



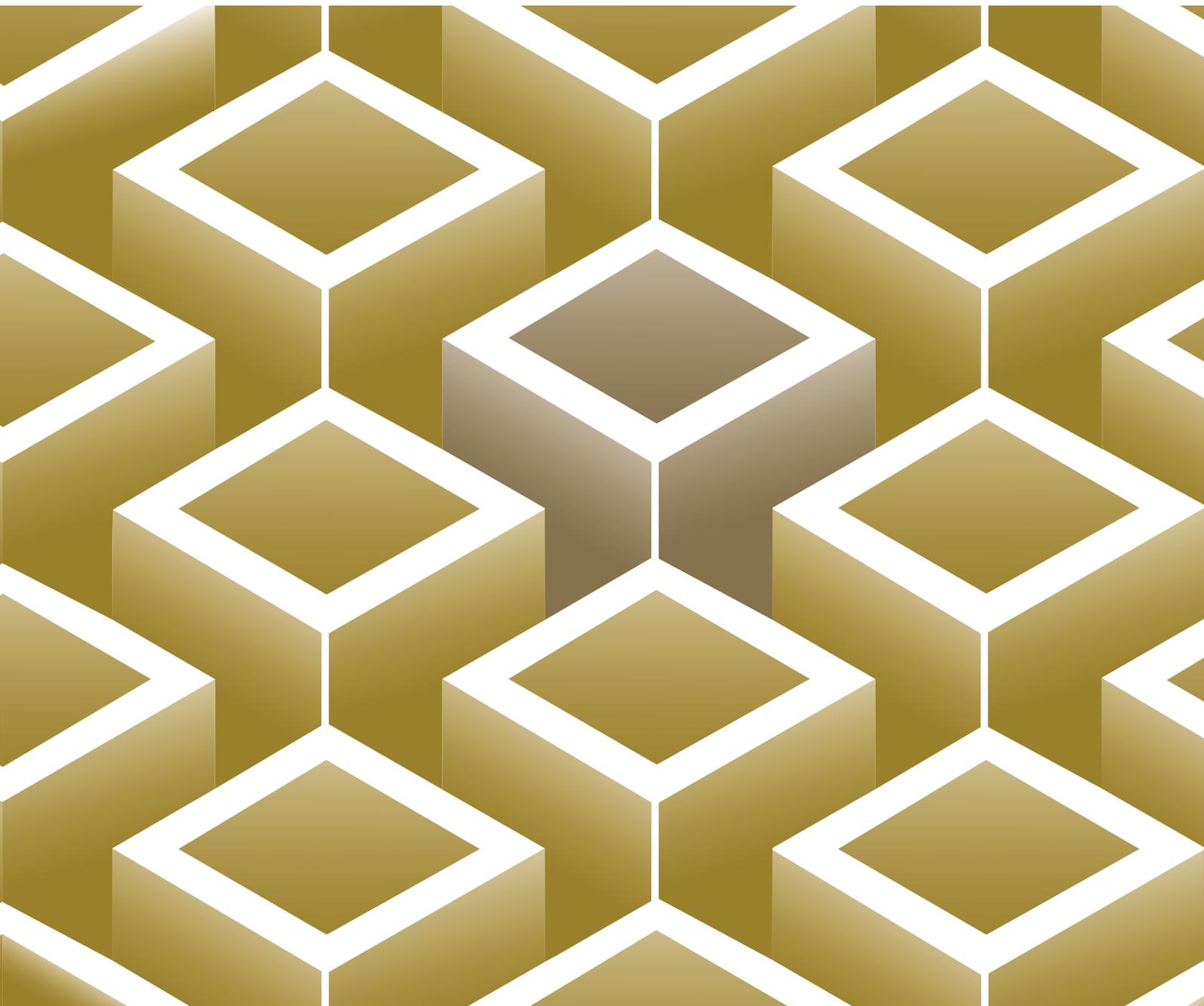
Affluent Foundation Holdings Limited

俊裕地基集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1757

INTERIM REPORT 2023



CONTENTS

02	Corporate Information
03	Management Discussion and Analysis
08	Consolidated Statement of Profit or Loss and Other Comprehensive Income
09	Consolidated Statement of Financial Position
10	Condensed Consolidated Statement of Changes in Equity
11	Condensed Consolidated Statement of Cash Flows
12	Notes to the Condensed Consolidated Financial Statements
29	Corporate Governance and Other Information



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chan Siu Cheong
(Chairman and Chief Executive Officer)
Mr. Sin Ka Pong

Independent Non-executive Directors

Mr. Ho Chi Wai
Mr. Cheung Kwok Yan Wilfred
Mr. Lau Leong Ho

AUDIT COMMITTEE

Mr. Ho Chi Wai *(Chairman)*
Mr. Lau Leong Ho
Mr. Cheung Kwok Yan Wilfred

NOMINATION COMMITTEE

Mr. Chan Siu Cheong *(Chairman)*
Mr. Lau Leong Ho
Mr. Ho Chi Wai

REMUNERATION COMMITTEE

Mr. Cheung Kwok Yan Wilfred *(Chairman)*
Mr. Sin Ka Pong
Mr. Lau Leong Ho

COMPANY SECRETARY

Mr. Woo Yuen Ping

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 903–905, 9/F
The Octagon
No. 6 Sha Tsui Road, Tsuen Wan
New Territories, Hong Kong

REGISTERED OFFICE

Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANK

The Hongkong and Shanghai Banking Corporation Limited

AUDITOR

Grant Thornton Hong Kong Limited
Certified Public Accountants
Registered Public Interest Entity Auditor
11th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay, Hong Kong

LEGAL ADVISER AS TO HONG KONG LAW

Guantao & Chow Solicitors and Notaries
Suites 1801–3, 18/F
One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

WEBSITE

www.hcho.com.hk

STOCK CODE

1757

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Affluent Foundation Holdings Limited (the "Company") and its subsidiaries (collectively 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\$707,000 for the six months ended 30 September 2023 (the "Relevant Period"), representing a decrease of approximately HK\$1.3 million as compared to the six months ended 30 September 2022. The decrease of net profit was mainly attributable to there was no government grant recorded during the Relevant Period whereas approximately HK\$3.7 million was recognised under the Anti-epidemic Fund during the corresponding period of 2022.

The Group has unrecognised contract sum of approximately HK\$156.0 million as at 30 September 2023. The Group will keep bidding sizeable and remarkable projects in order to keep the operation scale and create value to our stakeholders.

FINANCIAL REVIEW

During the Relevant Period, the Group had been awarded 3 new contracts, with an aggregate original contract sum of approximately HK\$37.0 million and had completed 1 project with an aggregate original contract sum of approximately HK\$76.4 million. As at 30 September 2023, the Group had 16 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\$1.0 billion.

Revenue

The revenue from foundation works of the Group for the Relevant Period amounted to approximately HK\$128.9 million, representing a decrease of approximately HK\$25.5 million or 16.5% as compared to approximately HK\$154.4 million for the six months ended 30 September 2022. The reason for the decrease was mainly due to the projects located at Kai Tak, Wong Chuk Hang and Anderson Road had been substantially completed during the Relevant Period and new projects are still in preliminary stage.

Gross Profit and Gross Profit Margin

The gross profit of the Group for the Relevant Period amounted to approximately HK\$3.2 million, representing an increase of approximately HK\$1.3 million or 64.7% as compared to approximately HK\$1.9 million for the six months ended 30 September 2022. The reasons for the increase was mainly attributable to the less labour cost incurred and more machines are used in projects located in Kai Tak and Wong Chuk Hang.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)

Other Income

The other income of the Group for the Relevant Period amounted to approximately HK\$6.5 million, representing a decrease of approximately HK\$2.6 million or 28.2% as compared to approximately HK\$9.1 million for the six months ended 30 September 2022. The decrease was primarily due to none of the government grants from the ESS under COVID-19 Anti-epidemic Fund launched by the Hong Kong Government was recorded in the Relevant Period when compared to the corresponding period of 2022.

Administrative Expenses

The administrative expenses of the Group for the Relevant Period amounted to approximately HK\$10.1 million, representing an increase of approximately HK\$0.6 million or 6.8% as compared to approximately HK\$9.5 million for the six months ended 30 September 2022. The increase was primarily due to the increase of staff welfare during the Relevant Period.

Reversal of Expected Credit Loss, Net

The reversal of ECL after the assessment performed for the Relevant Period amounted to approximately HK\$2.0 million, representing an increase of approximately HK\$1.9 million as compared to the reversal of ECL after the assessment performed for the six months ended 30 September 2022 of approximately HK\$102,000, which was assessed annually.

Finance Costs

The finance costs of the Group for the Relevant Period amounted to approximately HK\$756,000, representing an increase of approximately HK\$671,000 or 789.4% as compared to approximately HK\$85,000 for the six months ended 30 September 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\$707,000 for the Relevant Period as compared to approximately HK\$2.0 million for the six months ended 30 September 2022. The reasons for the decrease 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.

MANAGEMENT DISCUSSION AND ANALYSIS

RISKS AND UNCERTAINTIES (CONTINUED)

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 and cash inflows from operating activities during the Relevant Period.

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 30 September 2023, the Group had a total cash and cash equivalents of approximately HK\$5.1 million (31 March 2023: approximately HK\$17.2 million). The amounts of cash and cash equivalents had been remained steady throughout the Relevant Period.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL POSITION AND CAPITAL STRUCTURE (CONTINUED)

As at 30 September 2023, the gearing ratio of the Group, calculated by the total debts (defined as the sum of the amount due to a director and lease liabilities) divided by the total equity, was approximately 50.2% (31 March 2023: approximately 49.6%). The decrease was primarily due to the decrease in total debts and growth of total equity from profit for the period and increase in capital reserve 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 of directors of the Company (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 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\$3.1 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 2023, the Group has no capital commitments (31 March 2023: Nil).

CONTINGENT LIABILITIES

As at 30 September 2023, the Group did not have any significant contingent liabilities.

As at 30 September 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. 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 interim financial statements of the Group. Accordingly, no provision has been made as at 30 September 2023 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.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENT HELD

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

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

As at the date of this report, the Group does not have any plans for material investments or capital assets.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2023, the Group employed a total of 109 employees (including executive Directors and independent non-executive Directors), as compared to a total of 112 employees as at 31 March 2023. Total staff costs which include Directors' emoluments for the Relevant Period were approximately HK\$38.0 million (six months ended 30 September 2022: approximately HK\$38.9 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 (2022: Nil).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2023

	Notes	Six months ended 30 September	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Revenue	5	128,904	154,414
Direct costs		(125,700)	(152,469)
Gross profit		3,204	1,945
Other income	6	6,534	9,102
Administrative expenses		(10,144)	(9,501)
Reversal of expected credit loss ("ECL"), net		2,001	102
Finance costs	7	(756)	(85)
Profit before income tax	8	839	1,563
Income tax (expense)/credit	9	(132)	397
Profit and total comprehensive income for the period attributable to equity holders of the Company		707	1,960
		HK cents	HK cents
Earnings per share attributable to equity holders of the Company			
Basic and diluted	11	0.06	0.16

The notes on pages 12 to 28 are an integral part of these condensed consolidated interim financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

	Notes	As at 30 September 2023 HK\$'000 (unaudited)	As at 31 March 2023 HK\$'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	25,758	26,075
Right-of-use assets	13	2,981	2,128
		28,739	28,203
Current assets			
Trade and other receivables	14	89,217	74,184
Contract assets	15	90,111	94,561
Cash and bank balances	16	5,125	17,221
		184,453	185,966
Current liabilities			
Trade and other payables	17	74,241	78,815
Amount due to a director	18	11,668	12,196
Lease liabilities	19	2,406	1,822
Contract liabilities	15	3,626	1,891
Tax payable		1,789	1,789
		93,730	96,513
Net current assets		90,723	89,453
Total assets less current liabilities		119,462	117,656
Non-current liabilities			
Amount due to a director	18	28,803	28,124
Lease liabilities	19	613	325
Deferred tax liabilities		3,676	3,544
		33,092	31,993
Net assets		86,370	85,663
EQUITY			
Share capital		12,000	12,000
Reserves		74,370	73,663
Equity attributable to equity holders of the Company		86,370	85,663

Chan Siu Cheong
Director

Sin Ka Pong
Director

The notes on pages 12 to 28 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2023

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Other reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance at 1 April 2022 (audited)	12,000	77,625	301	–	(9,138)	80,788
Contribution from a shareholder (Note 18)	–	–	–	4,065	–	4,065
Transactions with owners	–	–	–	4,065	–	4,065
Profit and total comprehensive income for the period	–	–	–	–	1,960	1,960
Balance at 30 September 2022 (unaudited)	12,000	77,625	–	4,065	(7,178)	86,813
Balance at 1 April 2023 (audited)	12,000	77,625	301	4,065	(8,328)	85,663
Profit and total comprehensive income for the period	–	–	–	–	707	707
Balance at 30 September 2023 (unaudited)	12,000	77,625	301	4,065	(7,621)	86,370

The notes on pages 12 to 28 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2023

	Six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Cash flows from operating activities		
Cash from operations	(7,416)	4,150
<i>Net cash (used in)/generated from operating activities</i>	<i>(7,416)</i>	<i>4,150</i>
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,082)	(2,409)
Proceeds from disposal of property, plant and equipment	443	–
<i>Net cash used in investing activities</i>	<i>(2,639)</i>	<i>(2,409)</i>
Cash flows from financing activities		
Repayment of lease liabilities	(1,436)	(1,244)
Repayment of interest paid in lease liabilities	–	(70)
Interest paid	(77)	(15)
(Decrease)/increase in amount due to a director	(528)	1,285
<i>Net cash used in from financing activities</i>	<i>(2,041)</i>	<i>(44)</i>
Net (decrease)/increase in cash and cash equivalents	(12,096)	1,697
Cash and cash equivalents at the beginning of period	17,221	11,881
Cash and cash equivalents at end of period (Note 16)	5,125	13,578

The notes on pages 12 to 28 are an integral part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

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 2023, 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 2023 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 2023.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

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 2023, 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:

Adoption of new and amendments to HKFRSs

In the current period, the Group has adopted all the new and revised HKFRSs, including Hong Kong Accounting Standards ("HKASs") and Interpretations, issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 April 2023. The adoption of these new and revised HKFRSs in the current period has no material effect on the Group's financial positions and performance for the current and prior years and/or on the amounts and/or disclosures set out in these unaudited condensed consolidated financial statements.

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts

New and amendments to HKFRSs in issued but not yet effective

Except for the amendments to HKFRSs mentioned above, the Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs and anticipates that the application of these new HKFRSs would have no material impact on its results of operations and financial position.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The resulting accounting estimates will, by definition, seldom equal the related actual results.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements of the Group for the year ended 31 March 2023.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

5. 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	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Contracting revenue	128,904	154,414

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 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	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Customer A	25,463	16,219
Customer B	16,540	62,640
Customer C	29,022	73,588
Customer D	25,307	N/A*
Customer E	23,502	N/A*

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

	Six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
By types of projects:		
Private sector projects	52,527	16,919
Public sector projects	76,377	137,495
	128,904	154,414

6. OTHER INCOME

	Six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Government grants (Note (a))	–	3,706
Income from sales of construction wastes	3,007	3,500
Machinery rental income	3,374	933
Transportation income	–	664
Sundry income	153	299
	6,534	9,102

Note:

- (a) During the six months ended 30 September 2022, 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.

7. FINANCE COSTS

	Six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Finance charge on lease liabilities	77	70
Effective interest in amount due to a director	679	15
	756	85

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

8. PROFIT BEFORE INCOME TAX

	Six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Profit before income tax is stated after charging/(crediting):		
(a) Staff costs (including directors' emoluments) (Note (i))		
– Salaries, wages and other benefits	37,238	37,986
– Contributions to defined contribution retirement plans (Note (ii))	783	949
	38,021	38,935
(b) Other items		
Depreciation, included in:		
Direct costs		
– Owned assets	2,546	5,741
– Right-of-use assets	1,653	988
Administrative expenses		
– Owned assets	433	445
– Right-of-use assets	228	228
	4,860	7,402
Subcontracting charges (included in direct costs)	42,925	39,187
Auditor's remuneration	–	108
Services charged paid for machinery	2,167	785
Loss on disposal of property, plant and equipment	168	–
Short term leases	–	416
Net (reversal)/provision of ECL allowance on:		
– Trade and other receivables	(270)	546
– Contract assets	(1,731)	(648)

Notes:

(i) Staff costs (including directors' emoluments)

	Six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Direct costs	30,803	33,523
Administrative expenses	7,218	5,412
	38,021	38,935

(ii) As at 30 September 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).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

9. INCOME TAX EXPENSE/(CREDIT)

Hong Kong Profits Tax has not been provided as the Group incurred tax losses for the six months ended 30 September 2023 and 2022.

	Six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Provision for Hong Kong Profits Tax		
– Current tax	–	–
Deferred tax	132	(397)
Total income tax expense/(credit)	132	(397)

10. DIVIDENDS

The Directors did not recommend the payment of a dividend for the six months ended 30 September 2023 (2022: nil).

11. 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:

	Six months ended 30 September	
	2023 (unaudited)	2022 (unaudited)
Earnings		
Profit for the period attributable to equity holders of the Company (in HK\$'000)	707	1,960
Number of shares		
Weighted average number of ordinary shares	1,200,000,000	1,200,000,000
Basic earnings per share (in HK cents)	0.06	0.16

(b) Diluted earnings per share

There were no dilutive potential ordinary shares outstanding during the six months ended 30 September 2023 and 2022 and therefore, diluted earnings per share equals to basic earnings per share.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2023, the Group acquired approximately HK\$3,082,000 (six months ended 30 September 2022: HK\$3,015,000) of property, plant and equipment.

During the six months ended 30 September 2023, the Group disposed property, plant and equipment with net carrying amount of approximately HK\$611,000 (six months ended 30 September 2022: HK\$nil), resulting in a net loss on disposal of approximately HK\$168,000 (six months ended 30 September 2022: HK\$nil) (Note 8).

13. RIGHT-OF-USE ASSETS

During the six months ended 30 September 2023, the Group incurred HK\$2,308,000 (six months ended 30 September 2022: HK\$nil) on the addition of right-of-use asset. The lease acquired during the six months ended 30 September 2022 runs for an initial period of two years. No contingent rentals included.

As at 30 September 2023, the carrying amount of the Group's right-of-use assets in relation to "office premise" and "warehouse" are HK\$247,000 (31 March 2023: HK\$494,000) and HK\$2,734,000 (31 March 2023: HK\$1,634,000) respectively.

14. TRADE AND OTHER RECEIVABLES

	As at 30 September 2023 HK\$'000 (unaudited)	As at 31 March 2023 HK\$'000 (audited)
Trade receivables	16,402	14,556
Less: ECL allowance	(380)	(578)
	16,022	13,978
Other receivables and prepayments	2,164	1,931
Paid in advance to sub-contractors	62,291	49,781
Occupational injury receivables	8,005	7,860
Utility and other deposits	1,109	1,080
Less: ECL allowance	(374)	(446)
	73,195	60,206
	89,217	74,184

The directors of the Group consider that the fair values of trade and other receivables are not materially different from their carrying amounts, because their balances have short maturity periods on their inception.

As at 30 September 2023, the occupational injury receivables which are expected to be recovered over one year are HK\$8,005,000 (31 March 2023: HK\$7,860,000). The Group classified these occupational injury receivables as current because the Group expects to realise them in its normal operating cycle.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables

The Group usually provides customers with a credit term of 30 to 45 days. For the settlement of trade receivables from provision of construction services, the Group usually reaches an agreement on the term of each payment with the customer by taking into account of factors such as, among other things, the credit history of the customer, its liquidity position and the Group's working capital needs, which varies on a case-by-case basis that requires the judgment and experience of the management.

As part of the Group's credit risk management, the Group uses debtors' ageing to assess the impairment for its customers because these customers consist of a large number of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

ECL for trade and other receivables

The loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

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

	As at 30 September 2023 HK\$'000 (unaudited)	As at 31 March 2023 HK\$'000 (audited)
0–30 days	10,989	7,028
31–60 days	3,840	6,053
61–90 days	973	–
Over 90 days	600	1,475
	16,402	14,556

The movements in the ECL allowance of trade receivables are as follows:

	Six months ended 30 September	
	2023 HK\$'000	2022 HK\$'000
At the beginning of the period (audited)	578	542
ECL allowance recognised during the period	–	351
Reversal of ECL allowance during the period	(198)	–
At the end of the period (unaudited)	380	893

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

ECL for trade and other receivables (CONTINUED)

The movements in the gross amount of other receivables are as follows:

	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
As at 31 March 2022 and 1 April 2022 (audited)	8,933	5,938	–	14,871
Additions	7,623	–	–	7,623
Amounts recovered during the period	(1,200)	(162)	–	(1,362)
As at 31 March 2023 and 1 April 2023 (audited)	9,651	4,638	–	14,289
Additions	2,443	–	–	2,443
Amounts recovered during the period	(2,398)	(1,063)	–	(3,461)
As at 30 September 2023 (unaudited)	9,696	3,575	–	13,271

The movements in the ECL allowance of other receivables are as follows:

	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Total HK\$'000
As at 1 April 2022 (audited)	224	441	–	665
ECL allowance	244	–	–	244
Reversal of ECL allowance	(37)	(12)	–	(49)
As at 30 September 2022 (unaudited)	431	429	–	860
As at 1 April 2023 (audited)	187	259	–	446
ECL allowance	57	–	–	57
Reversal of ECL allowance	(76)	(53)	–	(129)
As at 30 September 2023 (unaudited)	168	206	–	374

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

15. CONTRACT ASSETS AND CONTRACT LIABILITIES

15.1 Contract assets

	As at 30 September 2023 HK\$'000 (unaudited)	As at 31 March 2023 HK\$'000 (audited)
Unbilled revenue (Note (a))	49,906	45,612
Retention receivables (Note (b))	42,389	52,864
Less: ECL allowance (Note (c))	(2,184)	(3,915)
	90,111	94,561

Notes:

(a) Unbilled revenue

Unbilled revenue represents the Group's right to receive consideration for work completed and not yet billed because the rights are conditional upon the satisfaction by the customers on the construction work completed by the Group and the work is pending for the certification by the customers. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed construction work from the customers.

(b) Retention receivables

Retention receivables included in contract assets represents the Group's right to consideration for work performed and not yet billed because the rights are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed by the Group.

(c) ECL allowance

The Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

15. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

15.1 Contract assets (CONTINUED)

Notes: (Continued)

(c) ECL allowance (Continued)

The movements in the ECL allowance of contract assets are as follows:

	Six months ended 30 September	
	2023 HK\$'000	2022 HK\$'000
At the beginning of the period (audited)	3,915	5,632
ECL allowance recognised during the period	–	–
Reversal of ECL allowance during the period	(1,731)	(648)
At the end of the period (unaudited)	2,184	4,984

As at 30 September 2023, the gross amount of contract assets are expected to be recovered within one year is HK\$62,177,000 (31 March 2023: HK\$54,727,000), whereas amounts expected to be recovered over one year is HK\$30,118,000 (31 March 2023: HK\$43,749,000). The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

During the six months ended 30 September 2023, transfers from contract assets recognised at the beginning of the year to receivables are HK\$37,036,000 (six months ended 30 September 2022: HK\$41,174,000).

15.2 Contract liabilities

	As at 30 September 2023 HK\$'000 (unaudited)	As at 31 March 2023 HK\$'000 (audited)
Contract liabilities arising from construction wastes disposal contracts from billings in advance of performance	3,626	1,891

All of the contract liabilities are expected to be recovered/settled within one year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

15. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

15.2 Contract liabilities (CONTINUED)

Unsatisfied long-term construction contracts

The transaction price allocated to the remaining unsatisfied or partially satisfied performance obligations as at 30 September 2023 and 31 March 2023 are as follows:

	As at 30 September 2023 HK\$'000 (unaudited)	As at 31 March 2023 HK\$'000 (audited)
Within one year	91,049	91,745
More than one year	65,336	68,255
	156,385	160,000

16. CASH AND BANK BALANCES

	As at 30 September 2023 HK\$'000 (unaudited)	As at 31 March 2023 HK\$'000 (audited)
Cash at banks	5,125	17,221
Cash and bank balance	5,125	17,221

As at 30 September 2023, the unpledged bank deposit earn interest at floating rate of 0.01% per annum (31 March 2023: 0.01% per annum).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

17. TRADE AND OTHER PAYABLES

	As at 30 September 2023 HK\$'000 (unaudited)	As at 31 March 2023 HK\$'000 (audited)
Trade payables (Note (a))	32,323	41,827
Retention payables (Note (b)(i))	24,116	24,329
Accruals and other payables (Note (b)(ii))	17,802	12,659
	74,241	78,815

Notes:

All amounts are short-term and hence, the carrying values of the Group's trade payables and accruals and other payables are considered to be a reasonable approximation of fair value.

- (a) (i) The Group is usually granted by suppliers with a credit term of 30 days.
- (ii) As at 30 September 2023, included in trade payables of HK\$2,233,000 (31 March 2023: HK\$1,734,000) was related party balance due to Kam Lung Transport Co., which is a sole proprietorship established by Mr. Tsang Leung Lung, who is also the brother-in-law of Mr. Chan.

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

	As at 30 September 2023 HK\$'000 (unaudited)	As at 31 March 2023 HK\$'000 (audited)
0–30 days	7,402	15,286
31–60 days	3,358	4,131
61–90 days	1,460	2,239
Over 90 days	20,103	20,171
	32,323	41,827

- (b) (i) As at 30 September 2023, included in retention payables of HK\$17,105,000 (31 March 2023: HK\$20,848,000) were expected to be repayable over one year. The Group classifies as current because the Group expects to realise them in its normal operating cycle.
- (ii) As at 30 September 2023, included in accruals and other payables of HK\$2,668,000 (31 March 2023: HK\$1,887,000) was related to the purchase of property, plant and equipment and contra costs recharged by the subcontractors of HK\$1,136,000 (31 March 2023: HK\$819,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

18. AMOUNT DUE TO A DIRECTOR

Particulars of amount due to a director as follows:

	As at 30 September 2023 HK\$'000 (unaudited)	As at 31 March 2023 HK\$'000 (audited)
Mr. Chan		
Carrying amount repayable (<i>Note</i>)		
Within one year	11,668	12,196
In the second year	–	–
In the third to fifth year	28,803	28,124
	40,471	40,320
Less:		
– Amount due within one year	(11,668)	(12,196)
Carrying amount shown under non-current liabilities	28,803	28,124

Note: As at 30 September 2023, the loan from a director amounting HK\$11,668,000 (31 March 2023: HK\$12,196,000) is classified as current liabilities represented a non-trade in nature, unsecured, interest-free and repayable on demand.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

19. LEASE LIABILITIES

The analysis of the Group's lease liabilities is as follows:

	As at 30 September 2023 HK\$'000 (unaudited)	As at 31 March 2023 HK\$'000 (audited)
Total minimum lease payments:		
Due within one year	2,486	1,881
Due in the second to fifth year	624	330
	3,110	2,211
Future finance charges	(94)	(64)
Present value of lease obligations	3,019	2,147
	As at 30 September 2023 HK\$'000 (unaudited)	As at 31 March 2023 HK\$'000 (audited)
Present value of minimum lease payment:		
Due within one year	2,406	1,822
Due in the second to fifth year	613	325
	3,019	2,147
Less: Portion due within one year included under current liabilities	(2,406)	(1,822)
Portion due after one year included under non-current liabilities	613	325

As at 30 September 2023, the Group leases an office premise and warehouses (31 March 2023: an office premise and warehouses) to operate its business. These lease periods are for three and two years (31 March 2023: three and two years) respectively. At the end of the lease term, lease liabilities were effectively secured by the related underlying assets as the rights to the leased assets would be reverted to the lessor in the event of default by repayment by the Group. None of the leases including contingent rentals. The effective interest rate on these leases was 4.62% to 4.88% for the six months ended 30 September 2023 (six months ended 30 September 2022: 4.83% to 4.88%).

During the six months ended 30 September 2023, the total cash outflows for the leases were HK\$1,967,000 (six months ended 30 September 2022: HK\$1,730,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

20. RELATED PARTY TRANSACTIONS

In addition to the balances and transactions detailed elsewhere in the condensed consolidated interim financial statements, the Group had the following related party transactions during the six months ended 30 September 2023 and 2022.

(a) Key management personnel remuneration

The emoluments of the directors and senior management of the Company, who represent the key management personnel during the six months ended 30 September 2023 and 2022 were as follows:

	Six months ended 30 September	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Salaries, fee and allowances	1,882	1,828
Retirement benefit scheme contributions	14	27
	1,896	1,855

(b) Material related party transactions

Name of related party	Nature	Six months ended 30 September	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Ms. Chan Sze Nga (Note (a))	Salary and allowances	462	462
Ms. Chan Mei Po (Note (b))	Salary and allowances	300	300
Mr. Tsang Ue Sum (Note (c))	Salary and allowances	180	168
Ms. Chan Mei Lei (Note (d))	Salary and allowances	195	195

Notes:

- (a) Ms. Chan Sze Nga is the daughter of Mr. Chan and the niece of Mr. Tsang Leung Lung.
- (b) Ms. Chan Mei Po is the niece of Mr. Chan.
- (c) Mr. Tsang Ue Sum is the nephew of Mr. Chan and the son of Mr. Tsang Leung Lung.
- (d) Ms. Chan Mei Lei is the niece of Mr. Chan.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

21. CONTINGENT LIABILITIES

As at 30 September 2023 and 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 of the Group are of the opinion that the claims and litigation are not expected to have a material impact on the condensed consolidated interim financial statements, and the outcome for potential claims is uncertain. Accordingly, no provision has been made as at 30 September 2023 and 31 March 2023 and during the six months ended 30 September 2023 and 2022.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2023, interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or to be recorded in the register required to be kept pursuant to section 352 of the SFO, or to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Listing Rules, were as follows:

(i) Long position in the Shares

Name of Director	Capacity/ Nature of interest	Number of Shares held/interested in	Approximate percentage of shareholding
Mr. Chan Siu Cheong ("Mr. Chan") (Note)	Interest in a controlled corporation	900,000,000	75%

Note: Oriental Castle Group Limited ("Oriental Castle") is beneficially owned as to 90% by Mr. Chan and 10% by Ms. Chu Wai Ling ("Ms. Chu"). By virtue of the SFO, Mr. Chan is deemed to be interested in the Shares held by Oriental Castle. Ms. Chu is the spouse of Mr. Chan. Accordingly, Ms. Chu is deemed or taken to be interested in the Shares Mr. Chan is interested in under the SFO.

(ii) Long position in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Number of Share(s) held/ interested in	Approximate percentage of shareholding
Mr. Chan (Note)	Oriental Castle	Beneficial owner	90	90%

Note: Oriental Castle is the direct shareholder of the Company and is an associated corporation within the meaning of Part XV of the SFO.

Other than as disclosed above, as at 30 September 2023, none of the Directors nor chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or to be recorded in the register required to be kept under section 352 of the SFO, or to be notified to the Company and the Stock Exchange under the Model Code.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 30 September 2023, so far as it is known by or otherwise notified by any Director or the chief executive of the Company, the following persons/entities (other than a Director or chief executive of the Company) who had or were deemed or taken to have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept under section 336 of the SFO were as follows:

Long position in the Company

Name	Capacity/Nature of interest	Number of Shares held/interested in	Approximate percentage of shareholding
Oriental Castle	Beneficial owner (Note 1)	900,000,000	75%
Ms. Chu	Interest of a spouse (Note 2)	900,000,000	75%

Notes:

1. Oriental Castle is the direct shareholder of the Company. Oriental Castle is beneficially owned as to 90% by Mr. Chan and 10% by Ms. Chu. By virtue of the SFO, Mr. Chan is deemed to be interested in all the Shares held by Oriental Castle.
2. Ms. Chu is the spouse of Mr. Chan. Accordingly, Ms. Chu is deemed or taken to be interested in the Shares Mr. Chan is interested in under the SFO.

Save as disclosed above, as at 30 September 2023, the Directors are not aware of any other corporation or individual (other than a Director or the chief executive of the Company) who had, or were deemed or taken to have, any interests or short positions in any Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept under section 336 of the SFO.

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 Relevant Period, the Company complied with the CG Code with the exception of code provision C.2.1 of the CG Code. According to code provision C.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 report, 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 C.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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE (CONTINUED)

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 2023.

COMPETING INTERESTS

As at 30 September 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.

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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

EVENTS AFTER THE RELEVANT PERIOD

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

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 unaudited condensed consolidated interim financial statements of the Group for the Relevant Period as set out in this report have not been audited by the Company's auditor, but 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.

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

Hong Kong, 29 November 2023

As at the date of this report, 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.