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

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1757)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

The board ("**Board**") of directors (the "**Directors**") of Affluent Foundation Holdings Limited (the "**Company**") is pleased to announce the condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 September 2021 (the "**Relevant Period**") as follows:

FINANCIAL HIGHLIGHTS

1. Revenue was approximately HK$266.4 million for the Relevant Period, representing an increase of approximately 134.9% as compared with the same for the six months ended 30 September 2020.

2. Gross profit was approximately HK$11.3 million for the Relevant Period, representing an increase of approximately 318.5% as compared with the same for the six months ended 30 September 2020.

3. Profit and total comprehensive income attributable to equity holders of the Company was approximately HK$2.1 million for the Relevant Period (six months ended 30 September 2020: loss and total comprehensive expenses attributable to equity holders of the Company was approximately HK$6.7 million).

4. Basic earnings per share amounted to approximately HK0.18 cents for the Relevant Period (six months ended 30 September 2020: basic loss per share approximately HK0.56 cents).

5. The Board does not recommend the payment of interim dividend for the Relevant Period.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2021

		Six months ended 30 September	
		2021	2020
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	4	**266,442**	113,424
Direct costs		**(255,097)**	(110,733)
Gross profit		**11,345**	2,691
Other income	5	**519**	2,301
Administrative expenses		**(8,978)**	(9,343)
Provision of expected credit loss ("**ECL**"), net		**(362)**	(847)
Finance costs	6	**(606)**	(903)
Profit/(Loss) before income tax	7	**1,918**	(6,101)
Income tax credit/(expense)	8	**226**	(602)
Profit/(Loss) and total comprehensive income/ (expenses) for the period attributable to equity holders of the Company		**2,144**	(6,703)
		HK cents	*HK cents*
Earnings/(Loss) per share attributable to equity holders of the Company			
Basic and diluted	10	**0.18**	(0.56)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

	Notes	**As at 30 September 2021** *HK$'000* **(unaudited)**	As at 31 March 2021 *HK$'000* (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**29,632**	34,040
Right-of-use assets		**2,618**	1,075
		32,250	35,115
Current assets			
Trade and other receivables	11	**41,845**	24,140
Contract assets		**137,183**	134,186
Cash and bank balances		**12,776**	8,527
		191,804	166,853
Current liabilities			
Trade and other payables	12	**86,007**	81,669
Amount due to a director		**38,480**	–
Bank overdrafts		**3,329**	1,061
Bank borrowings		**–**	33,671
Lease liabilities		**1,667**	823
Contract liabilities		**7,570**	391
Tax payable		**1,789**	1,789
		138,842	119,404
Net current assets		**52,962**	47,449
Total assets less current liabilities		**85,212**	82,564
Non-current liabilities			
Lease liabilities		**1,038**	308
Deferred tax liabilities		**4,198**	4,424
		5,236	4,732
Net assets		**79,976**	77,832
EQUITY			
Share capital		**12,000**	12,000
Reserves		**67,976**	65,832
Equity attributable to equity holders of the Company		**79,976**	77,832

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

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 30 September 2021, 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.

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.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 September 2021 have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") 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 2021.

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 2021, 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 2021:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 2021
Amendments to HKFRS 9 and HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The adoption of these 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.

3.2 Issued but not yet effective HKFRSs

At the date of authorisation of these condensed consolidated interim 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 Contracts and related amendments[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018–2020[1]
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations[4]

[1] Effective for annual periods beginning on or after 1 January 2022

[2] Effective for annual periods beginning on or after 1 January 2023

[3] Effective date not yet determined

[4] Effective for business combination/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022

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. The new and amended HKFRSs are not expected to have a material impact on the Group's condensed consolidated interim financial statements.

4. REVENUE AND SEGMENT INFORMATION

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

	Six months ended 30 September	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Contracting revenue	**266,442**	113,424

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	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Customer A	**114,573**	84,667
Customer B	**N/A***	18,801
Customer C	**129,071**	N/A*

* 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:

	Six months ended 30 September	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
By types of projects:		
Private sector projects	**109,791**	93,313
Public sector projects	**156,651**	20,111
	266,442	113,424

5. OTHER INCOME

	Six months ended 30 September	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Gain on disposal of property, plant and equipment	**280**	2
Government grants *(note (a))*	**–**	2,220
Income from sales of construction wastes	**82**	–
Machinery rental income	**–**	75
Long service payment received	**130**	–
Sundry income	**27**	4
	519	2,301

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.

6. FINANCE COSTS

	Six months ended 30 September	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Bank loans interest wholly repayable within five years	**543**	824
Finance charge on lease liabilities	**63**	79
	606	903

7. PROFIT/(LOSS) BEFORE INCOME TAX

	Six months ended 30 September	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Proft/(Loss) before income tax is stated after charging:		
(a) Staff costs (including directors' emoluments) *(Note (i))*		
– Salaries, wages and other benefits	**44,737**	31,761
– Contributions to defined contribution retirement plans	**964**	946
	45,701	32,707
(b) Other items		
Depreciation, included in:		
Direct costs		
– Owned assets	**5,288**	3,769
– Right-of-use assets	**758**	1,446
Administrative expenses		
– Owned assets	**344**	458
– Right-of-use assets	**226**	219
	6,616	5,892
Subcontracting charges (included in direct costs)	**77,389**	31,031
Auditor's remuneration	**180**	180
Services charged paid for machinery	**2,967**	840
Short term leases and leases with lease term shorter than 12 months as at initial application of HKFRS 16	**386**	141
Provision of ECL allowance on:		
– Trade and other receivables	**–**	423
– Contract assets	**362**	424

Note:

(i) Staff costs (including directors' emoluments)

	Six months ended 30 September	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Direct costs	**40,540**	27,469
Administrative expenses	**5,161**	5,238
	45,701	32,707

8. INCOME TAX (CREDIT)/EXPENSE

Hong Kong Profits Tax has not been provided as the Group incurred tax losses for the six months ended 30 September 2021 and 2020.

	Six months ended 30 September	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Provision for Hong Kong Profits Tax		
– Current tax	**–**	–
Deferred tax	**(226)**	602
Total income tax (credit)/expense	**(226)**	602

9. DIVIDENDS

The board of directors do not recommend the payment of a dividend for the six months ended 30 September 2021 (2020: nil).

10. 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:

	Six months ended 30 September	
	2021	2020
	(unaudited)	(unaudited)
Earnings/(Loss)		
Earnings/(Loss) for the period attributable to equity holders of the Company *(in HK$'000)*	**2,144**	(6,703)
Number of shares		
Weighted average number of ordinary shares	**1,200,000,000**	1,200,000,000
Basic earnings/(loss) per share *(in HK cents)*	**0.18**	(0.56)

The weighted average number of ordinary shares used to calculate the basic earnings/(losses) per share for the six months ended 30 September 2021 and 30 September 2020 represents 1,200,000,000 ordinary shares in issue throughout periods.

(b) Diluted earnings/(loss) per share

There were no dilutive potential ordinary shares outstanding during the six months ended 30 September 2021 and 2020 and therefore, diluted earnings/(loss) per share equals to basic earnings/(loss) per share.

11. TRADE AND OTHER RECEIVABLES

	As at 30 September 2021 *HK$'000* **(unaudited)**	As at 31 March 2021 *HK$'000* (audited)
Trade receivables	**18,655**	3,919
Less: ECL allowance	**(787)**	(787)
	17,868	3,132
Other receivables and prepayments	**1,758**	2,625
Paid in advance to sub-contractors	**15,112**	12,403
Occupational injury receivables	**6,445**	5,417
Utility and other deposits	**1,546**	1,447
Less: ECL allowance	**(884)**	(884)
	23,977	21,008
	41,845	24,140

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

	As at 30 September 2021 *HK$'000* **(unaudited)**	As at 31 March 2021 *HK$'000* (audited)
0–30 days	**16,874**	1,671
31–60 days	**–**	273
61–90 days	**–**	600
Over 90 days	**1,781**	1,375
	18,655	3,919

12. TRADE AND OTHER PAYABLES

	As at 30 September 2021	As at 31 March 2021
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade payables	**39,098**	41,681
Retention payables	**22,011**	19,265
Accruals and other payables	**24,898**	20,723
	86,007	81,669

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

	As at 30 September 2021	As at 31 March 2021
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0–30 days	**12,147**	15,042
31–60 days	**6,368**	5,105
61–90 days	**3,165**	3,513
Over 90 days	**17,418**	18,021
	39,098	41,681

13. CAPITAL COMMITMENTS

	Six months ended 30 September	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Contracted but not provided for:		
– Property, plant and equipment	**483**	–

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 profit of approximately HK$2.1 million for the Relevant Period as compared to the net loss of approximately HK$6.7 million for the six months ended 30 September 2020. The net profit was mainly attributable to:

(i) revenue increased by approximately HK$153.0 million as a result of great progression of two projects located in Kai Tak and Sham Shui Po during the Relevant Period; and

(ii) gross profit margin improved from approximately 2.4% for the six months ended 30 September 2020 to approximately 4.3% for the Relevant Period due to the efficiency of using machineries improved under larger operating scale and also the sharing of more fixed cost under the bigger revenue level. Following the increase in revenue, the gross profit increased by approximately HK$8.6 million for the Relevant Period.

The Board will continue to take appropriate actions to maintain a healthy financial position of the Group. During the Relevant Period, although the impact from the COVID-19 is still causing us certain inconvenience to our daily operation, the Group adopted strict policy to prevent the spread of the virus. As a result, our operation scale has gradually bounced back to normal.

FUTURE PROSPECTS

The Hong Kong Government continues its efforts to increase land supply for both residential and commercial developments, particularly the Northern Metropolis Development Strategy. The Board will continue to take appropriate actions to create shared value with all stakeholders. We shall continue to take advantage of trends in the industry to become more profitable while also being a good corporate citizen in creating job opportunities for society and helping in the development of our city.

The Group entered into a notice of acceptance for two projects with an aggregate contract value of approximately HK$245.0 million with customers 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.

FINANCIAL REVIEW

During the Relevant Period, the Group had been awarded 3 new contracts, with an aggregate original contract sum of approximately HK$48.8 million. As at 30 September 2021, the Group had 19 projects on hand (including projects in progress as well as projects that have been awarded to us but not yet commenced) with an original total 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$266.4 million, representing an increase of approximately HK$153.0 million or 134.9% as compared to approximately HK$113.4 million for the six months ended 30 September 2020. The increase was primarily due to the revenue derived from two projects located in Kai Tak and Sham Shui Po during the Relevant Period.

Gross Profit and Gross Profit Margin

The gross profit of the Group for the Relevant Period amounted to approximately HK$11.3 million, representing an increase of approximately HK$8.6 million or 318.5% as compared to approximately HK$2.7 million for the six months ended 30 September 2020. The reasons for the improvement were mainly attributable to the reasons discussed in the sub-paragraph headed "Business review and outlook" above.

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$0.5 million, representing a decrease of approximately HK$1.8 million or 78.3% as compared to approximately HK$2.3 million for the six months ended 30 September 2020. The decrease was primarily due to the government grants from the ESS under COVID-19 Anti-epidemic Fund launched by the Hong Kong Government which were received for the six months ended 30 September 2020 but which were not available for the Relevant Period.

Administrative Expenses

The administrative expenses of the Group for the Relevant Period amounted to approximately HK$9.0 million, representing a decrease of approximately HK$0.3 million or 3.2% as compared to approximately HK$9.3 million for the six months ended 30 September 2020. The decrease was primarily due to the decrease in salaries of approximately HK$346,000 as a result of some staff turnover for the Relevant Period.

Finance Costs

The finance costs of the Group for the Relevant Period amounted to approximately HK$0.6 million, representing a decrease of approximately HK$0.3 million or 33.3% as compared to approximately HK$0.9 million for the six months ended 30 September 2020. The decrease was primarily due to the full settlement in short term bank borrowings 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$2.1 million for the Relevant Period as compared to a loss of approximately HK$6.7 million for the six months ended 30 September 2020. The reasons for the improvement were mainly attributable to the reasons discussed in the sub-paragraph headed "Business review and outlook" above.

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 will continue to acquire suitable machineries to cope with the demand. With its in-depth experience and knowledge in the field, the Group is capable to continue providing one-stop construction machinery service to meet the needs of various customers.

LIQUIDITY, FINANCIAL POSITION AND CAPITAL STRUCTURE

The Group has funded its liquidity and capital requirements primarily through capital contributions from shareholders, cash inflows from operating activities and proceeds received from the listing of the shares of the Company on the Main Board of the Stock Exchange (the "**Listing**").

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

As at 30 September 2021, the Group had a total cash and cash equivalents of approximately HK$9.4 million (31 March 2021: approximately HK$6.0 million). The amounts of cash and cash equivalents had been remained steady throughout the Relevant Period.

As at 30 September 2021, the gearing ratio of the Group, calculated by the total debts (defined as the sum of the amount due to a director, lease liabilities, bank borrowings and bank overdrafts) divided by the total equity, was approximately 55.6% (31 March 2021: approximately 46.1%). The increase was primarily due to the increase in amount due to a director for operation fund during the Relevant Period.

During the Relevant Period, the executive director, Mr. Chan, has provided a non-interest bearing and unsecured loan of approximately HK$38.5 million to the Group to settle all bank borrowings resulting in the reduction of finance cost.

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 2021, the Group's property, plant and equipment with an aggregate net book value of approximately nil (31 March 2021: approximately HK$5.3 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$3.8 million on acquisition of property, plant and equipment. Capital expenditure was principally funded by internal resources and the advance by a Director.

CAPITAL COMMITMENTS

As at 30 September 2021, the Group has capital commitment in respect of acquisition of property, plant and equipment of approximately HK$483,000 (30 September 2020: Nil).

CONTINGENT LIABILITIES

As at 30 September 2021, the Group did not have any significant contingent liabilities.

As at 30 September 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. Based on the information available, the Directors considered that the insurance policies of the Group or the relevant main contractors are sufficient for coverage of the above potential claims and litigation in relation to work-related injuries and therefore the Directors are of the opinion that the claims and litigation are not expected to have a material impact on the condensed consolidated financial statements of the Group. Accordingly, no provision has been made as at 30 September 2021 and during the Relevant Period.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

SIGNIFICANT INVESTMENT HELD

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

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

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

USE OF PROCEEDS FROM LISTING

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 originally intended 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, the supplemental announcement dated 21 August 2020 in relation to the annual reports for the years ended 31 March 2019 and 2020, and the annual report for the year ended 31 March 2021. As at 30 September 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 announcement is set out below:

		Planned *HK$'000* *(Note)*	Actual use of Net Proceeds up to the date of this announcement *HK$'000* *(Note)*	Unutilised balance up to the date of this announcement *HK$'000* *(Note)*	Expected timeline for full utilisation of the Unutilised Net Proceeds
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 (the "**Unutilised Net Proceeds**") for securing more contracts the Group intends to tender by 31 March 2021. However, the Board has resolved to change the use of the Unutilised Net Proceeds for payment of upfront costs for projects. Details, reasons for and benefits of the change in use of proceeds are set out in the announcement of the Company dated 30 November 2021. Below table sets out the details of the original allocation and the revised allocation as of the Net Proceeds and the expected timeline for utilising the Unutilised Net Proceeds:

	Original planned use of Net Proceeds *HK$ million*	**Utilised amount of Net Proceeds as at the date of this announcement** *HK$ million*	**Unutilised amount of Net Proceeds as at the date of this announcement** *HK$ million*	**Revised allocation of Unutilised Net Proceeds** *HK$ million*	**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.

The expected timeline for utilising the Unutilised 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 announcement, the Unutilised Net Proceeds were placed in interest-bearing deposits with authorised financial institutions or licensed banks in Hong Kong.

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.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2021, the Group employed a total of 156 employees (including executive Directors and independent non-executive Directors), as compared to a total of 149 employees as at 31 March 2021. Total staff costs which include Directors' emoluments for the Relevant Period were approximately HK$45.7 million (six months ended 30 September 2020: approximately HK$32.7 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 the shareholders of the Company for the Relevant Period (2020: Nil).

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 2021, 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 announcement, 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.

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

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

SHARE OPTION SCHEME

The principal terms of the Share Option Scheme are summarised in Appendix V to the Prospectus. The main purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption on 14 May 2018, and there was no outstanding share option as at 30 September 2021.

COMPETING INTERESTS

As at 30 September 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.

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.

EVENTS AFTER THE RELEVANT PERIOD

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

AUDIT COMMITTEE

The Company established the audit committee (the "**Audit Committee**") on 14 May 2018 with written terms of reference in compliance with Rule 3.22 of the Listing Rules and the provisions of the CG Code. The primary duties of the Audit Committee include, among others, (a) making recommendations to the Board on the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor; (b) reviewing our financial statements, our annual report and accounts and our half-year report and significant financial reporting judgments contained therein; and (c) reviewing our financial controls, internal control and risk management systems. The Audit Committee comprises three independent non-executive Directors, namely Mr. Ho Chi Wai, Mr. Cheung Kwok Yan Wilfred and Mr. Lau Leong Ho. Mr. Ho Chi Wai is the chairman of the Audit Committee.

REVIEW OF FINANCIAL INFORMATION

The Group's interim results for the Relevant Period have been reviewed by the Audit Committee of the Company, which takes the view that the applicable accounting standards and requirements as well as the Listing Rules have been complied with by the Company and that adequate disclosures have been made.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

The interim report of the Company for the Relevant Period will be despatched to the shareholders of the Company and published on the respective websites of the Company and the Stock Exchange in due course.

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

Hong Kong, 30 November 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.