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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)

CHANGE IN USE OF PROCEEDS

Reference is made to the prospectus of Affluent Foundation Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) dated 23 May 2018 (the “**Prospectus**”) in relation to the proposed use of the net proceeds from the Share Offer (the “**Net Proceeds**”), the announcement of the Company dated 6 June 2018 (the “**Allotment Results Announcement**”) in relation to the offer price and allotment results from the Share Offer, the supplemental announcement of the Company dated 21 August 2020 in relation to the annual report for the years ended 31 March 2019 and 2020, and the annual report for the year ended 31 March 2021 (the “**2021 Annual Report**”) in relation to the utilisation of the Net Proceeds from the Listing Date up to the date of the 2021 Annual Report. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as defined in the Prospectus, the Allotment Results Announcement and the 2021 Annual Report.

USE OF PROCEEDS

The Net Proceeds were approximately HK\$70.6 million. As disclosed in the section headed “Future plans and use of proceeds” in the Prospectus (as revised by the Allotment Results Announcement), the Net Proceeds were originally intended to be applied by the Group for the following purposes:

- (i) approximately HK\$40.0 million, representing 56.7% of the Net Proceeds, for acquiring additional machineries and equipment;
- (ii) approximately HK\$14.0 million, representing 19.8% of the Net Proceeds, for strengthening the Group’s manpower;
- (iii) approximately HK\$10.0 million, representing 14.2% of the Net Proceeds, for securing more contracts the Group intends to tender; and
- (iv) approximately HK\$6.6 million, representing 9.3% of the Net Proceeds, for general working capital.

It was disclosed in the 2021 Annual Report that, since the Listing Date and up to the date of the 2021 Annual Report, out of the Net Proceeds, the Group had utilised approximately HK\$60.6 million for (i) acquiring machineries and equipment, (ii) strengthening the Group’s manpower, and (iii) general working capital, which is in line with the purposes shown above, and approximately HK\$10.0 million (the “**Unutilised Net Proceeds**”) allocated to secure more contracts the Group intends to tender remained unutilised and would be fully utilised by 31 March 2022.

CHANGE IN USE OF NET PROCEEDS

As at the date of this announcement, the Unutilised Net Proceeds amounted to approximately HK\$10.0 million. For reasons set out in the paragraph headed “Reasons for and benefits of the change in use of proceeds” in this announcement, the Board has resolved to change the use of the Unutilised Net Proceeds for payment of upfront costs for projects.

Details of the original allocation and the revised allocation as of the Net Proceeds and the expected timeline for utilising the Unutilised Net Proceeds are as follows:

	Original planned use of Net Proceeds <i>HK\$ million</i>	Utilised amount of Net Proceeds as at the date of this announcement <i>HK\$ million</i>	Unutilised amount of Net Proceeds as at the date of this announcement <i>HK\$ million</i>	Revised allocation of Unutilised Proceeds <i>HK\$ million</i>	Expected date of full utilisation of Unutilised Net Proceeds
Acquire additional machineries and equipment	40.0	40.0	–	–	N/A
Strengthen the Group’s manpower	14.0	14.0	–	–	N/A
Secure more contracts the Group intends to tender	10.0	–	10.0	–	N/A
Payment of upfront costs for projects	–	–	–	10.0	On or before March 2022
General working capital	6.6	6.6	–	–	N/A
Total	70.6	60.6	10.0	10.0	

Note: The amounts listed herein are subject to rounding adjustments.

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

The outbreak of Novel Coronavirus Disease 2019 (the “**COVID-19**”) has disrupted the construction industry in Hong Kong. However, the Group has adopted various measures to tackle the COVID-19 situation, including those to mitigate its effects on the Group’s operations and those to optimise the use of its financial resources. Having closely monitored the market situation, the Company believed that it would be in the best interests of the Group and the Shareholders as a whole to optimise its financial resources through changing the use of the Unutilised Net Proceeds in the aforementioned manner after taking into account the following factors:

(a) The Group was able to secure contracts without amount allocated for surety bonds

As disclosed in the Prospectus, providing surety bonds is common in the construction industry in Hong Kong. In furtherance of developing the Group’s business and undertaking more foundation projects, the Directors believed, at the relevant time, that more customers will tend to request the Group to provide surety bonds in the long run. Accordingly, the Company originally allocated a portion of the Net Proceeds for securing more contracts the Group intends to tender, specifically, for satisfying potential customers’ surety bonds requirements. However, although the Group continues to tender for new contracts, such contracts generally did not require surety bonds or otherwise the Group was not awarded those contracts where surety bonds were required and the Board therefore considered other more productive usage of the Unutilised Net Proceeds.

(b) Demand for resources in payment of upfront costs for projects

As stated in the section headed “Future plans and use of proceeds – Reasons for the Listing” in the Prospectus, the Directors believe that the capital raised through the Share Offer would strengthen the Group’s cashflow position which in turn enables the Group to undertake more sizeable projects and to capture the growth of the foundation industry in Hong Kong. In particular, it was noted that the Group has to pay the start-up costs such as costs of materials, subcontracting charges and equipment and tooling expenses for certain start-up works including site establishment prior to receiving payment from its customers, who normally make progress payments to the Group after it has commenced its works. The Group’s cash flow requirement at the initial stage of its projects would constrain the number of projects that it could take under its then available resources.

Since the Listing, there is continuous demand for resources in payment of upfront costs for projects awarded from time to time. Recently, the Group entered into a notice of acceptance for two projects at Sau Mau Ping and Tseung Kwan O with an aggregate contract value of approximately HK\$245.0 million with customers. Furthermore, under the COVID-19 situation, the Directors believe that the time required for certain Group’s customers to assess completion progress, process the Group’s payment application and make progress payments to the Group and duration of projects has been prolonged, which has impacted the Group’s cashflow position and its assessment in terms of the number of projects it could take.

In view of the above, the Board considered that the payment of upfront costs for projects is a more productive usage of the Unutilised Net Proceeds. Therefore, the Company re-allocated the Unutilised Net Proceeds, being approximately HK\$10.0 million, for such usage.

Based on the above analysis, the Board is of the view that the above change in use of the Unutilised Net Proceeds is fair and reasonable and can better meet the business needs of the Group. The Board considers that the long-term business development direction of the Group is still in line with the disclosure in the Prospectus and the above change in the use of the Unutilised Net Proceeds is in the interests of the Group and the Shareholders as a whole and will not have any material adverse effect on the existing business and operations of the Group.

The Board will continuously evaluate the Group's business objectives and may change or modify plans of usage of the Unutilised Net Proceeds where it is necessary to cope with the changing market conditions and strive for business growth of the Group.

The Board confirms that, save as disclosed herein, there are no other changes to the use of Net Proceeds as at the date of this announcement.

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

Hong Kong, 30 November 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.