will continue to review and consider splitting the roles of chairman and chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole. The Directors are aware that the Company is expected to comply with the CG Code. Any deviation from the CG Code should be carefully considered and disclosed in the interim and annual report. Save as disclosed above, the Company will continue to comply with the CG Code to protect the best interests of the shareholders of the Company.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted 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.



CORPORATE GOVERNANCE AND OTHER INFORMATION

EVENTS AFTER THE RELEVANT PERIOD

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

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 are unaudited but have been reviewed and approved 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.

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

Hong Kong, 30 November 2020

As at the date of this report, the Board comprises two executive Directors, namely Mr. Chan Siu Cheong and Mr. Sin Ka Pong, and three independent non-executive Directors, namely Mr. Ho Chi Wai, Mr. Cheung Kwok Yan Wilfred and Mr. Lau Leong Ho.