

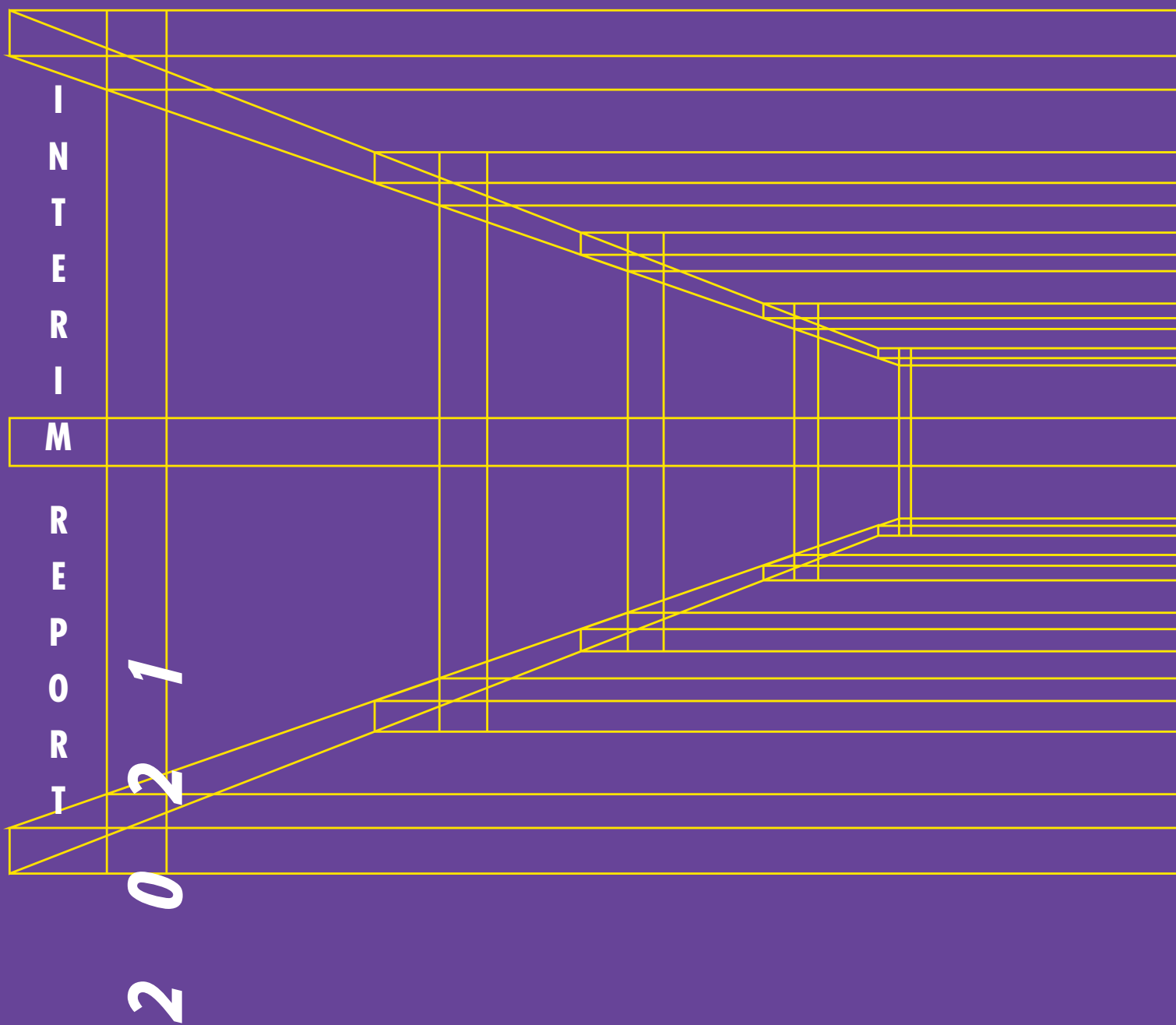


Affluent Foundation Holdings Limited

俊裕地基集團有限公司

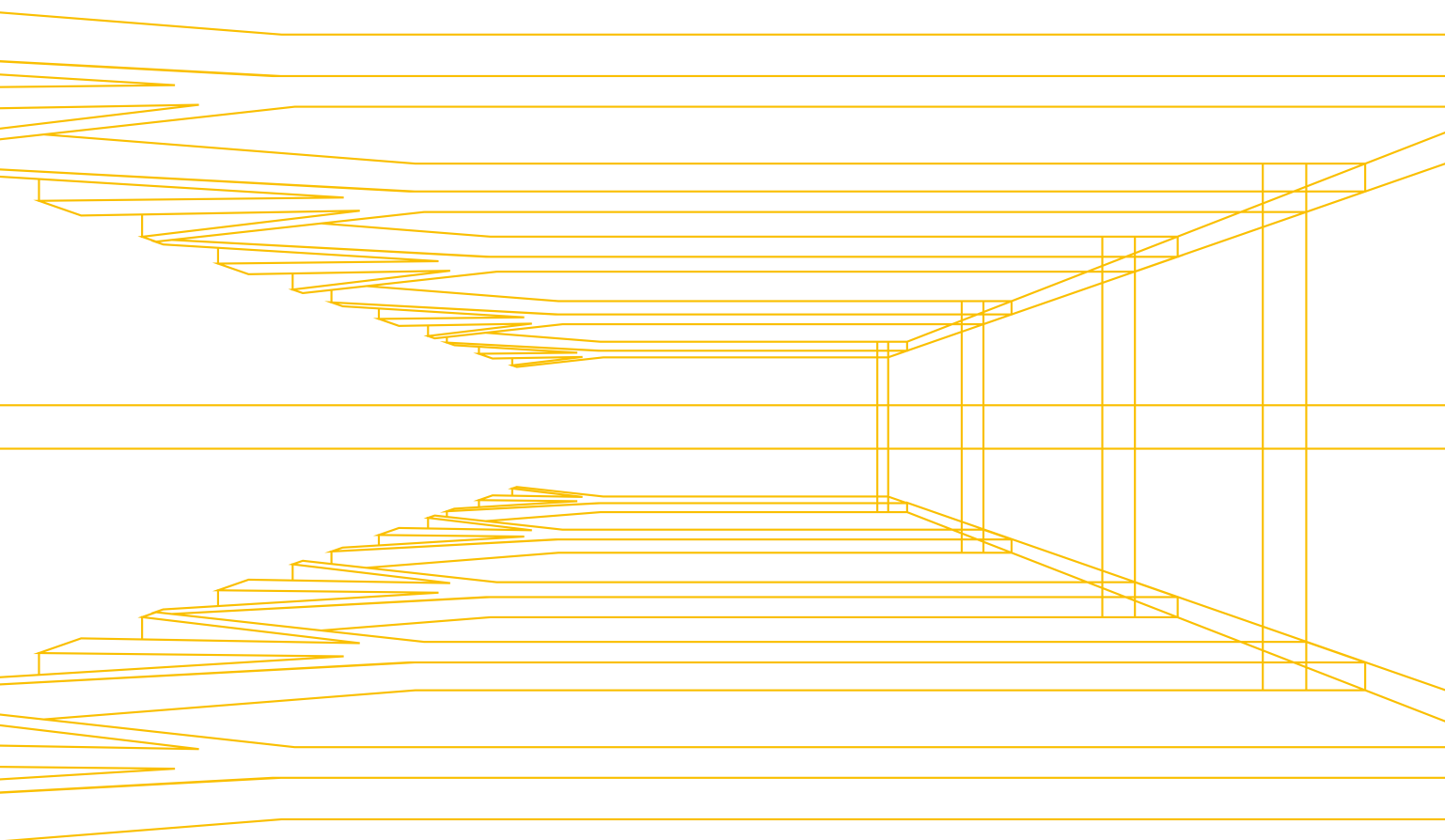
(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1757



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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. 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
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANK

The Hongkong and Shanghai Banking Corporation Limited

AUDITOR

Grant Thornton Hong Kong Limited
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

The Group is a subcontractor engaged in the provision of services related to foundation works in Hong Kong including excavation and lateral support works, pile caps construction, and other services, such as demolition works, underground drainage works, earthworks and structural steelworks. To a lesser extent, the Group also engages in the leasing of machinery to third-party construction companies.

The Group reported a net profit of approximately HK\$2.1 million for the six months ended 30 September 2021 (the "Relevant Period") as compared to the net loss of approximately HK\$6.7 million for the six months ended 30 September 2020. The net profit was mainly attributable to:

- (i) revenue increased by approximately HK\$153.0 million as a result of great progression of two projects located in Kai Tak and Sham Shui Po during the Relevant Period; and
- (ii) gross profit margin improved from approximately 2.4% for the six months ended 30 September 2020 to approximately 4.3% for the Relevant Period due to the efficiency of using machineries improved under larger operating scale and also the sharing of more fixed cost under the bigger revenue level. Following the increase in revenue, the gross profit increased by approximately HK\$8.6 million for the Relevant Period.

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

FUTURE PROSPECTS

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

The Group entered into a notice of acceptance for two projects with an aggregate contract value of approximately HK\$245.0 million with customers after the Relevant Period. In view of this and other on-going projects, it is expected that the business and revenue of the Group will be stable.

FINANCIAL REVIEW

During the Relevant Period, the Group had been awarded 3 new contracts, with an aggregate original contract sum of approximately HK\$48.8 million. As at 30 September 2021, the Group had 19 projects on hand (including projects in progress as well as projects that have been awarded to us but not yet commenced) with an original total contract sum of approximately HK\$1.3 billion.

Revenue

The revenue from foundation works of the Group for the Relevant Period amounted to approximately HK\$266.4 million, representing an increase of approximately HK\$153.0 million or 134.9% as compared to approximately HK\$113.4 million for the six months ended 30 September 2020. The increase was primarily due to the revenue derived from two projects located in Kai Tak and Sham Shui Po during the Relevant Period.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)

Gross Profit and Gross Profit Margin

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

The Group prices its services based on various factors, including but not limited to the scope of works and the complexity of the projects. In this regard, the Group's profitability depends on the nature of projects engaged by the Group.

Other Income

The other income of the Group for the Relevant Period amounted to approximately HK\$0.5 million, representing a decrease of approximately HK\$1.8 million or 78.3% as compared to approximately HK\$2.3 million for the six months ended 30 September 2020. The decrease was primarily due to the government grants from the Employment Support Scheme ("ESS") under COVID-19 Anti-epidemic Fund launched by the Government of the Hong Kong Special Administrative Region (the "Hong Kong Government") which were received for the six months ended 30 September 2020 but which were not available for the Relevant Period.

Administrative Expenses

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

Finance Costs

The finance costs of the Group for the Relevant Period amounted to approximately HK\$0.6 million, representing a decrease of approximately HK\$0.3 million or 33.3% as compared to approximately HK\$0.9 million for the six months ended 30 September 2020. The decrease was primarily due to the full settlement in short term bank borrowings during the Relevant Period.

Profit and Total Comprehensive Income Attributable to Equity Holders of the Company

The Group reported profit and total comprehensive income attributable to equity holders of the Company of approximately HK\$2.1 million for the Relevant Period as compared to a loss of approximately HK\$6.7 million for the six months ended 30 September 2020. The reasons for the improvement were mainly attributable to the reasons discussed in the sub-paragraph headed "Business review and outlook" above.

RISKS AND UNCERTAINTIES

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

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, cash inflows from operating activities and proceeds received from the listing of the shares of the Company on the Main Board of the Stock Exchange (the "Listing").

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL POSITION AND CAPITAL STRUCTURE (CONTINUED)

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

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

TREASURY POLICY

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

PLEDGE OF ASSETS

As at 30 September 2021, the Group's property, plant and equipment with an aggregate net book value of approximately Nil (31 March 2021: approximately HK\$5.3 million) were pledged under bank borrowings.

EXPOSURE TO FOREIGN EXCHANGE RATE RISKS

As the Group only operates in Hong Kong and almost all of the revenue and transactions arising from its operations were settled in Hong Kong dollar, the Board is of the view that the Group's foreign exchange rate risks are insignificant. Thus, the Group has not entered into any derivative contracts to hedge against the foreign exchange rate risk during the Relevant Period.

CAPITAL EXPENDITURE

During the Relevant Period, the Group invested approximately HK\$3.8 million on acquisition of property, plant and equipment. Capital expenditure was principally funded by internal resources and the advance by a Director.

CAPITAL COMMITMENTS

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

CONTINGENT LIABILITIES

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

SIGNIFICANT INVESTMENT HELD

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

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

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

USE OF PROCEEDS FROM LISTING

Future Plans and Use of Proceeds

The receipts of the proceeds and net of Listing expenses (including underwriting fee), including both recognised in the consolidated statement of profit or loss and other comprehensive income and deducted from the share premium ("Net Proceeds") from the Listing, were approximately HK\$70.6 million. The Group originally intended to apply the Net Proceeds in accordance with the proposed applications set out in the section headed "Future plans and use of proceeds" in the Prospectus, the supplemental announcement dated 21 August 2020 in relation to the annual reports for the years ended 31 March 2019 and 2020, and the annual report for the year ended 31 March 2021. As at 30 September 2021, the Group had used up approximately HK\$60.6 million of the Net Proceeds.

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

	Planned	Actual use of Net Proceeds up to the date of this report	Unutilised balance up to the date of this report	Expected timeline for full utilisation of the Unutilised Net Proceeds
	HK\$'000 (Note)	HK\$'000 (Note)	HK\$'000 (Note)	
1. Acquire additional machineries and equipment	39,996	39,996	-	N/A
2. Strengthen the Group's manpower	14,000	14,000	-	N/A
3. Secure more contracts the Group intends to tender	10,000	-	10,000	31 March 2022
4. General working capital	6,554	6,554	-	N/A

Note: Figures as shown in this table have been subject to rounding adjustments and are approximate only.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS FROM LISTING (CONTINUED)

Future Plans and Use of Proceeds (CONTINUED)

Secure more contracts the Group intends to tender

The Company had planned to use approximately HK\$10.0 million of the Net Proceeds (the "Unutilised Net Proceeds") for securing more contracts the Group intends to tender by 31 March 2021. However, the Board has resolved to change the use of the Unutilised Net Proceeds for payment of upfront costs for projects. Details, reasons for and benefits of the change in use of proceeds are set out in the announcement of the Company dated 30 November 2021. Below table sets out the details of the original allocation and the revised allocation as of the Net Proceeds and the expected timeline for utilising the Unutilised Net Proceeds:

	Original planned use of Net Proceeds HK\$ million	Utilised amount of Net Proceeds as at the date of this report HK\$ million	Unutilised amount of Net Proceeds as at the date of this report HK\$ million	Revised allocation of Unutilised Net Proceeds HK\$ million	Expected date of full utilisation of Unutilised Net Proceeds
Acquire additional machineries and equipment	40.0	40.0	-	-	N/A
Strengthen the Group's manpower	14.0	14.0	-	-	N/A
Secure more contracts the Group intends to tender	10.0	-	10.0	-	N/A
Payment of upfront costs for projects	-	-	-	10.0	On or before March 2022
General working capital	6.6	6.6	-	-	N/A
Total	70.6	60.6	10.0	10.0	

Note: The amounts listed herein are subject to rounding adjustments.

The expected timeline for utilising the Unutilised Net Proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on current and future development of market conditions.

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

The Directors regularly evaluate the Group's business objective and may change or modify plans against the changing market condition to ascertain the business growth of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2021, the Group employed a total of 156 employees (including executive Directors and independent non-executive Directors), as compared to a total of 149 employees as at 31 March 2021. Total staff costs which include Directors' emoluments for the Relevant Period were approximately HK\$45.7 million (six months ended 30 September 2020: approximately HK\$32.7 million). The salary and benefit level of the employees of the Group are competitive and individual performance is rewarded through the Group's salary and bonus system. The Group conducts annual review on salary increase, discretionary bonuses and promotions based on the performance of each employee.

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

The Company has adopted a share option scheme (the "Share Option Scheme") on 14 May 2018 as an incentive to Directors and eligible employees.

During the Relevant Period, the Group has not experienced any significant problems with its employees due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff.

INTERIM DIVIDEND

The Board has resolved not to recommend the declaration of interim dividend to the shareholders of the Company for the Relevant Period (2020: Nil).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2021

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

	Notes	As at 30 September 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	29,632	34,040
Right-of-use assets	13	2,618	1,075
		32,250	35,115
Current assets			
Trade and other receivables	14	41,845	24,140
Contract assets	15	137,183	134,186
Cash and bank balances	16	12,776	8,527
		191,804	166,853
Current liabilities			
Trade and other payables	17	86,007	81,669
Amount due to a director	18	38,480	–
Bank overdrafts	19	3,329	1,061
Bank borrowings	19	–	33,671
Lease liabilities	20	1,667	823
Contract liabilities	15	7,570	391
Tax payable		1,789	1,789
		138,842	119,404
Net current assets		52,962	47,449
Total assets less current liabilities		85,212	82,564
Non-current liabilities			
Lease liabilities	20	1,038	308
Deferred tax liabilities		4,198	4,424
		5,236	4,732
Net assets		79,976	77,832
EQUITY			
Share capital		12,000	12,000
Reserves		67,976	65,832
Equity attributable to equity holders of the Company		79,976	77,832

Chan Siu Cheong
Director

Sin Ka Pong
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 2021

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance at 1 April 2020 (audited)	12,000	77,625	301	(12,746)	77,180
Loss and total comprehensive expenses for the period	–	–	–	(6,703)	(6,703)
Balance at 30 September 2020 (unaudited)	12,000	77,625	301	(19,449)	70,477
Balance at 1 April 2021 (audited)	12,000	77,625	301	(12,094)	77,832
Profit and total comprehensive income for the period	–	–	–	2,144	2,144
Balance at 30 September 2021 (unaudited)	12,000	77,625	301	(9,950)	79,976

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 2021

	Six months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Cash flows from operating activities		
Cash from operations	1,175	15,806
Income tax refund	–	2,224
<i>Net cash generated from operating activities</i>	1,175	18,030
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,771)	(5,589)
Proceeds from disposal of property, plant and equipment	2,827	2
<i>Net cash used in investing activities</i>	(944)	(5,587)
Cash flows from financing activities		
Proceeds from borrowings	4,000	12,500
Repayment of borrowings	(37,671)	(14,586)
Repayment of lease liabilities	(953)	(1,059)
Repayment of interest paid in lease liabilities	(63)	(79)
Interest paid	(543)	(824)
Increase in amount due to a director	38,480	116
<i>Net cash generated from/(used in) financing activities</i>	3,250	(3,932)
Net increase in cash and cash equivalents	3,481	8,511
Cash and cash equivalents at the beginning of period	5,966	5,857
Cash and cash equivalents at end of period (Note 16)	9,447	14,368
Cash and cash equivalents represented by:		
Bank overdrafts	(3,329)	–
Cash at banks	12,776	14,368
	9,447	14,368

The notes on pages 14 to 32 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 2021

1. GENERAL INFORMATION

Affluent Foundation Holdings Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands on 2 June 2017. The address of the Company's registered office is Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The address of the Company's principal place of business is Unit 903-905, 9/F, The Octagon, No. 6 Sha Tsui Road, Tsuen Wan, the New Territories, Hong Kong.

The Company is an investment holding company, and its subsidiaries (collectively referred to as the "Group") are principally engaged as subcontractor in the provision of services related to foundation works in Hong Kong.

As at 30 September 2021, the Company's immediate and ultimate holding company is Oriental Castle Group Limited ("Oriental Castle"), a company incorporated in the British Virgin Islands (the "BVI") and owned by Mr. Chan Siu Cheong ("Mr. Chan") and Ms. Chu Wai Ling ("Ms. Chu"). Mr. Chan, Ms. Chu and Oriental Castle are collectively referred to as the controlling shareholders (the "Controlling Shareholders") of the Company.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 7 June 2018.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 September 2021 have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The condensed consolidated interim financial statements do not include all of the information required in annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 March 2021.

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

3. SIGNIFICANT AND SUMMARY OF ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's most recent annual consolidated financial statements for the year ended 31 March 2021, except for the adoption of new accounting policies as a result of the adoption of the new and amended Hong Kong Financial Reporting Standards ("HKFRSs") as set out below:

3.1 Adoption of new and amended HKFRSs

In the current period, the Group has applied for the first time the new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's condensed consolidated interim financial statements for the annual period beginning on 1 April 2021:

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

The adoption of these amended HKFRSs has no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

3. SIGNIFICANT AND SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3.2 Issued but not yet effective HKFRSs

At the date of authorisation of these condensed consolidated interim financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 17	Insurance Contracts and related amendments ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018–2020 ¹
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations ⁴

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

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

³ Effective date not yet determined

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

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. The new and amended HKFRSs are not expected to have a material impact on the Group's condensed consolidated interim financial statements.

4. 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 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

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	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Contracting revenue	266,442	113,424

All revenue represents the contracting revenue arising from provision of services related to foundation works and is recognised over time.

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

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

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

	Six months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Customer A	114,573	84,667
Customer B	N/A*	18,801
Customer C	129,071	N/A*

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

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

6. OTHER INCOME

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

Note (a): Being the grants received from the Employment Support Scheme ("ESS") under the COVID-19 Anti-epidemic Fund, ESS for the Construction Sector (Casual Employees) under the COVID-19 Anti-epidemic Fund and other subsidy schemes launched by the Government of the Hong Kong Special Administrative Region (the "Hong Kong Government"). There were neither unfulfilled conditions nor other contingencies attached to the receipts of those grants.

7. FINANCE COSTS

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

8. PROFIT/(LOSS) BEFORE INCOME TAX

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

Note:

(i) Staff costs (including directors' emoluments)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

9. INCOME TAX (CREDIT)/EXPENSE

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

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

10. DIVIDENDS

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

11. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

11. EARNINGS/(LOSS) PER SHARE (CONTINUED)

(b) Diluted earnings/(loss) per share

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

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2021, the Group acquired approximately HK\$3,771,000 (six months ended 30 September 2020: HK\$9,242,000) of property, plant and equipment.

During the six months ended 30 September 2021, the Group disposed property, plant and equipment with net carrying amount of approximately HK\$2,547,000 (six months ended 30 September 2020: HK\$nil), resulting in a net gain on disposal of approximately HK\$280,000 (six months ended 30 September 2020: HK\$2,000) (Note 6).

As at 30 September 2021, the Group's plant and machinery of HK\$nil (31 March 2021: HK\$5,310,000) are pledged under bank borrowings (Note 19.2). The bank borrowings have been repaid during the six months ended 30 September 2021.

13. RIGHT-OF-USE ASSETS

During the six months ended 30 September 2021, the Group incurred HK\$2,527,000 (six months ended 30 September 2020: HK\$nil) on the addition of right-of-use asset. The lease runs for an initial period of two years. No contingent rentals included.

As at 30 September 2021, the carrying amount of the Group's right-of-use assets in relation to "office premise" and "warehouse" are HK\$1,177,000 (31 March 2021: HK\$37,000) and HK\$1,441,000 (31 March 2021: HK\$1,038,000) respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

14. TRADE AND OTHER RECEIVABLES

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

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 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 ECL allowance 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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

	Six months ended 30 September	
	2021 HK\$'000	2020 HK\$'000
At the beginning of the period (audited)	787	771
ECL allowance recognised during the period	–	–
At the end of the period (unaudited)	787	771

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

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 1 April 2020 (audited)	6,958	18,730	–	25,688
Additions	11,627	–	–	11,627
Amounts recovered during the year	(11,052)	(7,148)	–	(18,200)
Transfers	3,575	(3,575)	–	–
As at 31 March 2021 and 1 April 2021 (audited)	11,108	8,007	–	19,115
Additions	13,022	–	–	13,022
Amounts recovered during the period	(14,028)	–	–	(14,028)
As at 30 September 2021 (unaudited)	10,102	8,007	–	18,109

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 2020 (audited)	109	749	–	858
ECL allowance	–	423	–	423
As at 30 September 2020 (unaudited)	109	1,172	–	1,281
As at 1 April 2021 (audited)	283	601	–	884
ECL allowance	–	–	–	–
As at 30 September 2021 (unaudited)	283	601	–	884

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

15. CONTRACT ASSETS AND CONTRACT LIABILITIES

15.1 Contract assets

	As at 30 September 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
Unbilled revenue (Note (a))	90,782	95,661
Retention receivables (Note (b))	52,163	43,925
Less: ECL allowance (Note (c))	(5,762)	(5,400)
	137,183	134,186

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 2021

15. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

15.1 Contract assets (CONTINUED)

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

	Six months ended 30 September	
	2021 HK\$'000	2020 HK\$'000
At the beginning of the period (audited)	5,400	15,947
ECL allowance recognised during the period	362	424
At the end of the period (unaudited)	5,762	16,371

As at 30 September 2021, the gross amount of contract assets are expected to be recovered within one year is HK\$100,574,000 (31 March 2021: HK\$107,813,000), whereas amounts expected to be recovered over one year is HK\$42,371,000 (31 March 2021: HK\$31,773,000). 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 2021, transfers from contract assets recognised at the beginning of the year to receivables are HK\$74,135,000 (six months ended 30 September 2020: HK\$20,532,000).

15.2 Contract liabilities

	As at 30 September 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
Contract liabilities arising from construction contracts from billings in advance of performance	7,570	391

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

Contract liabilities outstanding at the beginning of the year amounting to HK\$391,000 (2020: HK\$200,000) have been recognised as revenue during the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

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 2021 are as follows:

	As at 30 September 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
Within one year	219,277	361,577
More than one year	203,069	269,951
	422,346	631,528

16. CASH AND BANK BALANCES

	As at 30 September 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
Pledged bank deposit	–	1,500
Cash at banks	12,776	7,027
Cash and bank balance presented in the consolidated statement of financial position	12,776	8,527
Less: Pledged bank deposit	–	(1,500)
Bank overdrafts (Note 19.1)	(3,329)	(1,061)
Cash and cash equivalents presented in the condensed consolidated statement of cash flows	9,447	5,966

As at 30 September 2020, the pledged bank deposit were pledged to secure the bank borrowings as disclosed in note 19.2, these deposit earn interest at floating rate of 0.01% to 0.10% per annum (31 March 2021: 0.01% to 0.10% per annum).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

17. TRADE AND OTHER PAYABLES

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

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 2021, included in trade payables of HK\$2,029,000 (31 March 2021: HK\$4,765,000) 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 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
0–30 days	12,147	15,042
31–60 days	6,368	5,105
61–90 days	3,165	3,513
Over 90 days	17,418	18,021
	39,098	41,681

- (b) (i) As at 30 September 2021, included in retention payables of HK\$13,457,000 (31 March 2021: HK\$12,886,000) 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 2021, included in other payables of HK\$2,375,000 (31 March 2021: HK\$4,132,000) was related to the purchase of property, plant and equipment and contra costs recharged by the subcontractors of HK\$5,178,000 (31 March 2021: HK\$12,533,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

18. AMOUNT DUE TO A DIRECTOR

Particulars of amount due to a director as follows:

	As at 30 September 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
Mr. Chan	38,480	–

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

19. BANK OVERDRAFTS AND BANK BORROWINGS

19.1 Bank overdrafts

As at 30 September 2021 and 31 March 2021, the Group's bank overdrafts were as follows:

	As at 30 September 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
Secured bank overdrafts (Note 19.2 note (b))	–	514
Unsecured bank overdrafts	3,329	547
	3,329	1,061

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

19. BANK OVERDRAFTS AND BANK BORROWINGS (CONTINUED)

19.2 Bank borrowings

The secured bank loans were repayable as follows:

	As at 30 September 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
Carrying amount repayable (Note (d))		
Within one year	–	33,671
In the second year	–	–
	–	33,671
Less: Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	–	(334)
Carrying amount of bank loans repayable within one year	–	(33,337)
	–	(33,671)
Non-current liabilities	–	–

Notes:

- (a) As at 30 September 2021, all bank borrowings were repaid. As at 31 March 2021, the bank loans were interest-bearing at 2.75% to 5.00% per annum.
- (b) As at 30 September 2021, there are no banking facilities of the Group and all below securities have been released. As at 31 March 2021, the bank facilities of the Group, of which HK\$33,671,000 were utilised for bank borrowings and HK\$514,000 were utilised for bank overdrafts, were secured by:
- (1) Life insurance;
 - (2) Blanket counter indemnity granted by the Group;
 - (3) Unlimited corporate guarantee from the Company;
 - (4) Pledged bank deposit (Note 16);
 - (5) All monies legal charge over the property with Mr. Chan as the mortgagor; and
 - (6) Pledged of plant and machinery with carrying amount of HK\$nil as of 30 September 2021 (31 March 2021: HK\$5,310,000) (Note 12).
- (c) Bank loans contained a repayment on demand clause and were therefore classified as current liabilities. None of the portion of bank loans due from repayment after one year was expected to be settled within one year.
- (d) The amounts were based on the scheduled repayment dates set out in the loan agreements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

20. LEASE LIABILITIES

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

	As at 30 September 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
Total minimum lease payments:		
Due within one year	1,762	855
Due in the second to fifth year	1,070	312
	2,832	1,167
Future finance charges	(127)	(36)
Present value of lease obligations	2,705	1,131
	As at 30 September 2021 HK\$'000 (unaudited)	As at 31 March 2021 HK\$'000 (audited)
Present value of minimum lease payment:		
Due within one year	1,667	823
Due in the second to fifth year	1,038	308
	2,705	1,131
Less: Portion due within one year included under current liabilities	(1,667)	(823)
Portion due after one year included under non-current liabilities	1,038	308

As at 30 September 2021, the Group leases an office premise and warehouses (31 March 2021: an office premise and warehouses) to operate its business. These lease periods were from two to three years (31 March 2021: two years). At the end of the lease term, lease liabilities were effectively secured by the related underlying assets as the rights to the leased assets including contingent rentals. The effective interest rate on these leases was 4.83% to 4.97% for the six months ended 30 September 2021 (six months ended 30 September 2020: 2.25% to 4.29%).

At 31 March 2021, leases liabilities for plant and equipment are matured and fully paid. The underlying assets were transferred from right-of-use assets to property, plant and equipment.

No lease commitment as at 30 September 2021. At 31 March 2021, the Group had committed to leases for a warehouse which had not commenced. The total future cash outflows for leases that had not yet commenced were HK\$583,000 under within one year and HK\$636,000 in the second to fifth years and totally at HK\$1,219,000.

During the six months ended 30 September 2021, the total cash outflows for the leases were HK\$1,402,000 (six months ended 30 September 2020: HK\$1,279,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

21. CAPITAL COMMITMENTS

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

22. 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 2021 and 2020.

(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 2021 and 2020 were as follows:

	Six months ended 30 September	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Salaries, fee and allowances	2,189	2,661
Retirement benefit scheme contributions	27	40
	2,216	2,701

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

22. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Material related party transactions

Name of related party	Nature	Six months ended 30 September	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Kam Lung Transport Co. (Note (a))	Transportation expense for construction waste disposal	–	4,348
Ms. Chan Sze Nga (Note (b))	Salary and allowances	420	420
Ms. Chan Mei Po (Note (c))	Salary and allowances	270	270
Mr. Tsang Ue Sum (Note (d))	Salary and allowances	168	168
Ms. Chan Mei Lei (Note (e))	Salary and allowances	150	178

Notes:

- (a) Kam Lung Transport Co. is a sole proprietorship established by Mr. Tsang Leung Lung, who is also the brother-in-law of Mr. Chan. These related party transactions constitute continuing connected transactions under the Listing Rules.
- (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.

23. CONTINGENT LIABILITIES

As at 30 September 2021 and 31 March 2021, the Group has been involved in a number of claims, litigations and potential claims against the Group, as a subcontractor, in relation to work-related injuries and non-compliances. Based on the information available, the Directors considered that the insurance policies of the Group or the relevant main contractors are sufficient for coverage of the above potential claims and litigation in relation to work-related injuries and therefore the Directors are of the opinion that the claims and litigation are not expected to have a material impact on the condensed consolidated financial statements of the Group. Accordingly, no provision has been made as at 30 September 2021 and during the six months ended 30 September 2021.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 September 2021, 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 2021, 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 2021, 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 2021, 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 six months ended 30 September 2021, the Company complied with the CG Code with the exception of code provision A.2.1 of the CG Code. According to code provision A.2.1 of the CG Code, the role of the chairman and the chief executive officer of the Company should be separate and should not be performed by the same individual. Since the Listing Date and up to the date of this 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 A.2.1 of the CG Code is appropriate in such circumstance and that there are sufficient checks and balances in place by the operations of the Board, which comprises experienced and high calibre individuals and adequate independent element in the composition of the Board.

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 2021.

COMPETING INTERESTS

As at 30 September 2021, the Directors were not aware of any interest in a business of the Directors or any of their respective close associates (as defined in the Listing Rules) apart from the business of the Group, that competed or was likely to compete, either directly or indirectly, with the business of the Group.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Relevant Period.

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 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, 30 November 2021

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.