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

2018 Interim Report

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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. Kyaw Sai Hong

AUTHORISED REPRESENTATIVES

Mr. Sin Ka Pong
Mr. Kyaw Sai Hong

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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The Octagon
No. 6 Sha Tsui Road, Tsuen Wan
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REGISTERED OFFICE

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75 Fort Street, P.O. Box 1350
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Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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75 Fort Street, P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

COMPLIANCE ADVISER

Dakin Capital Limited
Room 2701, 27/F
Tower 1, Admiralty Centre
18 Harcourt Road
Admiralty, Hong Kong

PRINCIPAL BANK

The Hongkong and Shanghai Banking Corporation Limited

AUDITOR

Grant Thornton Hong Kong Limited
Level 12
28 Hennessy Road
Wanchai, Hong Kong

LEGAL ADVISER AS TO HONG KONG LAW

Guantao & Chow Solicitors and Notaries
Suites 1604–06
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Central, Hong Kong

WEBSITE

www.hcho.com.hk

STOCK CODE

1757

The board (the "Board") of directors (the "Directors") of Affluent Foundation Holdings Limited (the "Company") is pleased to present the first condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2018.

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 leasing of machineries to third party construction companies.

According to the research conducted by an independent market research and consulting firm, the gross output value of Hong Kong's foundation industry reached HK$13.9 billion in 2017 with compound annual growth rate ("CAGR") of approximately –2.4% between 2013 and 2017. The increasing demand of residential units in Hong Kong as well as the plan of the government of Hong Kong ("Government") for increasing public housing supply together will help the foundation industry to keep growing in the future. It is expected that the gross output value of Hong Kong's foundation industry will further reach approximately HK$19.4 billion in 2022, representing a CAGR of approximately 6.9% from 2017 to 2022. The Group believes that more foundation projects will be launched in the near future.

Despite keen competition in the foundation industry and the increase in cost of production, the Group is still optimistic about the prospects of the construction industry in Hong Kong. The Group will continue to strengthen its market position and look forward to achieving continuous growth of business.

RISKS AND UNCERTAINTIES

The Group's results of operation may vary significantly from period to period depending on, among other factors, the political and economic environment, level of competitiveness, the quality of service and timeliness of subcontractors, and the adequacy and efficiency of internal processes implemented by staff and systems. The Group believes that there are certain risks and uncertainties involved both in the markets and in the operations which can be summarised as below.

Operational Risks

Due to unexpected circumstances such as bad weather and geological issues, the actual time and costs incurred in construction project may exceed our estimation at the time of tendering submission and the work in progress may be interrupted. As the result, such variances could adversely affect the Group's operations and financial results. In such situations, the Group will implement measures such as re-allocating human resources, recruiting additional manpower and subcontracting the works in order to expedite the work progress.

On the other hand, industrial accident is inevitable. 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 carries out 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 Government's large-scale infrastructure projects which require pro-longed 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, we will also be more involved in projects from 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 planned to acquire new fleets of 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30 September 2018, the Group had been awarded 2 new contracts, with an aggregate original contract sum of approximately HK$12.7 million. As at 30 September 2018, the Group had 34 projects on hand (including projects in progress as well as projects that have been awarded to us but not yet commenced) with a total original contract sum of approximately HK$1,049.9 million.

FINANCIAL REVIEW

Revenue

The revenue from foundation works of the Group for the six months ended 30 September 2018 amounted to approximately HK$259.8 million, representing an increase of approximately HK$106.2 million, or 69.2% compared to approximately HK$153.6 million for the six months ended 30 September 2017. The increase in revenue was primarily due to all sizable projects were in full swing during the six months ended 30 September 2018.

Gross Profit and Gross Profit Margin

The gross profit of the Group for the six months ended 30 September 2018 amounted to approximately HK$28.2 million, representing an increase of approximately HK$12.3 million, or 77.6%, compared to approximately HK$15.9 million for the six months ended 30 September 2017. The increase in gross profit was in line with the increase of revenue during the six months ended 30 September 2018. The gross profit margin was stable at approximately 10.9% for the six months ended 30 September 2018 and approximately 10.3% for the six months ended 30 September 2017.

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 six months ended 30 September 2018 amounted to approximately HK$1.9 million, representing a decrease of approximately HK$1.8 million or 48.9% compared to approximately HK$3.7 million for the six months ended 30 September 2017. The decrease was primarily due to decrease of machinery rental income and disposal of property, plant and equipment for the six months ended 30 September 2018.

Administrative Expenses

The administrative expenses of the Group for the six months ended 30 September 2018 amounted to approximately HK$18.8 million, representing an increase of approximately HK$6.9 million or 57.4% compared to approximately HK$11.9 million for the six months ended 30 September 2017. The increase was primarily due to the increase of salaries, staff messing and welfare, donation and entertainment expenses for the six months ended 30 September 2018.

Finance Costs

The finance costs of the Group for the six months ended 30 September 2018 amounted to approximately HK$0.6 million, representing an increase of approximately HK$0.1 million or 28.6% compared to approximately HK$0.5 million for the six months ended 30 September 2017. The increase was primarily due to the increase in short term bank borrowings during the six months ended 30 September 2018.

Profit attributable to equity holders of the Company

The Group reported profit attributable to equity holders of the Company of approximately HK$7.5 million for the six months ended 30 September 2018 as compared to approximately HK$5.0 million for the six months ended 30 September 2017, representing an increase of approximately HK$2.5 million or 50.0%. Excluding the listing expenses of approximately HK$5.1 million for the six months ended 30 September 2018 (2017: approximately HK$5.6 million), the Group would have an adjusted net profit of approximately HK$12.6 million for the six months ended 30 September 2018 (2017: approximately HK$10.6 million).

LIQUIDITY, FINANCIAL POSITION AND CAPITAL STRUCTURE

The Group has funded its liquidity and capital requirements primarily through capital contributions from shareholders, bank borrowings, cash inflows from operating activities and proceeds received from the Listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

As at 30 September 2018, the Group had in total cash and cash equivalents of approximately HK$45.3 million (31 March 2018: approximately HK$11.0 million). The increase was primarily due to the proceeds received from the Listing on the Stock Exchange during the six months ended 30 September 2018.

As at 30 September 2018, the gearing ratio of the Group, calculated by the total debts (defined as the sum of the amount due to a Director, bank borrowings and obligations under finance leases) divided by the total equity is approximately 11.2% (31 March 2018: approximately 35.2%). The decrease was primarily due to increase in total equity and repayment of amount due to a Director and bank borrowings.

TREASURY POLICY

The Group continues to manage its financial position carefully and maintains conservative policies in cash and financial management. The Board closely monitors the Group's liquidity position to ensure that the Group can meet its funding requirements for business development.

PLEDGE OF ASSETS

As at 30 September 2018, the Group's property, plant and equipment with an aggregate net book value of approximately HK$5.4 million (31 March 2018: approximately HK$6.6 million) were pledged under finance lease.

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 six months ended 30 September 2018.

CAPITAL EXPENDITURE

During the six months ended 30 September 2018, the Group invested approximately HK$2.0 million on acquisition of property, plant and equipment. Capital expenditure was principally funded by internal resources.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Save as disclosed on note 24 to the condensed consolidated financial statement, as at 30 September 2018, the Group had no material capital commitments or contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the six months ended 30 September 2018, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

SIGNIFICANT INVESTMENT HELD

During the six months ended 30 September 2018, the Group had no significant investment held.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed on the section headed "Future plans and use of proceeds" in the Prospectus dated 23 May 2018 (the "Prospectus"), the Group does not have other plans for material investments and capital assets.

USE OF PROCEEDS

The receipts of the proceeds, net of listing expenses (including underwriting fee), including both recognised in the condensed 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 intends 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.

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

		Planned HK$'000	Actual use of Net Proceeds up to the date of this interim report HK$'000
1	Acquire additional machineries and equipment	39,996	4,570
2	Strengthen the Group's manpower	14,000	680
3	Secure more contracts the Group intends to tender	10,000	–
4	General working capital	6,554	6,554
		70,550	11,804

As at the date of this report, the unutilised proceeds were placed in interest-bearing deposits with authorised financial institutions or licensed banks in Hong Kong.

The Directors regularly evaluate the Group's business objective and may change or modify plans against the changing market condition to ascertain the business growth of the Group. During the six months ended 30 September 2018, the Directors considered that no modification of the use of proceeds described in the Prospectus was required.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2018, the Group employed a total of 202 employees (including executive Directors and Independent Non-executive Directors), as compared to a total of 200 employees as at 31 March 2018. Total staff costs which include Directors' emoluments for the six months ended 30 September 2018 was approximately HK$50.2 million (six months ended 30 September 2017: approximately HK$32.6 million). The salary and benefit level of the employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. The Group conducts annual review on salary increase, discretionary bonuses and promotions based on the performance of each employee.

The emoluments of the Directors are decided by the Board after recommendation from the Remuneration Committee of the Company, having considered the factors such as the Group's financial performance and the individual performance of the Directors, etc.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees.

During the six months ended 30 September 2018, 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 shareholders of the Company for the six months ended 30 September 2018.

FUTURE PROSPECTS

The Government continues to stress for more efforts to increase land supply for both residential and commercial developments. Therefore, the Group remains positive with the prospects of the construction industry in Hong Kong even though we are facing keen competition in the industry and increase in the cost of production. The Group will continue to focus on its competitive edge and maintain its competitive position in the market.

The Group entered into a notice of acceptance for a project with contract value of approximately HK$303.2 million with a main contractor. In view of this and other on-going projects, it is expected that the business and revenue of the Group will be stable.

COMPLIANCE ADVISER'S INTERESTS

As notified by the Company's compliance adviser, Dakin Capital Limited ("Dakin"), as at 30 September 2018, except for the compliance adviser agreement entered into between the Company and Dakin dated 14 May 2018, neither Dakin nor its directors, employees or close associates had any interests in relation to the Company, which is required to be notified to the Company pursuant to the Listing Rules.

Grant Thornton
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To the Board of Directors of Affluent Foundation Holdings Limited
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated interim financial statements set out on pages 10 to 32, which comprises the condensed consolidated statement of financial position of Affluent Foundation Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as of 30 September 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of condensed consolidated interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors are responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with HKAS 34.

Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("HKSRE 2410") issued by the HKICPA. A review of condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements is not prepared, in all material respects, in accordance with HKAS 34.

OTHER MATTERS

Without qualifying our review conclusion, we draw attention to the fact that the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months period ended 30 September 2017 and the relevant explanatory notes included in these condensed consolidated interim financial statements have not been reviewed in accordance with HKSRE 2410.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

30 November 2018

Chan Tze Kit
Practising Certificate No.: P05707

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

	Notes	Six months ended 30 September 2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
Revenue	5	**259,775**	153,552
Direct costs		**(231,569)**	(137,666)
Gross profit		**28,206**	15,886
Other income	6	**1,903**	3,725
Administrative expenses		**(18,772)**	(11,924)
Finance costs	7	**(621)**	(483)
Profit before income tax	8	**10,716**	7,204
Income tax expense	9	**(3,259)**	(2,233)
Profit and total comprehensive income for the period attributable to equity holders of the Company		**7,457**	4,971
Earnings per share attributable to equity holders of the Company		**HK cents**	HK cents
Basic and diluted	11	**0.68**	0.55

The notes on pages 14 to 32 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Notes	As at 30 September 2018 HK$'000 (unaudited)	As at 31 March 2018 HK$'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	17,011	19,128
Current assets			
Trade and other receivables	13	48,948	77,688
Contract assets	14	147,952	–
Amounts due from customers for contract work		–	77,329
Cash and bank balances	15	45,349	10,995
		242,249	166,012
Current liabilities			
Trade and other payables	16	45,606	67,348
Bank borrowings, secured	17	17,913	23,223
Obligations under finance leases	18	1,755	2,996
Contract liabilities		9,444	–
Amounts due to customers for contract work		–	2,362
Amount due to a director	19	–	1,687
Tax payable		3,051	2,401
		77,769	100,017
Net current assets		164,480	65,995
Total assets less current liabilities		181,491	85,123
Non-current liabilities			
Obligations under finance leases	18	405	817
Deferred tax liabilities		2,420	2,722
		2,825	3,539
Net assets		178,666	81,584
EQUITY			
Share capital	20	12,000	–
Reserves	21	166,666	81,584
Equity attributable to equity holders of the Company		178,666	81,584

Chan Siu Cheong	**Sin Ka Pong**
Director	*Director*

The notes on pages 14 to 32 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 2018

	Share capital HK$'000 (Note 20)	Share premium HK$'000 (Note 21)	Capital reserve HK$'000 (Note 21)	Retained earnings HK$'000	Total HK$'000
Balance at 1 April 2017 (audited)	–	–	301	65,234	65,535
Profit and total comprehensive income for the period	–	–	–	4,971	4,971
Balance at 30 September 2017 (unaudited)	–	–	301	70,205	70,506
Balance at 1 April 2018 (audited)	**–**	**–**	**301**	**81,283**	**81,584**
Share capitalisation issue (Note 20)	**9,000**	**(9,000)**	**–**	**–**	**–**
Issue of share capital (Note 20)	**3,000**	**86,625**	**–**	**–**	**89,625**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**7,457**	**7,457**
Balance at 30 September 2018 (unaudited)	**12,000**	**77,625**	**301**	**88,740**	**178,666**

The notes on pages 14 to 32 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Cash flows from operating activities		
Cash used in operations	**(46,044)**	(6,587)
Net cash used in operating activities	**(46,044)**	(6,587)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(2,016)**	(2,980)
Proceeds from disposal of property, plant and equipment	**373**	3,211
Net cash (used in)/from investing activities	**(1,643)**	231
Cash flows from financing activities		
Proceeds from issuance of share capital	**102,000**	–
Share issuance expenses of Listing	**(12,375)**	–
Proceeds from borrowings	**–**	1,267
Repayment of borrowings	**(5,310)**	(3,257)
Repayment of finance lease liabilities	**(1,653)**	(4,094)
Interest paid	**(621)**	(483)
Net cash from/(used in) financing activities	**82,041**	(6,567)
Net increase/(decrease) in cash and cash equivalents	**34,354**	(12,923)
Cash and cash equivalents at the beginning of period	**10,995**	25,268
Cash and cash equivalents at end of period (Note 15)	**45,349**	12,345

The notes on pages 14 to 32 are an integral part of these condensed consolidated interim financial statements.

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 Clifton House, 75 Fort Street, 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.

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.

As at 30 September 2018, 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.

Pursuant to a group reorganisation (the "Reorganisation") of the Company in connection with the listing of its shares on the Stock Exchange (the "Listing"), which was completed on 23 April 2018, the Company became the holding company of the companies now comprising the Group. Details of the Reorganisation are set out in the section headed "History, reorganisation and corporate structure – Reorganisation" in the Company's Prospectus dated 23 May 2018 (the "Prospectus").

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 September 2018 have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange 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 combined financial statements of the Group for the year ended 31 March 2018.

The condensed consolidated interim financial statements have been prepared using the principles of merger accounting under Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout both periods presented, or since their respective dates of incorporation where this is a shorter period. The condensed combined statement of financial position as at 31 March 2018 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at that date.

The condensed consolidated interim financial statements are unaudited, but has been reviewed by the Company's auditor, Grant Thornton Hong Kong Limited.

The condensed consolidated interim financial statements are presented in Hong Kong dollars ("HK$" or "HKD"), and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

3. SIGNIFICANT 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 combined financial statements for the year ended 31 March 2018, 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:

(i) Adoption of new and amended HKFRSs

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 and the related clarification to HKFRS 15 (hereinafter referred to as "HKFRS 15") presents new requirements for the recognition of revenue, replacing HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue-related Interpretations. HKFRS 15 contains a single model that applies to contracts with customers and two approaches to recognising revenue; at a point in time or overtime. The model features a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. For more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods and services that are substantially the same. In determining the performance obligations, the Group considers whether the customer benefits from the good and service on its own and whether it is distinct in the context of the contract. Factors considered by the Group indicate the goods and services are not separately identifiable would include:

- whether a significant service of integrating the goods or services with other goods or services promised in the contract into a bundle of goods or services that represent the combined output or outputs for which the customer has contracted;
- whether one or more of the goods or services significantly modifies or customises, or are significantly modified or customised by, one or more of the other goods or services promised in the contract;
- the goods or services are highly interdependent or highly interrelated. In other words, each of the goods or services is significantly affected by one or more of the other goods or services in the contract.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Adoption of new and amended HKFRSs (Continued)

HKFRS 15 Revenue from Contracts with Customers (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The Group provides foundation work services under contracts with customers which are entered into before the services begin. Under the terms of the contracts, the Group's performance creates and enhances an asset that the customer controls which referred as the designated areas where the foundation work services performed. Revenue from provision of foundation work services is therefore recognised over time. The progress towards complete satisfaction of a performance obligation in the foundation work services is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services. The value of the services transferred to customer to date is measured according to the progress certificate (by reference to the construction works certified by the customers or their agents) issued by the customer or its agent.

The Group have applied HKFRS 15 in accordance with modified retrospective approach under which the cumulative effect of initially applying this standard is recognised at the date of initial application (i.e. 1 April 2018) as an adjustment to the opening balance of retained profits at 1 April 2018. In accordance with the transition guidance, HKFRS 15 has only been applied to contracts that are incomplete as at 1 April 2018.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Adoption of new and amended HKFRSs (Continued)

HKFRS 15 Revenue from Contracts with Customers (Continued)

There was no material impact of transition to HKFRS 15 on retained earnings at 1 April 2018. In summary, the following reclassification was made to the amounts recognised in the condensed consolidated statement of financial position at the date of initial application (1 April 2018):

	Carrying amount at 31 March 2018 under HKAS 11 and HKAS 18 HK$'000	Reclassification HK$'000	Carrying amount at 1 April 2018 under HKFRS 15 HK$'000
Current assets			
Trade and other receivables	77,688	(30,983)	46,705
Amounts due from customers for contract work	77,329	(77,329)	–
Contract assets	–	108,312	108,312
Current liabilities			
Amounts due to customers for contract work	2,362	(2,362)	–
Trade and other payables	3,577	(3,577)	–
Contract liabilities	–	5,939	5,939

The adoption of HKFRS 15 has no material impact on the Group's condensed consolidated statement of profit or loss and other comprehensive income and the condensed consolidated statement of cash flows.

HKFRS 9 Financial Instruments

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "expected credit loss" ("ECL") model for the impairment of financial assets.

When adopting HKFRS 9, the Group has applied modified retrospective approach under which the cumulative effect of initially applying this standard is recognised at the date of initial application (i.e. 1 April 2018) as an adjustment to the opening balance of retained profits at 1 April 2018 and opted not to restate prior periods.

The adoption of HKFRS 9 has impacted the following area:

(a) Classification and measurement

On 1 April 2018, the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate categories of HKFRS 9.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Adoption of new and amended HKFRSs (Continued)

HKFRS 9 Financial Instruments (Continued)

(a) *Classification and measurement* (Continued)

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

For financial assets classified to be measured at amortised cost, the Group holds the investment to collect the contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

The classification of the Group's financial assets and liabilities at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

(b) *Impairment*

Under the ECL model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month ECL or a lifetime ECL, depending on the asset and the facts and circumstances.

For trade receivables, retention receivables and contract assets, the Group applies a simplified model of recognising lifetime ECL as these items do not have a significant financing component. The Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

For all other financial assets at amortised cost, the Group adopted a "three-stage" model for impairment based on changes in credit quality since initial recognition as summarised below:

- The receivables with low credit risk on initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the Group;
- If a significant increase in credit risk since initial recognition is identified, the receivables is moved to "Stage 2" but is not yet deemed to be credit impaired;
- If the receivables is credit-impaired, the financial instrument is then moved to "Stage 3".

Receivables in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that result from default events possible within the next 12 months. Instruments in Stage 2 or 3 have their ECL measured based on ECL on a lifetime basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Adoption of new and amended HKFRSs (Continued)

HKFRS 9 Financial Instruments (Continued)

(c) *Measurement of ECLs*

When estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

As at 1 April 2018, no credit loss allowance has been recognised against retained earnings.

(ii) Issued but not yet effective HKFRSs

For those which are not yet effective and have not been early adopted by the Group, the Group is in the process of assessing their impact on the Group's results 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 combined financial statements of the Group for the year ended 31 March 2018.

5. REVENUE

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

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Contracting revenue	**259,775**	153,552

The chief operating decision-maker has been identified as the executive directors of the Company. The directors regard the Group's business of foundation works as a single operating segment and reviews the overall results of the Group as a whole to make decision about resources allocation. Accordingly, no segment analysis information is presented.

No separate analysis of segment information by geographical segment is presented as the Group's revenue and non-current assets are principally attributable to a single geographical region, which is Hong Kong.

5. REVENUE (Continued)

Revenue from customers which individually contributed over 10% of the Group's revenue is as follows:

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Customer A	**155,848**	17,257
Customer B	**44,694**	N/A*
Customer C	**29,552**	30,472
Customer D	**N/A***	24,314
Customer E	**N/A***	44,866

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

6. OTHER INCOME

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Gain on disposal of property, plant and equipment	**331**	1,807
Machinery rental income	**–**	1,853
Income from disposal of construction wastes	**1,572**	65
	1,903	3,725

7. FINANCE COSTS

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Bank loans interest wholly repayable within five years	**555**	229
Finance charge on obligations under finance leases	**66**	254
	621	483

8. PROFIT BEFORE INCOME TAX

		Six months ended 30 September	
		2018	2017
		HK$'000	HK$'000
		(unaudited)	(unaudited)
Profit before income tax is stated after charging:			
(a)	Staff costs (including directors' emoluments) (note (i))		
	– Salaries, wages and other benefits	**48,737**	31,658
	– Contributions to defined contribution retirement plans	**1,478**	971
		50,215	32,629
(b)	Other items		
	Depreciation, included in:		
	Direct costs		
	– Owned assets	**2,214**	2,250
	– Leased assets	**1,220**	1,404
	Administrative expenses		
	– Owned assets	**657**	277
	– Leased assets	**–**	489
		4,091	4,420
	Subcontracting charges (included in direct costs)	**75,644**	16,257
	Auditor's remuneration	**–**	80
	Operating lease charges in respect of premises	**728**	982
	Listing expenses	**5,103**	5,629
	Donation	**1,000**	–

Note:

(i) Staff costs (including directors' emoluments)

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Direct costs	**44,673**	29,942
Administrative expenses	**5,542**	2,687
	50,215	32,629

9. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profit for the six months ended 30 September 2018 (2017: 16.5%).

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Provision for Hong Kong Profits Tax		
– Current tax	**3,561**	2,228
Deferred tax	**(302)**	5
Total income tax expense	**3,259**	2,233

10. DIVIDENDS

The board of directors do not recommend the payment of a dividend for the six months ended 30 September 2018.

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	
	2018	2017
	(unaudited)	(unaudited)
Earnings		
Profit for the year attributable to equity holders of the Company (in HK$'000)	**7,457**	4,971
Number of shares		
Weighted average number of ordinary shares	**1,090,163,934**	900,000,000
Basic earnings per share (in HK cents)	**0.68**	0.55

11. EARNINGS PER SHARE (Continued)

(a) Basic earnings per share (Continued)

The weighted average number of ordinary shares used to calculate the basic earnings per share for the six months ended 30 September 2017 includes (i) 1 ordinary share in issue as at 30 September 2017; (ii) 9,999 ordinary shares issued on 23 April 2018 as part of the Reorganisation; and (iii) 899,990,000 ordinary shares issued on 7 June 2018 pursuant to the Capitalisation Issue (as defined in the Prospectus), as if all these shares had been in issue since 1 April 2017 and throughout the six months ended 30 September 2017.

The weighted average number of ordinary shares used to calculate the basic earnings per share for the six months ended 30 September 2018 includes (i) 900,000,000 ordinary shares immediately after the Capitalisation Issue, as if all these shares had been in issue since 1 April 2017; and (ii) 190,163,934 ordinary shares, representing the weighted average of 300,000,000 new ordinary shares issued pursuant to the public offer and placing of shares of the Company (the "Share Offer") (Note 20(c)).

(b) Diluted earnings per share

There were no dilutive potential ordinary shares outstanding during the six months ended 30 September 2018 and 2017 and therefore, diluted earnings per share equals to basic earnings per share.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2018, the Group acquired approximately HK$2,016,000 (six months ended 30 September 2017: HK$2,980,000) of property, plant and equipment.

During the six months ended 30 September 2018, the Group disposed property, plant and equipment with net carrying amount of approximately HK$42,000 (six months ended 30 September 2017: HK$1,404,000), resulting in a net gain on disposal of approximately HK$331,000 (six months ended 30 September 2017: HK$1,807,000).

As at 30 September 2018, the Group's plant and machinery of HK$5,420,000 (31 March 2018: HK$6,640,000) are held under finance leases (Note 18).

13. TRADE AND OTHER RECEIVABLES

	As at 30 September 2018 HK$'000 (unaudited)	As at 31 March 2018 HK$'000 (audited)
Trade receivables	21,823	22,159
Retention receivables	–	30,983
Other receivables and prepayments	25,995	23,346
Utility and other deposits	1,130	1,200
	48,948	77,688

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.

Trade receivables

The Group usually provide 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 consists 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. Based on the judgement of the management of the Group, the exposure to credit risk and ECL for trade receivables assessed collectively based on the provision matrix is negligible at 30 September 2018 and 1 April 2018.

The estimated 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. No credit loss allowance is recognised on these debtors for the current interim period.

Based on the invoice dates, the ageing analysis of the trade receivables, net of provision for impairment, was as follows:

	As at 30 September 2018 HK$'000 (unaudited)	As at 31 March 2018 HK$'000 (audited)
0 – 30 days	19,093	15,411
31 – 60 days	436	4,127
61 – 90 days	428	–
Over 90 days	1,866	2,621
	21,823	22,159

14. CONTRACT ASSETS

	As at 30 September 2018 HK$'000 (unaudited)	As at 31 March 2018 HK$'000 (audited)
Unbilled revenue (Note (a))	106,773	–
Retention receivables (Note (b))	41,179	–
	147,952	–

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.

The gross amounts of contract assets are expected to be recovered within one year.

The estimated 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. No credit loss allowance is recognised on these debtors for the current interim period.

15. CASH AND BANK BALANCES

	As at 30 September 2018 HK$'000 (unaudited)	As at 31 March 2018 HK$'000 (audited)
Cash at banks	45,349	10,995

Note: Cash at banks earns interest at floating rates based on daily bank deposit rates.

16. TRADE AND OTHER PAYABLES

	As at 30 September 2018 HK$'000 (unaudited)	As at 31 March 2018 HK$'000 (audited)
Trade payables (note (a))	14,408	40,659
Retention payables	15,777	7,180
Accruals and other payables	15,421	19,509
	45,606	67,348

Notes:

(a) The Group is usually granted by suppliers with a credit term of 30 days.

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

	As at 30 September 2018 HK$'000 (unaudited)	As at 31 March 2018 HK$'000 (audited)
0 – 30 days	7,151	17,173
31 – 60 days	1,427	7,546
61 – 90 days	1,161	1,742
Over 90 days	4,669	14,198
	14,408	40,659

(b) 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.

17. BANK BORROWINGS, SECURED

At 30 September 2018 and 31 March 2018, the secured bank loans were repayable as follows:

	As at 30 September 2018 HK$'000 (unaudited)	As at 31 March 2018 HK$'000 (audited)
Bank loans shown under current liabilities	**17,913**	23,223
Carrying amount based on scheduled repayment date repayable:		
Within one year or on demand	**17,070**	21,040
More than one year, but not exceeding two years	**843**	2,183
	17,913	23,223

(a) As at 30 September 2018, the bank loans are interest-bearing at 2.5% to 5.0% (31 March 2018: 2.2% to 5.0%) per annum.

(b) As at 30 September 2018, the Group has banking facilities of which HK$17,913,000 (31 March 2018: HK$23,223,000) were utilised for bank borrowings, and HK$2,403,000 (31 March 2018: HK$5,744,000) were utilised for surety bonds given by a bank in favour of a customer of the Group.

(c) The surety bonds were given as security for the due performance and observance of the Group's obligation under the contracts entered into between the Group and the customer. If the Group fails to provide the satisfactory performance to the customer to whom surety bonds have been given, such customer may demand the bank to pay to it the sum or sums stipulated in such demand. The Group will then become liable to compensate such bank accordingly. The surety bonds will be released upon completion of the contract work.

(d) Bank loans contain a repayment on demand clause and are therefore classified as current liabilities. None of the portion of bank loans due from repayment after one year is expected to be settled within one year.

18. OBLIGATIONS UNDER FINANCE LEASES

The analysis of the Group's obligations under finance leases is as follows:

	As at 30 September 2018 HK$'000 (unaudited)	As at 31 March 2018 HK$'000 (audited)
Total minimum lease payments:		
Due within one year	**1,798**	3,094
Due in the second to fifth year	**418**	841
	2,216	3,935
Future finance charges	**(56)**	(122)
Present value of lease obligations	**2,160**	3,813

	As at 30 September 2018 HK$'000 (unaudited)	As at 31 March 2018 HK$'000 (audited)
Present value of minimum lease payment:		
Due within one year	**1,755**	2,996
Due in the second to fifth year	**405**	817
	2,160	3,813
Less: Portion due within one year Included under current liabilities	**(1,755)**	(2,996)
Portion due after one year included under non-current liabilities	**405**	817

The Group has entered into finance leases for plant and machinery. These lease periods are for one to three years. At the end of the lease term, the Group has the option to purchase the leased assets at a price that is expected to be sufficiently lower than the fair value of the leased asset at the end of the lease. None of the leases including contingent rentals. The effective interest rate on these finance leases was 4.3% for the six months ended 30 September 2018 (31 March 2018: 2.3% to 10.2%).

Obligations under finance leases are effectively secured by the underlying assets at the rights to the leased assets would be converted to the lessor in the event of default by repayment by the Group.

19. AMOUNT DUE TO A DIRECTOR

Particulars of amount due to a director as follows:

	As at 30 September 2018 HK$'000 (unaudited)	As at 31 March 2018 HK$'000 (audited)
Mr. Chan	–	1,687

The amount due to a director is non-trade in nature. The amount due is unsecured, non-interest bearing and repayable on demand.

20. SHARE CAPITAL

	Number of shares	HK$'000
Authorised:		
Ordinary shares of HK$0.01 each upon incorporation on 2 June 2017		
As at 1 April 2018 (Note a)	10,000,000	100
Increase of authorised share capital (Note (b)(ii))	3,990,000,000	39,900
As at 30 September 2018	**4,000,000,000**	**40,000**
Issued but not paid up:		
Ordinary shares of HK$0.01 each upon incorporation on 2 June 2017		
As at 1 April 2018 (Note a)	1	–
Transfer to issued and fully paid upon Reorganisation (Note (b)(i))	(1)	–
As at 30 September 2018	–	–
Issued and fully paid:		
Ordinary shares of HK$0.01 each upon incorporation on 2 June 2017		
As at 1 April 2018 (Note (a))	–	–
Transfer from issued but not paid upon Reorganisation (Note (b)(i))	1	–
Issuance of shares (Note (b)(i))	9,999	–
Issuance of shares pursuant to the Capitalisation Issue (Note (b)(iii))	899,990,000	9,000
Issuance of shares pursuant to the share offer (Note (c))	300,000,000	3,000
As at 30 September 2018	**1,200,000,000**	**12,000**

20. SHARE CAPITAL (Continued)

Notes:

(a) The Company was incorporated in the Cayman Islands as an exempted company under the Company Law of the Cayman Islands with limited liability on 2 June 2017 with an initial authorised share capital of HK$100,000 divided into 10,000,000 ordinary shares of HK$0.01 each. One nil-paid share was issued upon incorporation.

(b) As part of the Reorganisation for the Listing:

(i) On 23 April 2018, 9,999 new ordinary shares and the one issued ordinary share were credited as fully paid.

(ii) On 14 May 2018, the authorised share capital was increased from HK$100,000 divided into 10,000,000 ordinary shares of par value HK$0.01 each to HK$40,000,000 divided into 4,000,000,000 ordinary shares of par value HK$0.01 each, by the creation of an additional 3,990,000,000 Shares.

(iii) On 7 June 2018, 899,990,000 new ordinary shares of par value of HK$8,999,900 were issued and credited as fully paid pursuant to the Capitalisation Issue as detailed in the Prospectus.

(c) On 7 June 2018, 300,000,000 new ordinary shares of par value of HK$3,000,000 were issued at a price of HK$0.34 per share and credited as fully paid pursuant to the Share Offer as detailed in the Prospectus. The gross proceeds amounted to HK$102,000,000 and the listing costs directly attributable to the issue of shares amounted to HK$12,375,000. The remaining proceeds amounted to HK$86,625,000 were credited to the Company's share premium account.

21. RESERVES

(a) Share premium

The share premium represents the difference between the par value of the shares of the Company and net proceeds received from the issuance of the shares of the Company.

(b) Capital reserve

Capital reserve as at 30 September 2018 and 31 March 2018 represents the aggregate of the paid up share capital of the subsidiaries comprising the Group arising from the reorganisation for the purpose of listing of the Company's shares on the Stock Exchange.

22. OPERATING LEASE COMMITMENTS

As lessee

At 30 September 2018, the total future minimum lease payments payable by the Group under non-cancellable operating leases are as follows:

	As at 30 September 2018 HK$'000 (unaudited)	As at 31 March 2018 HK$'000 (audited)
Within one year	885	1,380
In the second to fifth years	–	195
	885	1,575

The Group is the lessee in respect of premises under operating leases. The leases typically run for an initial period of one to three years. The leases do not include contingent rentals.

23. 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 2018 and 2017.

(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 2018 and 2017 are as follows:

	Six months ended 30 September	
	2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
Salaries, fee and allowances	1,381	1,074
Discretionary bonuses	261	72
Retirement benefit scheme Contributions	26	27
	1,668	1,173

23. RELATED PARTY TRANSACTIONS (Continued)

(b) Material related party transactions

Name of related party	Nature	Six months ended 30 September 2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
Kam Lung Transport Co. (Note (a))	Transportation expense for construction waste disposal	**13,366**	6,131
Ms. Chan Sze Nga (Note (b))	Salary and allowances	**420**	420
Ms. Chan Mei Po (Note (c))	Salary and allowances	**270**	236
Mr. Tsang Ue Sum (Note (d))	Salary and allowances	**168**	168
Ms. Chan Mei Lei (Note (e))	Salary and allowances	**180**	–

Notes:

(a) Kam Lung Transport Co. is a sole proprietorship established by Mr. Tsang Leung Lung, who is the brother-in-law of Mr. Chan.

(b) Ms. Chan Sze Nga is the daughter of Mr. Chan and the niece of Mr. Tsang Leung Lung.

(c) Ms. Chan Mei Po is the niece of Mr. Chan.

(d) Mr. Tsang Ue Sum is the nephew of Mr. Chan and the son of Mr. Tsang Leung Lung.

(e) Ms. Chan Mei Lei is the niece of Mr. Chan.

24. CONTINGENT LIABILITIES

As at 30 September 2018 and 31 March 2018, the Group has been involved in a number of claims, litigations and potential claims against the Group in relation to work-related injuries and non-compliances. The directors are of the opinion that the claims and litigations 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 2018 and during the six months ended 30 September 2018.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2018, interests and short positions 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")) held by the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been 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 are as follows:

(i) Long position in the Shares

Name of Director	Capacity/ Nature of interest	Number of Shares held	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	Number of share(s) held	Percentage of interest
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 2018, 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 as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange under the Model Code.

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

As at 30 September 2018, so far as it is known by or otherwise notified by any Director or the chief executive of the Company, the particulars of the corporations or individuals (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 of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long position in the Company:

Name	Capacity/Nature of interest	Number of Shares held/ interest in	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 2018, 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 of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

COMPETING INTERESTS

The Directors confirm that neither the controlling shareholders nor their respective close associates is interested in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business during the period under review, and is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules. Since the Listing Date and up to the date of this report, the Company has complied with the CG Code, save as the non-compliance of A.2.1. of the CG Code as explained below. The Company will continuously enhance its corporate governance for the purpose of driving the growth of the business of the Group.

According to code provision A.2.1 of the CG Code, the role of the chairman and the chief executive officer of the Company should be separate and should not be performed by the same individual. Since the Listing Date and up to the date of this report, Mr. Chan took the office of the chairman and the chief executive officer of the Company. In view of Mr. Chan's role in the day-to-day management and operations of the Group, being the founder of the Group and as one of the Directors if not the sole director of other members of the Group, the Board believes that it is the best interests of the Group for Mr. Chan to take up the dual roles of chairman and chief executive officer of the Company. The Board considers that the deviation from code provision A.2.1 of the CG Code is appropriate and that there are sufficient checks and balances in place by the operations of the Board, which comprises experienced and high calibre individuals and adequate independent element in the composition of the Board.

The Board will continuously review and consider in splitting the roles of chairman and chief executive officer of the Company at an appropriate time, having taken into account the circumstances of the Group as a whole. The Directors are aware the non-compliance 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, we will continue to comply with the CG Code to protect the best interests of the shareholders of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the transactions of securities of the Company by the Directors and the relevant employees (who likely possess inside information of the Company) (the "Securities Dealing Code") on terms no less exacting than the required standard set out in the Model Code in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all directors and they have complied with the Securities Dealing Code and Model Code through the six months ended 30 September 2018.

PURCHASE, SALE 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 six months ended 30 September 2018.

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 has maintained a sufficient amount of public float for its Shares as required under the Listing Rules since the Listing Date and up to the date of this report.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") on 14 May 2018. The principal terms of the Share Option Scheme is 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 is no outstanding share option as at 30 September 2018.

BOARD OF DIRECTORS

The Board is responsible for formulating business strategies and monitoring the performance of the Group. Except for day to day operational decision duly delegated, the Board made most of the decision at management level. All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Company has complied with Rules 3.10(1) and 3.10A of the Listing Rules during the six months ended 30 September 2018. The Board comprises five Directors, in which two executive Directors and three independent non-executive Directors.

AUDIT COMMITTEE

The Company established the audit committee on 14 May 2018 with written terms of reference in compliance with Rule 3.22 of the Listing Rules and paragraph C.3.3 of the CG Code. The primary duties of our audit committee include, among others, (a) making recommendations to our 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. Our 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 our audit committee.

REVIEW OF INTERIM FINANCIAL RESULTS

The interim financial results of the Group for the six months ended 30 September 2018 are unaudited but have been reviewed and approved by the audit committee of the Company, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made. The condensed consolidated interim financial statements for the six months ended 30 September 2018 have been reviewed by our auditor, Grant Thornton Hong Kong Limited, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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

Hong Kong, 30 November 2018

As at the date of this report, the Board comprises two executive Directors, namely Mr. Chan Siu Cheong and Mr. Sin Ka Pong, and three independent non-executive Directors, namely Mr. Ho Chi Wai, Mr. Cheung Kwok Yan Wilfred and Mr. Lau Leong Ho.