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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 2022

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 2022 (the “**Relevant Period**”) as follows:

FINANCIAL HIGHLIGHTS

1. Revenue was approximately HK\$511.6 million for the Relevant Period, representing an increase of approximately 14.5% as compared with the same for the year ended 31 March 2021.
2. Gross profit was approximately HK\$18.9 million for the Relevant Period, whereas gross profit was approximately HK\$8.9 million for the year ended 31 March 2021.
3. Profit and total comprehensive income attributable to equity holders of the Company was approximately HK\$3.0 million for the Relevant Period (2021: approximately HK\$652,000).
4. Basic earnings per share amounted to approximately HK0.25 cents for the Relevant Period (2021: approximately HK0.05 cents).
5. The Board did not recommend the payment of final dividend for the Relevant Period (2021: nil).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	3	511,568	446,846
Direct costs		<u>(492,696)</u>	<u>(437,990)</u>
Gross profit		18,872	8,856
Other income	4	5,836	5,526
Administrative expenses		(21,823)	(21,635)
Reversal of expected credit loss, net		232	10,505
Finance costs	5	<u>(444)</u>	<u>(1,866)</u>
Profit before income tax	6	2,673	1,386
Income tax credit/(expense)	7	<u>283</u>	<u>(734)</u>
Profit and total comprehensive income for the year attributable to equity holders of the Company		<u>2,956</u>	<u>652</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share attributable to equity holders of the Company			
Basic and diluted	9	<u>0.25</u>	<u>0.05</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		30,731	34,040
Right-of-use assets		3,328	1,075
		34,059	35,115
Current assets			
Trade and other receivables	10	41,523	24,140
Contract assets		135,327	134,186
Cash and bank balances		11,881	8,527
		188,731	166,853
Current liabilities			
Trade and other payables	11	91,155	81,669
Amount due to a director	12	39,632	–
Bank overdrafts		–	1,061
Bank borrowings		–	33,671
Lease liabilities		2,201	823
Contract liabilities		1,891	391
Tax payable		1,789	1,789
		136,668	119,404
Net current assets		52,063	47,449
Total assets less current liabilities		86,122	82,564
Non-current liabilities			
Lease liabilities		1,193	308
Deferred tax liabilities		4,141	4,424
		5,334	4,732
Net assets		80,788	77,832
EQUITY			
Share capital		12,000	12,000
Reserves		68,788	65,832
Equity attributable to equity holders of the Company		80,788	77,832

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

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 2022 and 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 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 2021

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 2021:

Amendment to HKFRS 16	Covid-19 Related Rent Concessions
Amendment to HKFRS 16	Covid-19 Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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.

Amendment to HKFRS 16 “Covid-19 Related Rent Concessions” and Amendment to HKFRS 16 “Covid-19 Related Rent Concessions beyond 30 June 2021”

Amendment to HKFRS 16 only apply to lessee accounting and have no effect on lessor accounting. The amendments provide a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 (“**COVID-19-Related Rent Concessions**”) are lease modification and, instead, account for those rent concessions as if they were not lease modifications.

The applicable to COVID-19-Related Rent Concessions and only if all of the following conditions are met:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) any reduction in lease payments affects only payments originally due on or before 30 June 2022 (for example, a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2022 and increased lease payments that extend beyond 30 June 2022); and
- (c) there is no substantive change to other terms and conditions of the lease.

The Group did not receive rent concession during the year ended 31 March 2022. There is no impact on the opening balance of equity at 1 April 2021.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 “Interest Rate Benchmark Reform – Phase 2” (“Phase 2 Amendments”)

The Phase 2 Amendments provide practical relief from certain requirements in HKFRSs. These reliefs relate to modifications of financial assets and financial liabilities (measured at amortised costs) and lease contracts or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark risk-free rate.

The Group initially applied Phase 2 Amendments on 1 April 2021 and applied the amendments retrospectively. However, in accordance with the exceptions permitted in Phase 2 Amendments, the Group has elected not to restate the prior period to reflect the application of these amendments, including not providing additional disclosures for 2020. There is no impact on opening equity balances as a result of retrospective application.

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 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	Definition of 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 Combination 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 been determined

⁴ 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

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 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:

	2022 <i>HK\$’000</i>	2021 <i>HK\$’000</i>
Customer A	227,619	295,006
Customer B	90,016	59,282
Customer C	<u>193,704</u>	<u>52,449</u>

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

	2022 <i>HK\$’000</i>	2021 <i>HK\$’000</i>
By types of projects:		
Private sector projects	220,205	320,495
Public sector projects	<u>291,363</u>	<u>126,351</u>
	<u>511,568</u>	<u>446,846</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.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Performance obligations satisfied in previous periods	<u>334,942</u>	<u>345,172</u>

4. OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Gain on disposal of property, plant and equipment	805	278
Government grants (<i>note (a)</i>)	–	4,617
Income from sales of construction wastes	4,413	556
Sundry income	<u>618</u>	<u>75</u>
	<u>5,836</u>	<u>5,526</u>

Note:

- (a) During the year ended 31 March 2021, 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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank loans interest wholly repayable within five years	318	1,714
Finance charge on lease liabilities	<u>126</u>	<u>152</u>
	<u>444</u>	<u>1,866</u>

6. PROFIT BEFORE INCOME TAX

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(a) Staff costs (including directors' emoluments) (<i>note (i)</i>)		
– Salaries, wages and other benefits	86,442	71,002
– Contributions to defined contribution retirement plans	2,189	1,992
	<u>88,631</u>	<u>72,994</u>
(b) Other items		
Depreciation, included in:		
Direct costs		
– Owned assets	10,650	8,185
– Right-of-use assets	1,472	3,123
Administrative expenses		
– Owned assets	744	843
– Right-of-use assets	454	436
	<u>13,320</u>	<u>12,587</u>
Subcontracting charges (included in direct costs)	146,234	108,008
Auditor's remuneration	1,043	903
Services charged paid for machinery	3,986	4,597
Short term leases	900	221
Net (reversal)/provision of expected credit losses ("ECL") allowance on:		
– Trade and other receivables	(464)	42
– Contract assets	232	(10,547)
	<u>232</u>	<u>(10,547)</u>

Note:

(i) Staff costs (including directors' emoluments)		
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Direct costs	76,203	60,973
Administrative expenses	12,428	12,021
	<u>88,631</u>	<u>72,994</u>

7. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Provision for Hong Kong Profits Tax		
– Current tax	–	–
Deferred tax	<u>(283)</u>	<u>734</u>
Income tax (credit)/expense	<u><u>(283)</u></u>	<u><u>734</u></u>

8. DIVIDENDS

The Board did not recommend the payment of final dividend for the year ended 31 March 2022 (2021: 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:

	2022	2021
Earnings		
Earnings for the year attributable to equity holders of the Company (<i>in HK\$'000</i>)	<u><u>2,956</u></u>	<u><u>652</u></u>
Number of shares		
Weighted average number of ordinary shares	<u><u>1,200,000,000</u></u>	<u><u>1,200,000,000</u></u>
Basic earnings per share (<i>in HK cents</i>)	<u><u>0.25</u></u>	<u><u>0.05</u></u>

(b) Diluted earnings per share

There were no dilutive potential ordinary shares outstanding during the years ended 31 March 2022 and 2021 and therefore, diluted earnings per share equals to basic earnings per share.

10. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	14,632	3,919
Less: ECL allowance	(542)	(787)
	<u>14,090</u>	<u>3,132</u>
Other receivables and prepayments	8,985	2,625
Paid in advance to sub-contractors	11,174	12,403
Occupational injury receivables	6,478	5,417
Utility and other deposits	1,461	1,447
Less: ECL allowance	(665)	(884)
	<u>27,433</u>	<u>21,008</u>
	<u>41,523</u>	<u>24,140</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 – 30 days	13,157	1,671
31 – 60 days	–	273
61 – 90 days	–	600
Over 90 days	1,475	1,375
	<u>14,632</u>	<u>3,919</u>

11. TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	42,190	41,681
Retention payables	24,639	19,265
Accruals and other payables	24,326	20,723
	<u>91,155</u>	<u>81,669</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 – 30 days	10,027	15,042
31 – 60 days	5,885	5,105
61 – 90 days	10,551	3,513
Over 90 days	15,727	18,021
	<u>42,190</u>	<u>41,681</u>

12. AMOUNT DUE TO A DIRECTOR

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Mr. Chan	<u>39,632</u>	<u>–</u>

Amount due is non-trade in nature, unsecured, interest-free and repayable on demand.

Mr. Chan is also one of the controlling shareholders of the Company.

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\$3.0 million during the Relevant Period, representing increase of approximately HK\$2.3 million for the corresponding period was mainly attributable to:

1. increase of gross profit of approximately HK\$10.0 million due to more efficient in using resources as we focusing in some large scale projects.
2. decrease of finance cost of approximately HK\$1.4 million as the interest-bearing bank borrowings were repaid during the Relevant Period.

The Group has unrecognised contract sum of more than HK\$414.2 million on hand as at 31 March 2022. 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 5 new contracts, with an aggregate original contract sum of approximately HK\$296.0 million and had completed 3 projects with an aggregate original contract sum of approximately HK\$27.0 million.

As at 31 March 2022, the Group had 19 projects on hand (including projects in progress) with a total original contract sum of approximately HK\$1.6 billion.

Revenue

The revenue from foundation works of the Group for the Relevant Period amounted to approximately HK\$511.6 million, representing an increase of approximately HK\$64.7 million or 14.5% as compared to approximately HK\$446.8 million for the year ended 31 March 2021. The increase was primarily because certain sizable projects located in Kai Tak and Anderson Road 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\$18.9 million, representing an increase of approximately HK\$10.0 million or 113.1%, compared to approximately HK\$8.9 million for the year ended 31 March 2021. The increase in gross profit was primarily due to the following reasons:

- (a) more excavation workdone was incurred in construction sites in Tseung Kwan O and Anderson Road which utilized our owned machinery; and
- (b) more efficient in using resources since our revenue was mainly contributed from three projects and located in Kai Tak, Anderson Road and Yin Ping Road.

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\$5.8 million, representing an increase of approximately HK\$310,000 or 5.6% as compared to approximately HK\$5.5 million for the year ended 31 March 2021. The increase was primarily due to the combined effect of increase of income from sales of construction wastes and gain on disposal of property, plant and equipment but no 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\$21.8 million which is stable when comparing with the year ended 31 March 2021.

Reversal of expected credit loss, net

The reversal of ECL after the assessment performed for the Relevant Period amounted to approximately HK\$232,000, representing a decrease of approximately HK\$10.3 million as compared to the reversal of ECL after the assessment performed for the year ended 31 March 2021 of approximately HK\$10.5 million, which was assessed annually.

Finance costs

The finance costs of the Group for the Relevant Period amounted to approximately HK\$444,000, representing a decrease of approximately HK\$1.4 million or 76.2% as compared to approximately HK\$1.9 million for the year ended 31 March 2021. The decrease was primarily due to the full settlement in interest-bearing 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\$3.0 million for the Relevant Period representing an increase of approximately HK\$2.3 million for the year ended 31 March 2021. 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, 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 2022, the Group had a total cash and cash equivalents of approximately HK\$11.9 million (2021: approximately HK\$8.5 million). The amounts of cash and cash equivalents increased mainly due to the cash inflows from operating activities.

As at 31 March 2022, the gearing ratio of the Group, calculated by the total debts (defined as the sum of amount due to a director, lease liabilities, bank borrowings and bank overdrafts) divided by the total equity was approximately 53.3% (2021: approximately 46.1%). The increase was primarily due to the increase of total debts of approximately HK\$7.2 million 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 were pledged under bank borrowings. As at 31 March 2022, no assets of the Group were pledged under bank borrowings upon the repayment of 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\$10.6 million on the acquisition of plant and equipment, motor vehicles and furniture, fixtures and equipment. Capital expenditure was principally funded by internal resources.

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. As at 31 March 2022, the Group has no capital commitments.

CONTINGENT LIABILITIES

As at 31 March 2022, 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 2022 and during the Relevant Period.

EVENTS AFTER THE REPORTING PERIOD

There is no significant events occurred subsequent to 31 March 2022 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.

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 had 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 2019 annual report and the 2020 annual report, and the announcement dated 30 November 2021 in relation to the change in use of proceeds. As at 31 March 2022, the Group used up all the Net Proceeds.

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

		Actual use of Net Proceeds up to the date of the 2022 Annual Report	Unutilised balance up to the date of the 2022 Annual Report	Expected timeline for full utilisation of the Unutilised Net Proceeds
	Planned HK\$'000 (Note)	Annual Report HK\$'000 (Note)	Annual Report 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. Payment of upfront costs of projects	10,000	10,000	–	N/A
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.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2022, the Group employed a total of 129 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 included the Directors' emoluments for the Relevant Period were approximately HK\$88.6 million (2021: approximately HK\$73.0 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 (2021: 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 2022.

COMPETING INTERESTS

As at 31 March 2022, 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, 10 August 2022. 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, 10 August 2022. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 5 August 2022 to Wednesday, 10 August 2022 (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, 4 August 2022.

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.

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 2022

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.