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Affluent Foundation Holdings Limited **俊裕地基集團有限公司**

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1757)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2021

The board (“**Board**”) of directors (the “**Directors**”) of Affluent Foundation Holdings Limited (the “**Company**”) is pleased to announce the consolidated financial statements of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 March 2021 (the “**Relevant Period**”) as follows:

FINANCIAL HIGHLIGHTS

1. Revenue was approximately HK\$446.8 million for the Relevant Period, representing an increase of approximately 109.7% as compared with the same for the year ended 31 March 2020.
2. Gross profit was approximately HK\$8.9 million for the Relevant Period, whereas gross profit was approximately HK\$16.0 million for the year ended 31 March 2020.
3. Profit and total comprehensive income attributable to equity holders of the Company was approximately HK\$0.7 million for the Relevant Period. Loss and total comprehensive expenses attributable to equity holders of the Company was approximately HK\$25.7 million for the year ended 31 March 2020.
4. Basic earnings per share amounted to approximately HK0.05 cents for the Relevant Period (2020: basic loss per share approximately HK2.15 cents).
5. The Board did not recommend the payment of final dividend for the Relevant Period (2020: nil).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	3	446,846	213,121
Direct costs		<u>(437,990)</u>	<u>(197,088)</u>
Gross profit		8,856	16,033
Other income	4	5,526	3,369
Administrative expenses		(21,635)	(24,495)
Reversal/(Provision) of expected credit loss, net		10,505	(15,849)
Finance costs	5	<u>(1,866)</u>	<u>(1,972)</u>
Profit/(Loss) before income tax	6	1,386	(22,914)
Income tax expense	7	<u>(734)</u>	<u>(2,832)</u>
Profit/(Loss) and total comprehensive income/(expenses) for the year attributable to equity holders of the Company		<u>652</u>	<u>(25,746)</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings/(Loss) per share attributable to equity holders of the Company			
Basic and diluted	9	<u>0.05</u>	<u>(2.15)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		34,040	22,452
Right-of-use assets		1,075	8,204
		<u>35,115</u>	<u>30,656</u>
Current assets			
Trade and other receivables	10	24,140	36,395
Contract assets		134,186	109,159
Tax recoverable		–	2,224
Cash and bank balances		8,527	7,357
		<u>166,853</u>	<u>155,135</u>
Current liabilities			
Trade and other payables	11	81,669	54,693
Bank overdrafts		1,061	–
Bank borrowings		33,671	38,942
Lease liabilities		823	5,039
Contract liabilities		391	2,717
Tax payable		1,789	1,789
		<u>119,404</u>	<u>103,180</u>
Net current assets		<u>47,449</u>	<u>51,955</u>
Total assets less current liabilities		<u>82,564</u>	<u>82,611</u>
Non-current liabilities			
Bank borrowings		–	1,511
Lease liabilities		308	230
Deferred tax liabilities		4,424	3,690
		<u>4,732</u>	<u>5,431</u>
Net assets		<u>77,832</u>	<u>77,180</u>
EQUITY			
Share capital		12,000	12,000
Reserves		65,832	65,180
Equity attributable to equity holders of the Company		<u>77,832</u>	<u>77,180</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

1. GENERAL INFORMATION AND BASIS OF PREPARATION

1.1 General information

Affluent Foundation Holdings Limited (the “**Company**”) was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands on 2 June 2017. The address of the Company’s registered office is Windward 3, Regatta Office Park, 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.

As at 31 March 2021 and 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 of the Company.

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

1.2 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standard (“**HKFRSs**”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the accounting principles generally accepted in Hong Kong. The consolidated financial statements also comply with applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”).

The consolidated financial statements have been prepared under the historical cost basis. The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**” or “**HKD**”), and all values are rounded to the nearest thousand (HK\$’000), except where otherwise indicated.

2. ADOPTION OF NEW AND AMENDED HKFRSs

2.1 Amended HKFRSs that are effective for annual periods beginning on or after 1 April 2020

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group’s operations and effective for the Group’s consolidated financial statements for the annual period beginning on 1 April 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 the amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

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 consolidated financial statements.

2.2 Issued but not yet effective HKFRSs

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

HKFRS 17	Insurance Contract and related amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁵
Amendments to HKFRS 9 and HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reforms – Phase 2 ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 16	Covid-19-Related Rent Concessions ⁶
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ⁷
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018–2020 ²
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination ⁵

- ¹ Effective for annual periods beginning on or after 1 January 2021
- ² Effective for annual periods beginning on or after 1 January 2022
- ³ Effective for annual periods beginning on or after 1 January 2023
- ⁴ Effective date not yet been determined
- ⁵ Effective for business combinations/common control combination for which the acquisition date/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022
- ⁶ Effective for annual periods beginning on or after 1 June 2020
- ⁷ Effective for annual periods beginning on or after 1 April 2021

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

Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"

The amendments to HKAS 1 require entities to disclose material accounting policy information instead of significant accounting policies in its financial statements. The amendments also provide some guidance on how material policy information are being identified and provide some examples of when accounting policy information is likely to be material.

In March 2021, HKICPA issued HKFRS Practice Statement 2 "Making Materiality Judgements" to provide entities with non-mandatory guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with HKFRS. HKFRS Practice Statement 2 was subsequently revised to provide guidance and examples on how to apply the concept of materiality to accounting policy disclosures.

The amendments to HKAS 1 are effective for annual reporting period beginning on or after 1 January 2023 and are applied prospectively. Earlier application is permitted. Except for the disclosures of accounting policies in note 2 may need to be revised to cope with the above changes, the directors expect that the amendments have no other material impact on the consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

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

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

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

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	295,006	139,918
Customer B	59,282	41,440
Customer C	52,449	N/A*
	<u> </u>	<u> </u>

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

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
By types of projects:		
Private sector projects	320,495	161,918
Public sector projects	126,351	51,203
	<u> </u>	<u> </u>
	<u>446,846</u>	<u>213,121</u>

Performance obligations satisfied in previous periods

The following table includes revenue recognised in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Performance obligations satisfied in previous periods	<u>45,839</u>	<u>11,009</u>

4. OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Gain on disposal of property, plant and equipment	278	564
Government grants (<i>note (a)</i>)	4,617	–
Income from sales of construction wastes	556	2,283
Bank interest income	–	6
Sundry income	75	516
	<u> </u>	<u> </u>
	<u>5,526</u>	<u>3,369</u>

Note:

- (a) Being the grants received from the Employment Support Scheme (“ESS”) under the COVID-19 Anti-epidemic Fund, ESS for the Construction Sector (Casual Employees) under the COVID-19 Anti-epidemic Fund and other subsidy schemes launched by the Government of the Hong Kong Special Administrative Region (the “**Hong Kong Government**”). There were neither unfulfilled conditions nor other contingencies attached to the receipts of those grants.

5. FINANCE COSTS

	2021 HK\$'000	2020 HK\$'000
Bank loans interest wholly repayable within five years	1,714	1,655
Finance charge on lease liabilities	152	317
	<u>1,866</u>	<u>1,972</u>

6. PROFIT/(LOSS) BEFORE INCOME TAX

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

	2021 HK\$'000	2020 HK\$'000
(a) Staff costs (including directors' emoluments) (<i>note (i)</i>)		
– Salaries, wages and other benefits	71,002	63,480
– Contributions to defined contribution retirement plans	1,992	1,847
	<u>72,994</u>	<u>65,327</u>
(b) Other items		
Depreciation, included in:		
Direct costs		
– Owned assets	8,185	6,518
– Right-of-use assets	3,123	2,712
Administrative expenses		
– Owned assets	843	1,437
– Right-of-use assets	436	401
	<u>12,587</u>	<u>11,068</u>
Subcontracting charges (included in direct costs)	108,008	51,602
Auditor's remuneration	903	893
Services charged paid for machinery	4,597	593
Short term leases and leases with lease term shorter than 12 months as at initial application of HKFRS 16 as at 1 April 2019	221	349
Net (reversal)/provision of expected credit losses ("ECL") allowance on:		
– Trade and other receivables	42	1,629
– Contract assets	(10,547)	14,220
	<u>108,008</u>	<u>51,602</u>

Note:

(i) Staff costs (including directors' emoluments)		
	2021 HK\$'000	2020 HK\$'000
Direct costs	60,973	52,898
Administrative expenses	12,021	12,429
	<u>72,994</u>	<u>65,327</u>

7. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Provision for Hong Kong Profits Tax		
– Current tax	–	–
– Under-provision in the prior years	–	1,665
	<u>–</u>	<u>1,665</u>
Deferred tax	734	1,167
	<u>734</u>	<u>1,167</u>
Income tax expense	<u>734</u>	<u>2,832</u>

8. DIVIDENDS

The Board did not recommend the payment of final dividend for the year ended 31 March 2021 (2020: nil).

9. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

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

	2021	2020
Earnings/(Loss)		
Earnings/(Loss) for the year attributable to equity holders of the Company (<i>in HK\$'000</i>)	<u>652</u>	<u>(25,746)</u>
Number of shares		
Weighted average number of ordinary shares	<u>1,200,000,000</u>	<u>1,200,000,000</u>
Basic earnings/(loss) per share (<i>in HK cents</i>)	<u>0.05</u>	<u>(2.15)</u>

(b) Diluted earnings/(loss) per share

There were no dilutive potential ordinary shares outstanding during the years ended 31 March 2021 and 2020 and therefore, diluted earnings/(loss) per share equals to basic earnings/(loss) per share.

10. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	3,919	9,556
Less: ECL allowance	(787)	(771)
	<u>3,132</u>	<u>8,785</u>
Other receivables and prepayments	2,625	4,909
Paid in advance to sub-contractors	12,403	17,024
Occupational injury receivables	5,417	5,323
Utility and other deposits	1,447	1,212
Less: ECL allowance	(884)	(858)
	<u>21,008</u>	<u>27,610</u>
	<u>24,140</u>	<u>36,395</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 30 days	1,671	5,700
31 – 60 days	273	1,935
61 – 90 days	600	–
Over 90 days	1,375	1,921
	<u>3,919</u>	<u>9,556</u>

11. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	41,681	24,091
Retention payables	19,265	15,407
Accruals and other payables	20,723	15,195
	<u>81,669</u>	<u>54,693</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 30 days	15,042	2,238
31 – 60 days	5,105	3,098
61 – 90 days	3,513	1,070
Over 90 days	18,021	17,685
	<u>41,681</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 is also engaged in leasing of machineries to other construction companies.

The Group reported net profit of approximately HK\$652,000 during the Relevant Period, comparing to the net loss of approximately HK\$25,746,000 for the corresponding period was mainly attributable to:

1. Recognition of a net reversal of ECL of approximately HK\$10,505,000 due to the repayment recovered from customers whereas approximately HK\$15,849,000 ECL provision was recorded in last year; and
2. Receipt of grants from ESS under COVID-19 Anti-epidemic Fund launched by the Hong Kong Government of approximately HK\$4,617,000.

The Group has unrecognised contract sum of more than HK\$631.5 million on hand as at 31 March 2021. The Board is cautiously optimistic and believes the Group's financial performance could keep stable and even make a greater profit in future years.

FINANCIAL REVIEW

During the Relevant Period, the Group had been awarded 6 new contracts, with an aggregate original contract sum of approximately HK\$470.5 million and had completed 19 projects with an aggregate original contract sum of approximately HK\$147.6 million.

As at 31 March 2021, the Group had 17 projects on hand (including projects in progress) with a total original contract sum of approximately HK\$1.3 billion.

Revenue

The revenue from foundation works of the Group for the Relevant Period amounted to approximately HK\$446.8 million, representing an increase of approximately HK\$233.7 million or 109.7% as compared to approximately HK\$213.1 million for the year ended 31 March 2020. The increase was primarily due to certain 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\$8.9 million, representing a decrease of approximately HK\$7.2 million, or 44.8%, compared to approximately HK\$16.0 million for the year ended 31 March 2020. The decrease in gross profit was primarily due to the reasons:

- (a) substantial loss being incurred in some of the project works and variation orders of the completed projects; and
- (b) the fierce 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\$5.5 million, representing an increase of approximately HK\$2.2 million or 64.0% as compared to approximately HK\$3.4 million for the year ended 31 March 2020. 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\$21.6 million, representing a decrease of approximately HK\$2.9 million or 11.7% as compared to approximately HK\$24.5 million for the year ended 31 March 2020. The decrease was primarily due to the decrease of legal and professional fee during the Relevant Period.

Reversal/(Provision) of expected credit loss, net

During the Relevant Period, the reversal of ECL increased due to the amount of approximately HK\$10,505,000 repayment recovered during the Relevant Period.

Finance costs

The finance costs of the Group for the Relevant Period amounted to approximately HK\$1.9 million, representing a decrease of approximately HK\$0.1 million or 5.4% as compared to approximately HK\$2.0 million for the year ended 31 March 2020. The decrease was primarily due to the repayment of bank borrowings for operation fund during the Relevant Period.

Profit and total comprehensive income attributable to equity holders of the Company

The Group reported profit and total comprehensive income attributable to equity holders of the Company of approximately HK\$0.7 million for the Relevant Period as compared to a loss of approximately HK\$25.7 million for the year ended 31 March 2020. The reasons for the improvement were mainly attributable to the reasons discussed in the paragraph headed “Business review and outlook” above.

LIQUIDITY, FINANCIAL POSITION AND CAPITAL STRUCTURE

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

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

As at 31 March 2021, the Group had a total cash and cash equivalents of approximately HK\$6.0 million (2020: approximately HK\$5.9 million). The amounts of cash and cash equivalents had been remained steady throughout the Relevant Period.

As at 31 March 2021, the gearing ratio of the Group, calculated by the total debts (defined as the sum of the lease liabilities, bank borrowings and bank overdrafts) divided by the total equity was approximately 46.1% (2020: approximately 59.2%). The decrease was primarily due to the decrease in bank borrowings for operation fund and lease liabilities during the Relevant Period.

TREASURY POLICY

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

PLEDGE OF ASSETS

As at 31 March 2021, the Group’s property, plant and equipment with an aggregate carrying amount of approximately HK\$5.3 million (2020: approximately HK\$7.0 million) were pledged under bank borrowings.

EXPOSURE TO FOREIGN EXCHANGE RATE RISKS

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

CAPITAL EXPENDITURE

During the Relevant Period, the Group invested approximately HK\$16.0 million on the acquisition of plant and equipment, motor vehicles and computer equipment. Capital expenditure was principally funded by internal resources and proceeds received from the listing.

CAPITAL COMMITMENTS

As at 31 March 2021, the Group has capital commitment in respect of acquisition of property, plant and equipment approximately HK\$573,000 (2020: Nil).

CONTINGENT LIABILITIES

As at 31 March 2021, the Group has been involved in a number of claims, litigations and potential claims against the Group, as a subcontractor, in relation to work-related injuries and non-compliances. The potential claims and litigations against the Group are insured by main contractor's insurance policy. The Directors are of the opinion that the claims and litigations are not expected to have a material impact on the consolidated financial statements, and the outcome for potential claims is uncertain. Accordingly, no provision has been made as at 31 March 2021 and during the Relevant Period.

EVENTS AFTER THE REPORTING PERIOD

There is no significant events occurred subsequent to 31 March 2021 and up to the date of this results announcement.

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.

FUTURE PLANS AND USE OF PROCEEDS

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 and in the supplemental announcement in relation to the 2019 annual report and the 2020 annual report dated 21 August 2020. As at 31 March 2021, the Group had used up approximately HK\$60.6 million of the Net Proceeds.

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

	Planned	Actual use of Net Proceeds up to the date of the 2021 Annual Report	Unutilised balance up to the date of the 2021 Annual Report	Expected timeline for full utilisation of the Unutilised Net Proceeds
	HK\$'000 (Note)	HK\$'000 (Note)	HK\$'000 (Note)	
1. Acquire additional machineries and equipment	39,996	39,996	–	N/A
2. Strengthen the Group's manpower	14,000	14,000	–	N/A
3. Secure more contracts the Group intends to tender	10,000	–	10,000	31 March 2022
4. General working capital	6,554	6,554	–	N/A

Note: Figures as shown in this table have been subject to rounding adjustments and are approximate only.

Secure more contracts the Group intends to tender

The Company had planned to use approximately HK\$10.0 million of the Net Proceeds for securing more contracts the Group intends to tender by 31 March 2021. However, as at the date of this results announcement, the customers of new contracts awarded did not require the Group to provide surety bonds. Accordingly, the Group rescheduled the proceeds for surety bonds will be fully utilised for same specific use by 31 March 2022.

The expected timeline for utilising the Net Proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on current and future development of market conditions.

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

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2021, the Group employed a total of 149 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 included the Directors' emoluments for the Relevant Period were approximately HK\$73.0 million (2020: approximately HK\$65.3 million). The salary and benefit level of the employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. The Group conducts annual review on salary increase, discretionary bonuses and promotions based on the performance of each employee.

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

The Company has adopted a share option scheme (the "**Share Option Scheme**") on 14 May 2018 as an incentive to Directors and eligible employees.

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

FINAL DIVIDEND

The Board did not recommend the payment of final dividend for the Relevant Period (2020: nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules as its own corporate government code. The Company has complied with the CG Code during the Relevant Period with the exception of code provision A.2.1 as explained below.

According to code provision A.2.1 of the CG Code, the roles of the chairman of the Company (the “**Chairman**”) and the chief executive officer of the Company (the “**Chief Executive Officer**”) should be separate and performed by different individuals. Mr. Chan is the Chairman and the Chief Executive Officer of the Company. In view of the in-depth knowledge and substantial experience of Mr. Chan in the operations of the Group and his solid experience in foundation works, the Board believes it is in the best interests of the Company for Mr. Chan to assume both the roles of the Chairman and the Chief Executive Officer. In order to maintain good corporate governance and fully comply with the code provision A.2.1 of the CG Code, the Board will regularly review the need to appoint different individuals to perform the roles of Chairman and Chief Executive Officer separately.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

SHARE OPTION SCHEME

The principal terms of the Share Option Scheme are summarised in Appendix V to the Prospectus. The main purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption on 14 May 2018, and there was no outstanding share option as at 31 March 2021.

COMPETING INTERESTS

As at 31 March 2021, 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.

ANNUAL GENERAL MEETING (“AGM”)

The AGM will be held on Wednesday, 18 August 2021. The notice of the AGM will be published and despatched to shareholders of the Company in the manner as required by the Listing Rules and the articles of association of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The AGM is scheduled to be held on Wednesday, 18 August 2021. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 13 August 2021 to Wednesday, 18 August 2021 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by relevant share certificates must be lodged with the Company’s share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 12 August 2021.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY’S SECURITIES

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company maintained a sufficient amount of public float for its shares as required under the Listing Rules during the Relevant Period.

REVIEW OF FINANCIAL INFORMATION

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

REVIEW OF PRELIMINARY ANNOUNCEMENT OF RESULTS BY THE INDEPENDENT AUDITORS

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

GENERAL

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

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

The annual report of the Company for the 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, 17 June 2021

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.