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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 2023**

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 2023 (the “**Relevant Period**”) as follows:

#### **FINANCIAL HIGHLIGHTS**

1. Revenue was approximately HK\$326.5 million for the Relevant Period, representing an decrease of approximately 36.2% as compared with the same for the year ended 31 March 2022.
2. Gross profit was approximately HK\$4.0 million for the Relevant Period, whereas gross profit was approximately HK\$18.9 million for the year ended 31 March 2022.
3. Profit and total comprehensive income attributable to equity holders of the Company was approximately HK\$810,000 for the Relevant Period (2022: approximately HK\$3.0 million).
4. Basic earnings per share amounted to approximately HK0.07 cents for the Relevant Period (2022: approximately HK0.25 cents).
5. The Board did not recommend the payment of final dividend for the Relevant Period (2022: nil).

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 March 2023*

	<i>Notes</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	3	<b>326,492</b>	511,568
Direct costs		<b>(322,505)</b>	(492,696)
Gross profit		<b>3,987</b>	18,872
Other income	4	<b>17,478</b>	5,836
Administrative expenses		<b>(22,328)</b>	(21,823)
Reversal of expected credit loss, net		<b>1,900</b>	232
Finance costs	5	<b>(824)</b>	(444)
Profit before income tax	6	<b>213</b>	2,673
Income tax credit	7	<b>597</b>	283
Profit and total comprehensive income for the year attributable to equity holders of the Company		<b>810</b>	2,956
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share attributable to equity holders of the Company			
Basic and diluted	9	<b>0.07</b>	0.25

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	<i>Notes</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		26,075	30,731
Right-of-use assets		2,128	3,328
		<u>28,203</u>	<u>34,059</u>
<b>Current assets</b>			
Trade and other receivables	10	74,184	41,523
Contract assets		94,561	135,327
Cash and bank balances		17,221	11,881
		<u>185,966</u>	<u>188,731</u>
<b>Current liabilities</b>			
Trade and other payables	11	78,815	91,155
Amount due to a director	12	12,196	39,632
Lease liabilities		1,822	2,201
Contract liabilities		1,891	1,891
Tax payable		1,789	1,789
		<u>96,513</u>	<u>136,668</u>
<b>Net current assets</b>		<u>89,453</u>	<u>52,063</u>
<b>Total assets less current liabilities</b>		<u>117,656</u>	<u>86,122</u>
<b>Non-current liabilities</b>			
Amount due to a director	12	28,124	–
Lease liabilities		325	1,193
Deferred tax liabilities		3,544	4,141
		<u>31,993</u>	<u>5,334</u>
<b>Net assets</b>		<u>85,663</u>	<u>80,788</u>
<b>EQUITY</b>			
Share capital		12,000	12,000
Reserves		73,663	68,788
<b>Equity attributable to equity holders of the Company</b>		<u>85,663</u>	<u>80,788</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2023*

## 1. GENERAL INFORMATION AND BASIS OF PREPARATION

### 1.1 General information

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 are principally engaged as subcontractor in the provision of services related to foundation works in Hong Kong.

As at 31 March 2023 and 2022, 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 1 April 2022

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 2022:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018–2020
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination

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 37 “Onerous Contracts – Cost of Fulfilling a Contract”*

The amendments clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g. direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

In accordance with the transitional provisions, the Group applied the amendments to contracts for which it has fulfilled all its obligations at 1 April 2022 (i.e. date of initial application). The amendments have no impact on the 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 Contracts and related amendments <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>2</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 <sup>2</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>3</sup> Effective date not yet been determined

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 “Classification of Liabilities as Current or Non-current” and related amendments to Hong Kong Interpretations 5 and Amendments to HKAS 1 “Non-current Liabilities with Covenants” (“2022 Amendments”)***

The amendments provide further guidance to clarify how to classify debt and other liabilities as current or non-current which are summarised as follows:

- It clarifies that a liability is non-current if an entity has a right (instead of unconditional right as stated before the amendments) to defer settlement of the liability for at least twelve months from the end of the reporting period. This right has to be existed at the end of the reporting period, regardless of whether the lender tests for compliance at the date or at a later date;
- Any expectations about events after the reporting period do not impact the assessment made at the end of the reporting period as to the classification of the liability; and
- “Settlements” are newly defined as a transfer to the counterparty that results in the extinguishment of the liability. The transfer could be of cash, other economic resources (e.g. goods or services), or entity's own equity instruments. Thus, if the counterparty conversion option is classified as liability under HKAS 32 “Financial Instruments: Presentation”, the transfer of equity instruments by exercising the conversion option constitute settlement of liability for the purpose of current or non-current classification of liabilities. One exception to the definition is that if the counterparty conversion option is classified as equity in accordance with HKAS 32, the transfer of equity instruments by exercising the conversion option does not constitute settlement of liability and would be disregarded when determining whether the liability is current or non-current.

2022 Amendments issued in 2022 clarified that only covenants of a liability arising from a loan arrangement, which an entity must comply with on or before the reporting date (even if the covenant is only assessed after the reporting date) affect the classification of that liability as current or non-current. Those covenants to be complied with after the reporting date do not affect the classification of loan arrangements as current or non-current at the reporting date.

Besides, the 2022 Amendments required an entity to provide additional disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. The information provided should enable users of financial statements to understand the risk that the liability could become repayable within twelve months of the reporting period, including:

- the carrying amount of the related liabilities;
- information about the covenants (including the nature of the covenants and when the entity is required to comply with them); and
- facts and circumstances, if any, that indicate that an entity may have difficulty complying with covenants. Such facts and circumstances could also include the fact that the entity would not have complied with the covenants based on its circumstances at the end of the reporting period.

The 2022 Amendments also deferred the effective date of the Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) to the annual reporting periods beginning on or after 1 January 2024, in which both amendments are to be applied as a package and apply retrospectively. Earlier application is permitted. The directors of the Group expect that the amendments have no material impact on the consolidated financial statements.

***Amendments to HKAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”***

The amendments clarify that the initial recognition exemption of deferred tax in HKAS 12 “Income Taxes” does not apply to transactions that give rise to equal taxable and deductible temporary differences, such as lease contracts that give rise to the recognition of a lease liability and the corresponding right-of-use assets and contracts that give rise to the recognition of decommissioning obligations and corresponding amounts recognised as assets. Instead, entities are required to recognise the related deferred tax asset and liability on initial recognition, with the recognition of any deferred tax asset being subject to the recoverability criteria in HKAS 12 “Income Taxes”.

The amendments are effective for annual reporting period beginning on or after 1 January 2023. Earlier application is permitted. 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:

	2023 <i>HK\$’000</i>	2022 <i>HK\$’000</i>
Customer A	N/A*	227,619
Customer B	<b>103,685</b>	90,016
Customer C	<b>186,087</b>	193,704
	<b>_____</b>	<b>_____</b>

\* 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:

	2023 <i>HK\$’000</i>	2022 <i>HK\$’000</i>
By types of projects:		
Private sector projects	<b>11,485</b>	220,205
Public sector projects	<b>315,007</b>	291,363
	<b>_____</b>	<b>_____</b>
	<b>326,492</b>	511,568
	<b>_____</b>	<b>_____</b>

## 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.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Performance obligations satisfied in previous periods	<u>231,865</u>	<u>334,942</u>

## 4. OTHER INCOME

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Gain on disposal of property, plant and equipment	348	805
Government grants ( <i>note (a)</i> )	5,588	–
Income from sales of construction wastes	8,199	4,413
Machinery rental and transportation income	2,681	618
Sundry income	<u>662</u>	<u>–</u>
	<u>17,478</u>	<u>5,836</u>

*Note:*

- (a) During the year ended 31 March 2023, the grants received from the Employment Support Scheme (“ESS”) under the COVID-19 Anti-epidemic Fund 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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Bank loans interest wholly repayable within five years	–	318
Finance charge on lease liabilities	134	126
Effective interest in amount due to a director	<u>690</u>	<u>–</u>
	<u>824</u>	<u>444</u>



## 6. PROFIT BEFORE INCOME TAX

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

	2023 HK\$'000	2022 HK\$'000
(a) Staff costs (including directors' emoluments) ( <i>note (i)</i> )		
– Salaries, wages and other benefits	86,814	86,442
– Contributions to defined contribution retirement plans ( <i>note (ii)</i> )	<u>1,932</u>	<u>2,189</u>
	<b><u>88,746</u></b>	<b><u>88,631</u></b>
(b) Other items		
Depreciation, included in:		
Direct costs		
– Owned assets	11,463	10,650
– Right-of-use assets	2,006	1,472
Administrative expenses		
– Owned assets	856	744
– Right-of-use assets	<u>456</u>	<u>454</u>
	<b><u>14,781</u></b>	<b><u>13,320</u></b>
Subcontracting charges (included in direct costs)	103,620	146,234
Auditor's remuneration	906	1,043
Services charged paid for machinery	4,093	3,986
Short term leases	872	900
Net (reversal)/provision of expected credit losses ("ECL") allowance on:		
– Trade and other receivables	(183)	(464)
– Contract assets	<u>(1,717)</u>	<u>232</u>

*Notes:*

(i) Staff costs (including directors' emoluments)

	2023 HK\$'000	2022 HK\$'000
Direct costs	75,886	76,203
Administrative expenses	<u>12,860</u>	<u>12,428</u>
	<b><u>88,746</u></b>	<b><u>88,631</u></b>

(ii) As at 31 March 2023, the Group had no forfeited contributions under the Mandatory Provident Fund Scheme which may be used by the Group to reduce the existing levels of contributions (2022: nil).

## 7. INCOME TAX CREDIT

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Provision for Hong Kong Profits Tax		
– Current tax	–	–
Deferred tax	<u>(597)</u>	<u>(283)</u>
Income tax credit	<u><u>(597)</u></u>	<u><u>(283)</u></u>

## 8. DIVIDENDS

The Board did not recommend the payment of final dividend for the year ended 31 March 2023 (2022: nil).

## 9. EARNINGS PER SHARE

### (a) Basic earnings per share

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

	2023	2022
<b>Earnings</b>		
Profit for the year attributable to equity holders of the Company ( <i>in HK\$'000</i> )	<u><u>810</u></u>	<u><u>2,956</u></u>
<b>Number of shares</b>		
Weighted average number of ordinary shares	<u><u>1,200,000,000</u></u>	<u><u>1,200,000,000</u></u>
<b>Basic earnings per share (<i>in HK cents</i>)</b>	<u><u>0.07</u></u>	<u><u>0.25</u></u>

### (b) Diluted earnings per share

There were no dilutive potential ordinary shares outstanding during the years ended 31 March 2023 and 2022 and therefore, diluted earnings per share equals to basic earnings per share.

## 10. TRADE AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	14,556	14,632
Less: ECL allowance	(578)	(542)
	<u>13,978</u>	<u>14,090</u>
Other receivables and prepayments	1,931	8,985
Paid in advance to sub-contractors	49,781	11,174
Occupational injury receivables	7,860	6,478
Utility and other deposits	1,080	1,461
Less: ECL allowance	(446)	(665)
	<u>60,206</u>	<u>27,433</u>
	<u><b>74,184</b></u>	<u><b>41,523</b></u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 – 30 days	7,028	13,157
31 – 60 days	6,053	–
61 – 90 days	–	–
Over 90 days	1,475	1,475
	<u>14,556</u>	<u>14,632</u>

## 11. TRADE AND OTHER PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	41,827	42,190
Retention payables	24,329	24,639
Accruals and other payables	12,659	24,326
	<u>78,815</u>	<u>91,155</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 – 30 days	15,286	10,027
31 – 60 days	4,131	5,885
61 – 90 days	2,239	10,551
Over 90 days	20,171	15,727
	<u>41,827</u>	<u>42,190</u>

## 12. AMOUNT DUE TO A DIRECTOR

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Mr. Chan		
Carrying amount repayable ( <i>Note</i> )		
Within one year	12,196	39,632
In the second year	–	–
In the third to fifth years	28,124	–
	<u>40,320</u>	39,632
Less:		
– Amount due within one year	<u>(12,196)</u>	<u>(39,632)</u>
Carrying amount shown under non-current liabilities	<u>28,124</u>	–

*Note:* As at 31 March 2023, the loan from a director amounting HK\$12,196,000 (2022: HK\$8,132,000) is classified as current liabilities represented a non-trade in nature, unsecured, interest-free and repayable on demand.

As at 31 March 2022, the remaining loan from a director is classified as current liabilities represented a non-trade in nature, unsecured, interest-free with principal amount of HK\$31,500,000 (the “**Loan**”) which are repayable by September 2022.

During the year ended 31 March 2023, the Loan is extended and re-classified as non-current liabilities at the same terms, which will mature and become repayable by September 2025. Mr. Chan is also one of the controlling shareholders of the Company. The Loan was carried at amortised cost using the effective interest method. The effective interest rate applied was 4.62% per annum. The difference of the principal and the fair value of the Loan at initial recognition amounting to approximately HK\$4,065,000 was credited as deemed contribution from a shareholder in equity.

## **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\$810,000 during the Relevant Period, representing decrease of approximately HK\$2.1 million for the corresponding period was mainly attributable to the combined effect of:

1. decrease of gross profit of approximately HK\$14.9 million due to the decrease in revenue and gross profit margin described in paragraph “Gross profit and gross profit margin” below; and
2. increase of other income of approximately HK\$11.6 million as explained in paragraph “Other income” below.

The Group has unrecognised contract sum of more than HK\$160.0 million on hand as at 31 March 2023. 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 3 new contracts, with an aggregate original contract sum of approximately HK\$60.9 million and had completed 8 projects with an aggregate original contract sum of approximately HK\$548.6 million.

As at 31 March 2023, the Group had 14 projects on hand (including projects in progress) with a total original contract sum of approximately HK\$1.1 billion.

#### **Revenue**

The revenue from foundation works of the Group for the Relevant Period amounted to approximately HK\$326.5 million, representing a decrease of approximately HK\$185.1 million or 36.2% as compared to approximately HK\$511.6 million for the year ended 31 March 2022. The decrease was primarily because certain sizable projects located in Wong Chuk Hang and Anderson Road were completed during the Relevant Period.

## **Gross profit and gross profit margin**

The gross profit of the Group for the Relevant Period amounted to approximately HK\$4.0 million, representing a decrease of approximately HK\$14.9 million or 78.9%, compared to approximately HK\$18.9 million for the year ended 31 March 2022. The decrease in gross profit was primarily due to the following reasons:

- (a) revenue reduced as the major projects located in Anderson Road is completed and Kai Tak is near the stage of completion while those sizable new projects located in Pokfield Road and Tung Chung are only in commencement stage; and
- (b) the Group's gross profit margin for the Relevant Period was approximately 1.2%, as compared with approximately 3.7% for the year ended 31 March 2022. Gross profit margin is lower during the Relevant Period as revenue decreased whilst fixed overheads were still incurred in depreciation of plant and machinery.

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\$17.5 million, representing an increase of approximately HK\$11.6 million or 199.5% as compared to approximately HK\$5.8 million for the year ended 31 March 2022. The increase was primarily due to the increase of income from sales of construction wastes, machinery rental and transportation income and the government grants received from ESS under COVID-19 Anti-epidemic Fund launched by the Hong Kong Government in Relevant Period.

## **Administrative expenses**

The administrative expenses of the Group for the Relevant Period amounted to approximately HK\$22.3 million which is stable when comparing with the year ended 31 March 2022.

## **Reversal of expected credit loss, net**

The reversal of ECL after the assessment performed for the Relevant Period amounted to approximately HK\$1.9 million, representing an increase of approximately HK\$1.7 million as compared to the reversal of ECL after the assessment performed for the year ended 31 March 2022 of approximately HK\$232,000, which was assessed annually.

## **Finance costs**

The finance costs of the Group for the Relevant Period amounted to approximately HK\$824,000, representing an increase of approximately HK\$380,000 or 85.6% as compared to approximately HK\$444,000 for the year ended 31 March 2022. The increase was primarily due to the effective interest payable in amount due to a Director 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\$810,000 for the Relevant Period representing a decrease of approximately HK\$2.1 million for the year ended 31 March 2022. The reasons for the decrease were mainly attributable to the combined effect of 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 and cash inflows from operating activities.

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 2023 and 2022, the Company’s issued share capital was HK\$12 million and the number of its issued ordinary shares was 1,200,000,000 of HK\$0.01 each.

As at 31 March 2023, the Group had a total cash and cash equivalents of approximately HK\$17.2 million (2022: approximately HK\$11.9 million). The amounts of cash and cash equivalents increased mainly due to collection of contract assets.

As at 31 March 2023, the gearing ratio of the Group, calculated by the total debts (defined as the sum of amount due to a director and lease liabilities) divided by the total equity was approximately 49.6% (2022: approximately 53.3%). The decrease was primarily due to the decrease of total debts of approximately HK\$559,000 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.

## **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\$8.2 million on the acquisition of plant and machinery and furniture, fixtures and equipment. Capital expenditure was principally funded by internal resources.

## **CAPITAL COMMITMENTS**

As at 31 March 2023, the Group has no capital commitments (2022: nil).

## **CONTINGENT LIABILITIES**

As at 31 March 2023, 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 2023 and during the Relevant Period.

## **EVENTS AFTER THE REPORTING PERIOD**

There is no significant events occurred subsequent to 31 March 2023 and up to the date of this 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.



## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 March 2023, the Group employed a total of 112 employees (including executive Directors and independent non-executive Directors), as compared to a total of 129 employees as at 31 March 2022. Total staff costs which included the Directors' emoluments for the Relevant Period were approximately HK\$88.7 million (2022: approximately HK\$88.6 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 (2022: 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 C.2.1 as explained below.

According to code provision C.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 C.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 and up to the date of this announcement.

## **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 2023.

## **COMPETING INTERESTS**

As at 31 March 2023, 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 Thursday, 17 August 2023. 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 Thursday, 17 August 2023. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 14 August 2023 to Thursday, 17 August 2023 (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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 11 August 2023.

## **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 and up to the date of this announcement.

## **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 AUDITOR**

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 this announcement have been agreed by the Company's external auditor, 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 this 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 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](http://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, 28 June 2023

*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.*