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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, certified public accountant or other professional adviser.

If you have sold or transferred all your shares in Royal Deluxe Holdings Limited, you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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### ROYAL DELUXE HOLDINGS LIMITED

御佳控股有限公司

*(Incorporated in Cayman Islands with limited liability)*

(Stock Code: 3789)

### CONTINUING CONNECTED TRANSACTION RENEWAL OF THE GTS FRAMEWORK AGREEMENT AND NOTICE OF EGM

Financial Adviser

FRONTPAGE 富比

Independent Financial Adviser



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Capitalised terms used in the cover page shall have the same meanings as those defined in this circular.

A letter from the Board (as defined herein) is set out on pages 3 to 11 of this circular. A letter from the Independent Board Committee is set out on pages 12 to 13 of this circular. A letter from the Independent Financial Adviser is set out on pages 14 to 27 of this circular.

A notice convening the EGM of the Company to be held at Unit A, 21/F, T G Place, 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong on Friday, 31 May 2019 at 3:00 p.m. is set out on pages 32 to 33 of this circular. Whether you are able to attend the EGM or not, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the completed proxy form to the Company's share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible, and in any event not less than 48 hours before the time appointed for holding the EGM or adjourned meeting as the case may be. Completion and submission of a proxy form shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

16 May 2019

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## DEFINITIONS

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*In this circular, unless the context requires otherwise, the following expressions shall have the following meanings:*

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Royal Deluxe Holdings Limited (御佳控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 12 April 2016, registered as a non-Hong Kong company under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) on 17 May 2016, whose shares are listed on the Stock Exchange (Stock Code: 3789)
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve the GTS Framework Agreement, its proposed annual caps and the transactions contemplated thereunder
“Existing GTS Framework Agreement”	the agreement entered into between the Company and GT Scaffolding on 24 January 2017 for a term ending 31 March 2019, pursuant to which GT Scaffolding agreed to provide metal scaffolds rental services, together with the necessary supporting equipment, technical support and transport services to the Group from time to time as it requests
“Group”	the Company and its subsidiaries
“GTS Framework Agreement”	the agreement entered into between the Company and GT Scaffolding on 27 March 2019, pursuant to which GT Scaffolding has agreed to provide (i) rental of metal scaffolds, supporting equipment, technical support and transport services; and (ii) metal scaffold assembly services to the Group from time to time upon its request
“GT Scaffolding”	Genuine Treasure Access and Scaffolding Limited (俊川棚架設備有限公司), a company incorporated in Hong Kong on 20 December 2013 with limited liability and is wholly-owned by Ms. Ann Wang

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## DEFINITIONS

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“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board, the members of which consist of all the independent non-executive Directors, formed to advise the Independent Shareholders with respect to the GTS Framework Agreement and its proposed annual caps
“Independent Financial Adviser”	Shang International Finance Limited, a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, which is the independent financial adviser to the Independent Board Committee and the Independent Shareholders
“Independent Shareholder(s)”	any Shareholder who is not required to abstain from voting at the EGM
“Latest Practicable Date”	10 May 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ms. Ann Wang”	Ms. Wang Mung Nien Ann (王孟霓), the sister of Mr. Wang Kei Ming, the chairman of the Board and an executive Director; and the aunt of Mr. Wang Yu Hin, an executive Director
“Prospectus”	the prospectus of the Company dated 25 January 2017
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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## LETTER FROM THE BOARD

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### ROYAL DELUXE HOLDINGS LIMITED

御佳控股有限公司

*(Incorporated in Cayman Islands with limited liability)*

**(Stock Code: 3789)**

*Executive Directors:*

Mr. Wang Kei Ming (*Chairman*)

Mr. Wang Yu Hin

*Independent Non-executive Directors:*

Mr. Lai Ah Ming Leon

Mr. Kwong Ping Man

Mr. Sio Kam Seng

*Registered Office:*

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

*Head office and principal place of  
business in Hong Kong:*

Unit A, 22/F,  
T G Place,  
10 Shing Yip Street,  
Kwun Tong, Kowloon,  
Hong Kong

16 May 2019

*To the Shareholders*

Dear Sirs or Madam,

### **CONTINUING CONNECTED TRANSACTION IN RELATION TO RENEWAL OF THE GTS FRAMEWORK AGREEMENT**

#### **INTRODUCTION**

Reference is made to the section headed “Connected Transactions” of the Prospectus in respect of, among other matters, the Existing GTS Framework Agreement, which has a term until 31 March 2019. The Group has entered into the GTS Framework Agreement to renew the Existing GTS Framework Agreement, details of which are set out in this circular.

The purpose of this circular is to provide you with, among other things, (i) further details of the GTS Framework Agreement and its proposed annual caps; (ii) the recommendation from the Independent Board Committee in respect of the terms of the GTS Framework Agreement and its proposed annual caps; (iii) the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the GTS Framework Agreement and its proposed annual caps; and (iv) the notice of the EGM.

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## LETTER FROM THE BOARD

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### GTS FRAMEWORK AGREEMENT

On 27 March 2019, the Company entered into the GTS Framework Agreement with GT Scaffolding, pursuant to which GT Scaffolding agreed to provide rental of metal scaffolds, supporting equipment, technical support and transport services, as well as metal scaffold assembly services to the Group from time to time upon the Company's request from 1 April 2019 to 31 March 2022.

Set out below is a summary of the principal terms of the GTS Framework Agreement:

Date	:	27 March 2019
Parties	:	(i) the Company (ii) GT Scaffolding
Subject	:	Pursuant to the GTS Framework Agreement, GT Scaffolding agreed to provide rental of metal scaffolds, supporting equipment, technical support and transport services, as well as metal scaffold assembly services to the Group
Term	:	The GTS Framework Agreement has a fixed term from 1 April 2019 to 31 March 2022 (both days inclusive)

### Pricing policy

#### *Rental of metal scaffolds, supporting equipment, technical support and transport services*

For rental of metal scaffolds, supporting equipment, technical support and transport services, the price payable under the GTS Framework Agreement by the Group to GT Scaffolding shall be determined based on the amount of metal scaffolds required, the period of the project that is expected to last, and the complexity of the project involved. In order to ensure that the fees are fair and reasonable and in line with prevailing market rate, the Group will obtain three quotations from similar scaffolding providers, who are third parties independent of the Company and its connected persons, not less frequently than on a quarterly basis or for each project. Due to the limited number of approximately 5 suppliers in the market who could meet the demands of the Group and provide a quotation to the Group, the Group considers that three quotations to be sufficient to indicate what the current market rate is and excessive additional quotes from smaller and low quality suppliers might not be meaningful for the Group's purpose in determining the market rate. In obtaining quotations for a construction project of the Group, the Group should estimate the required volume of metal scaffolds such that when seeking quotations from independent vendors, the quoted net rental price (after deducting any bulk purchase discount) may be obtained for comparison with the quotations obtained from GT Scaffolding. The Group will only accept GT Scaffolding's quotations if they are favourable to the Group.

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## LETTER FROM THE BOARD

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### *Metal scaffold assembly services*

For metal scaffold assembly services, the price payable under the GTS Framework Agreement by the Group to GT Scaffolding shall be determined based on the complexity of the scaffolding proposed to be assembled and the estimated time and labour required to complete the assembly. Metal scaffold assembly subcontractors will estimate the number of workers and time required to complete the scaffolding based on the specification of each project and provide the Group with a lump sum pricing. In order to ensure that the fees are fair and reasonable and in line with prevailing market rate, the Group will obtain three quotations from similar metal scaffold assembly subcontractors, who are third parties independent of the Company and its connected persons. The complexity of some of the Group's projects requires experience scaffolding assembler and service quality that could meet the timeline demanded by the Group. Due to the Group's stringent requirements, the Group relies on approximately 5 scaffold assembly service providers whom the Group considers reliable as poor assembly methods could lead to the collapse of scaffolding. Therefore, the Group considers three quotations from its limited pool of reliable scaffold assembly service provider is sufficient and will not consider quotation from smaller or unfamiliar scaffold assembly service provider. In the event that the Group selects GT Scaffolding to act as its metal scaffold assembly subcontractor, the prices charged by GT Scaffolding shall be no less favourable to the Group than terms available from subcontractors who are third parties independent of the Company and its connected persons.

### **HISTORICAL FIGURES, EXISTING ANNUAL CAPS AND PROPOSED ANNUAL CAPS**

The table below sets out the historical figures and the existing annual caps under the Existing GTS Framework Agreement and the proposed annual caps under the GTS Framework Agreement:

For the year ended 31 March				For the ten months ended 31	For the year ended 31	For the year ending 31 March		
2017	2017	2018	2018	January	March	2020	2021	2022
Historical amounts	Existing annual cap	Historical amounts	Existing annual cap	Historical amounts	Existing annual cap	Proposed annual cap	Proposed annual cap	Proposed annual cap
(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
				(unaudited)				
12,990	13,000	13,144	14,000	13,551 <sup>(note)</sup>	15,000	23,000	25,000	26,000

*Note:* Including an amount of approximately HK\$137,000 for provision of metal scaffold assembly services.

### **Basis of annual caps**

For the years ended 31 March 2017 and 2018, and the ten months ended 31 January 2019, the aggregate amount payable by the Group to GT Scaffolding amounted to approximately HK\$12,990,000, HK\$13,144,000 and HK\$13,551,000, respectively.

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## LETTER FROM THE BOARD

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The proposed annual caps for rental of metal scaffolds, supporting equipment, technical support and transport services, as well as metal scaffold assembly services for the three years ending 31 March 2022 are determined mainly with reference to (i) demand for metal scaffolds from five existing projects, which includes the possible variations to be instructed by the Group's customers in the existing projects; (ii) demand for metal scaffolds from forecast of new projects expected to be undertaken by the Group based on the tenders submitted and expected future demand of the construction industry; (iii) historical transaction amount between the Group and GT Scaffolding; and (iv) expected fluctuation in prices as well as inflation.

In determining the aforesaid proposed annual caps, the Group has referenced (i) the remaining contract amount of the projects on hand, which are expected to contribute approximately HK\$8,600,000 for the year ending 31 March 2020; (ii) new variation orders of existing projects, new projects awarded to the Group that is in final stages of negotiations and the new tenders submitted for potential new projects that the Group intends to secure, which are expected to contribute an additional HK\$10,600,000; and (iii) rounding up the sum to the nearest million by adding a buffer of approximately HK\$800,000 to accommodate for casual labour used when moving the scaffolds which is estimated at the rate of HK\$1,000 per man day, variation orders of projects that may arising unexpectedly, and general price increases due to inflation which averaged about 2.7% during the last 5 years.

The existing level of annual cap of HK\$15,000,000 per annum has been almost fully utilised, with only HK\$1,449,000 left for the last two months of the financial year ended 31 March 2019, which the Group expects to be used by the aforesaid financial year end. Such small amount is insufficient if the Group desires to source a large quantity of its scaffolds from GT Scaffolding for bigger projects and without sufficient caps, the Group is unable to accept GT Scaffolding offers if their prices are more favourable when compared to the quotation from independent third parties. Therefore, the Directors are of the view that a larger annual cap is needed for the three financial years ending 31 March 2022. The increase in the proposed annual caps for 2020 to 2022 as compared to that in 2019 was also partially attributable to the expected increase in revenue for the corresponding periods from more projects tendered by the Group. As the Group expects the demand for metal scaffolding to remain relatively stable for the next three years, the Group has maintained a similar level of the proposed annual caps in relation to metal scaffolds rental for the subsequent two financial years ending 31 March 2022.

For the ten months ended 31 January 2019, the Group estimated that subcontracting charges amounted to approximately HK\$24,221,000 were incurred on five subcontractors, including GT Scaffolding, for metal scaffold assembly services. Out of the proposed annual caps for the three years ending 31 March 2022, the Directors estimate that approximately HK\$3,000,000, HK\$4,500,000 and HK\$6,000,000, respectively, will be incurred as GT Scaffolding's subcontracting charges for the assembly of metal scaffold, such subcontracting charges also contributed to the increase in the proposed annual caps for 2020 to 2022 as compared to that in 2019. The Directors are of the view that the introduction of GT Scaffolding as one of the metal scaffold assembly subcontractors will help the Group to reduce its reliance on its largest subcontractor for metal scaffold assembly services, who charged the Group approximately HK\$21,001,000 for the ten months ended 31 January 2019.



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## LETTER FROM THE BOARD

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For the one month ending 30 April 2019, the Group expects the total transaction amount conducted with GT Scaffolding will not exceed HK\$1,000,000. If the EGM to be convened to approve the GTS Framework Agreement, its proposed annual caps and the transactions contemplated thereunder is not delayed, the Group expects the total transaction amount conducted with GT Scaffolding to be less than HK\$3,000,000 during the period from 1 April 2019 to the date of shareholders' approval. In any event that the Group notice the amount of transaction conducted with GT Scaffolding has accumulated close to the aforesaid amount, the Group will immediately stop all transactions with GT Scaffolding. As the aforesaid amounts are not significant, the Group intends to comply with Chapter 14A of the Listing Rules in accordance to Rule 14A.76 by ensuring such amount is less than 5% and the total consideration is less than HK\$3,000,000.

### INTERNAL CONTROL

The Company has implemented internal control procedures and policies on connected transactions to monitor connected transactions and to ensure that all connected transactions are entered into in accordance with pricing policies and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. In addition, the Group has in place management measures on project contracts to ensure that all project contracts entered into by the Group are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Group will observe the market conditions and monitor the prevailing market prices or market rates, including the pricings of transactions between the Group and independent third parties in respect of similar services or materials. In addition, before entering into any connected transactions, the Group's purchasing policy will also compare three quotations for similar transactions with independent third parties for similar services or materials. Accordingly, the Company is able to ensure that the pricing terms under the GTS Framework Agreement are on normal commercial terms or on terms no less favourable than those available from independent third parties.

The Company will closely monitor the connected transactions to ensure that they are conducted in accordance with the terms of the relevant connected transaction agreements. The Group will also monitor the amount payable to GT Scaffolding under the GTS Framework Agreement from time to time so as to ensure that the amount payable to GT Scaffolding will not exceed the proposed annual caps of the respective financial years. The Company will set an alert amount when the total annual caps is about to be reached so that the Company could timely re-comply with the requirements under Chapter 14A of the Listing Rules in the event that the total amount payable to GT Scaffolding is likely to be exceeded.

In addition, the Company's external auditors will review the transactions as contemplated under the GTS Framework Agreement annually to check and confirm, among others, whether the pricing terms have been adhered to and whether the relevant annual caps have been exceeded.

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## LETTER FROM THE BOARD

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The Directors consider that the Company has established sufficient internal control measures to ensure the transactions under the Existing GTS Framework Agreement and the GTS Framework Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

### REASONS FOR AND BENEFITS OF THE TRANSACTION

Metal scaffolds are commonly used in the Group's falsework design for the erection of formwork. Aside for erection of formwork, metal scaffolding are usually assembled for other construction activities at height. By renting the metal scaffolds and related equipment from GT Scaffolding, the Group does not need to maintain a large volume of inventory, which is costly to acquire, repair and store. The Group has been renting metal scaffolds from GT Scaffolding since 2014 and from Genuine Treasure Construction Material Limited ("**GT Material**") before GT Scaffolding was incorporated. Taking into account the Group's long-term relationship with GT Scaffolding, and the prices offered by GT Scaffolding are usually more favourable than the prices obtained elsewhere, the Directors are of the view that it is in the best interest of the Group to renew the transactions for the rental of metal scaffolds, supporting equipment, technical support and transport services from GT Scaffolding.

The Group has historically engaged subcontractors or relied on its own labour to assemble metal scaffolds. When deciding whether a metal scaffolding is assembled by the Group's own labour or subcontractors, the Directors consider the supply of labour at the material time, the labour cost and the complexity of the assembly, as well as the project needs of the Group's own labour. The Directors have been informed that due to the business expansion, GT Scaffolding has been providing metal scaffold assembly services to other contractors as a subcontractor. GT Scaffolding also started providing metal scaffold assembly services to the Group since 2018. Having considered that GT Scaffolding's (i) expertise in providing and assembling metal scaffolds; (ii) knowledge of the properties, loading capacities and correct assembly methods for the metal scaffolds it provides; (iii) job references from assembling large scale and complex metal scaffolding falsework; (iv) the good business relationship between the Group and GT Scaffolding; and (v) the labour shortage problem faced by the construction industry in Hong Kong, the Directors are of the view that it offers benefits to the Group by enlarging its approved list of subcontractors to include GT Scaffolding for the provision of metal scaffold assembly subcontracting services. In addition, the fees charged by GT Scaffolding to the Group will be no less favourable than those obtained by the Group from independent experienced subcontractors who are capable of providing similar services. Accordingly, the Directors are of the view that the proposed increase in annual caps will not result in over-reliance on GT Scaffolding nor will it become an economically unfavourable option to the Group and the Board (excluding all the independent non-executive Directors whose views shall be formed after taking into account the advice of the Independent Financial Adviser) is of the view that the terms of the GTS Framework Agreement and its proposed annual caps are entered into on normal commercial terms, in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

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## LETTER FROM THE BOARD

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### GENERAL INFORMATION ON THE PARTIES TO THE AGREEMENT

The Company, through its subsidiaries, is a subcontractor specialising in providing formwork erection as well as related ancillary services in Hong Kong.

GT Scaffolding is principally engaged in the letting and assembling of metal scaffolding.

### LISTING RULES IMPLICATIONS

GT Scaffolding is wholly-owned by Ms. Ann Wang, the sister of Mr. Wang Kei Ming, the chairman of the Board and an executive Director; and the aunt of Mr. Wang Yu Hin, an executive Director. GT Scaffolding is therefore a connected person of the Company and the transactions contemplated under the GTS Framework Agreement constitute continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios (as defined under the Listing Rules) for the proposed annual caps under the GTS Framework Agreement exceeds 5%, the transaction contemplated under the GTS Framework Agreement are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Each of Mr. Wang Kei Ming, the chairman of the Board and an executive Director, and Mr. Wang Yu Hin, an executive Director, is being regarded as having a material interest in the transactions contemplated under the GTS Framework Agreement, and has abstained from voting on the relevant resolutions of the Board for approving the GTS Framework Agreement. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for Mr. Wang Kei Ming and Mr. Wang Yu Hin, none of the Directors has any material interest in the GTS Framework Agreement and none of them is required to abstain from voting on the relevant resolutions of the Board.

As at the Latest Practicable Date, Mr. Wang Kei Ming beneficially owns the entire issued share capital of Wang K M Limited ("**Wang K M**"), which directly holds 66.8% of the shares of the Company. Therefore, Mr. Wang Kei Ming is deemed to be interested in all the shares of the Company held by Wang K M. Any Shareholder with or deemed to have a material interest in the GTS Framework Agreement and the transactions contemplated thereunder and his associates shall abstain from voting at the EGM. Therefore, Mr. Wang Kei Ming and his associates are required to abstain from voting on the resolution to approve the GTS Framework Agreement, its proposed annual caps and the transactions contemplated thereunder at the EGM.

### INDEPENDENT BOARD COMMITTEE

The Independent Board Committee has been formed to consider, and to advise the Independent Shareholders of the Company on the terms of the GTS Framework Agreement and its proposed annual caps. The Company has appointed the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders of the Company on the terms of the GTS Framework Agreement and its proposed annual caps. A letter from the Independent Board Committee to the Independent

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## LETTER FROM THE BOARD

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Shareholders is set out on pages 12 to 13 of this circular. The letter from the Independent Board Committee to the Independent Shareholders contains its recommendation on the GTS Framework Agreement and its proposed annual caps.

Having considered the appropriate internal control procedures in place and the pricing policies with respect to the GTS Framework Agreement, the methods and procedures established by the Company to ensure the strict compliance with the pricing policies and that the transactions contemplated thereunder GTS Framework Agreement will be conducted in the ordinary and usual course of business and on normal commercial terms, the independent non-executive Directors are of the view that the GTS Framework Agreement and its proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### INDEPENDENT FINANCIAL ADVISER

The Company has appointed Shang International Finance Limited as the Independent Financial Adviser of the Company for providing advice to the Independent Board Committee and the Independent Shareholders on whether the terms of GTS Framework Agreement and its proposed annual caps are fair and reasonable, and whether they are in the interests of the Company and the Shareholders as a whole. A letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 27 of this circular. The letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders contains factors they have considered and their recommendations on the GTS Framework Agreement and its proposed annual caps.

### EGM

An EGM of the Company is to be held at Unit A, 21/F, T G Place, 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong on Friday, 31 May 2019 at 3:00 p.m. and the relevant notice is set out on pages 32 to 33 of this circular. At the EGM, a resolution will be proposed to approve the GTS Framework Agreement, its proposed annual caps and the transactions contemplated thereunder.

The register of members of the Company will be closed on Friday, 31 May 2019, during which no transfer of Shares will be effected. In order to ascertain Shareholders' rights for the purpose of attending and voting at the EGM, all transfer documents, accompanied by relevant share certificates, must be lodged with the Company's share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Thursday, 30 May 2019 for registration.

A proxy form for use at the EGM is enclosed with this circular. Whether you are able to attend the EGM or not, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the completed proxy form to the Company's share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible, and in any event it should be received not less than 48 hours before the time appointed for the EGM or adjourned meeting

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## LETTER FROM THE BOARD

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(as the case may be). Submission of a proxy form shall not preclude you from attending the EGM or any adjournment of such meeting and voting in person should you so wish and in such event, the proxy form will be deemed to be revoked.

### RECOMMENDATION

The Directors consider the terms of the GTS Framework Agreement and its proposed annual caps are fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the GTS Framework Agreement, its proposed annual caps and the transactions contemplated thereunder.

### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

By Order of the Board  
**Royal Deluxe Holdings Limited**  
**Wang Kei Ming**  
*Chairman and Executive Director*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the GTS Framework Agreement.*



### ROYAL DELUXE HOLDINGS LIMITED

御佳控股有限公司

*(Incorporated in Cayman Islands with limited liability)*

**(Stock Code: 3789)**

16 May 2019

*To the Independent Shareholders*

Dear Sir or Madam,

#### CONTINUING CONNECTED TRANSACTION

We refer to the circular of the Company dated 16 May 2019 (“**Circular**”) of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to consider the terms of the GTS Framework Agreement and its proposed annual caps and to advise the Independent Shareholders whether, in our opinion, the GTS Framework Agreement and its proposed annual caps are fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned and whether the GTS Framework Agreement and its proposed annual caps are in the interests of the Company and its Shareholders as a whole. Shang International Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the GTS Framework Agreement and its proposed annual caps.

We wish to draw your attention to the letter from the Board set out in the section of letter from the Board in the Circular which contains, inter alia, information about the GTS Framework Agreement and its proposed annual caps, and the letter of advice from the Independent Financial Adviser set out in the section of letter from the Independent Financial Adviser in the Circular which contains its advice in respect of the terms of the GTS Framework Agreement and its proposed annual caps.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having taking into account the advice from the Independent Financial Adviser, we consider the terms of the GTS Framework Agreement and its proposed annual caps are fair and reasonable on normal commercial terms and in the ordinary and usual course of business of the Group so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the GTS Framework Agreement, its proposed annual caps and the transactions contemplated thereunder.

Yours faithfully,  
**Independent Board Committee**

**Kwong Ping Man**  
*Independent*  
*Non-executive Director*

**Lai Ah Ming Leon**  
*Independent*  
*Non-executive Director*

**Sio Kam Seng**  
*Independent*  
*Non-executive Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the letter of advice from Shang International Finance Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation in the Circular.*



Shang International Finance Limited  
25th Floor, Central Tower,  
28 Queen's Road Central, Hong Kong

16 May 2019

*To the Independent Board Committee and the Independent Shareholders*

Royal Deluxe Holdings Limited,  
Unit A, 22/F,  
T G Place,  
10 Shing Yip Street,  
Kwun Tong,  
Kowloon, Hong Kong

Dear Sir or Madam,

### CONTINUING CONNECTED TRANSACTION IN RELATION TO RENEWAL OF THE GTS FRAMEWORK AGREEMENT

#### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions contemplated under the GTS Framework Agreement. Details of the GTS Framework Agreement are set out in the "Letter from the Board" (the "**Letter from the Board**") contained in the circular of the Company dated 16 May 2019 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the Prospectus, the Company entered into the Existing GTS Framework Agreement with GT Scaffolding on 24 January 2017, pursuant to which GT Scaffolding agreed to provide metal scaffolds rental services, together with the necessary supporting equipment, technical support and transport services from time to time to the Group upon the Company's request for a term ending on 31 March 2019. Following the expiry of the Existing GTS Framework Agreement, the Company had entered into the GTS Framework Agreement to renew the Existing GTS Framework Agreement with GT Scaffolding on 27 March 2019, pursuant to which GT Scaffolding agreed to provide rental



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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of metal scaffolds, supporting equipment, technical support and transport, as well as metal scaffold assembly services to the Group from time to time upon the Company's request from 1 April 2019 to 31 March 2022.

### LISTING RULES IMPLICATION

GT Scaffolding is wholly-owned by Ms. Ann Wang, the sister of Mr. Wang Kei Ming, the chairman of the Board and an executive Director; and the aunt of Mr. Wang Yu Hin, an executive Director. GT Scaffolding is therefore a connected person of the Company and the transactions contemplated under the GTS Framework Agreement constitute continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios (as defined under the Listing Rules) for the proposed annual caps under the GTS Framework Agreement exceeds 5%, the transaction contemplated under the GTS Framework Agreement are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Each of Mr. Wang Kei Ming, the chairman of the Board and an executive Director, and Mr. Wang Yu Hin, an executive Director, is being regarded as having a material interest in the transactions contemplated under the GTS Framework Agreement, and has abstained from voting on the relevant resolutions of the Board for approving the GTS Framework Agreement. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for Mr. Wang Kei Ming and Mr. Wang Yu Hin, none of the Directors has any material interest in the GTS Framework Agreement and none of them is required to abstain from voting on the relevant resolutions of the Board.

As at the Latest Practicable Date, Mr. Wang Kei Ming beneficially owns the entire issued share capital of Wang K M, which directly holds 66.8% of the shares of the Company. Therefore, Mr. Wang Kei Ming is deemed to be interested in all the shares of the Company held by Wang K M. Any Shareholder with or deemed to have a material interest in the GTS Framework Agreement and the transactions contemplated thereunder and his associates shall abstain from voting at the EGM. Therefore, Mr. Wang Kei Ming and his associates are required to abstain from voting on the resolution to approve the GTS Framework Agreement, the transactions contemplated thereunder and its annual caps at the EGM.

### THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising Mr. Lai Ah Ming Leon, Mr. Kwong Ping Man and Mr. Sio Kam Seng, all being independent non-executive Directors, has been established to consider the GTS Framework Agreement, and to give advice and recommendation to the Independent Shareholders as to (i) whether the terms of GTS Framework Agreement, the transactions contemplated thereunder and its annual caps are fair and reasonable; (ii) whether they are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution to be proposed at the EGM to approve the GTS Framework Agreement and its annual caps.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the GTS Framework Agreement are normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the transactions contemplated under GTS Framework Agreement are in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; and (iii) the proposed annual caps in respect of the transactions contemplated under the GTS Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

During the past two years, there have been no engagements between the Company and Shang International Finance Limited. As at the Latest Practicable Date, there have been no relationships or interests existing between (a) Shang International Finance Limited and (b) the Group and GT Scaffolding or any of their respective subsidiaries or associates that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the GTS Framework Agreement.

### **BASIS OF OUR ADVICE**

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and the senior management of the Company (the “**Management**”). The Directors have declared in a responsibility statement set out in the Appendix to the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained and representations made in the Circular and that there are no other matters the omission of which would make any statement in the Circular misleading. We have also assumed that the information and the representations made by the Directors as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the EGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the senior management of the Company. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have received sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Group, GT Scaffolding or any of their respective subsidiaries or associates.

In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the proposed annual caps in relation to and the transactions contemplated under the GTS Framework Agreement, we have taken into account the following principal factors and reasons set out below:

#### **1. Background information of the parties to the GTS Framework Agreement**

##### ***1.1 Principal business of the Group***

As stated in the Prospectus, the Group is principally engaged as a subcontractor specialising in providing formwork erection as well as related ancillary services in Hong Kong. The Group has been engaged in the formwork business since 1994 and the direct customers of the Group are mainly main contractors of building construction and civil engineering projects, while the Group's ultimate customers are owners of the projects, which include the Government of Hong Kong, public transport operator, theme park and resort operator and property developers.

##### ***1.2 Background information of GT Scaffolding and business relationship with the Group***

As stated in the Prospectus, GT Scaffolding is incorporated in Hong Kong on 20 December 2013. GT Scaffolding is principally engaged in letting and assembling of scaffoldings. The Group has been renting metal scaffolds and related equipment from GT Scaffolding since 2014 and from GT Material, a company wholly-owned by the same owner of GT Scaffolding, before GT Scaffolding was incorporated.

#### **2. Reasons for and benefits of the continuing connected transactions contemplated under the GTS Framework Agreement**

As stated in the Letter from the Board, by renting metal scaffolds and related equipment from GT Scaffolding, the Group does not need to maintain a large volume of inventory, which is costly to acquire, repair and store. In addition, having considered that (i) GT Scaffolding's expertise in providing and assembling metal scaffolds; (ii) knowledge of the properties, loading capacities and correct assembling methods for the metal scaffolds it provides; (iii) the job references of assembling large scale and complex metal scaffolding falseworks; (iv) the good business relationship between the Group and GT Scaffolding; and (v) the labour shortage problem faced by the construction industry in Hong Kong, the Directors are of the view that it offers benefits to the Group by broadening its approved list of subcontractors to include GT Scaffolding for the provision of metal scaffold assembly subcontracting services.

The Management represented that GT Scaffolding is able to provide various types of metal scaffolds, and it has been reliable in letting sufficient amounts of metal scaffolds to the Group in a timely manner since 2014. Prior to engaging GT Scaffolding for metal scaffold rental, the Group encountered shortages of metal scaffolds when engaging other subcontractors in the past, which delayed the corresponding projects. Furthermore, we have noted from the website of GT Scaffolding that GT Scaffolding has been engaged as a

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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subcontractor for metal scaffold rental and assembly services for various large scale construction projects in Hong Kong, including but not limited to public transport, high-rise hotels and commercial buildings. Therefore, we concur with the Management that GT Scaffolding has sufficient expertise and knowledge in the provision of metal scaffold rental and assembly services for large scale projects.

With reference to the annual report of the Company for the year ended 31 March 2018 (the “**2017/2018 Annual Report**”), the Group was awarded with seven new contracts with a total contract value of approximately HK\$461.8 million for the year ended 31 March 2018, representing an increase of approximately 14.3% against the previous financial year, and as of 31 March 2018, 13 subcontracting projects were in progress with an estimated total outstanding value of approximately HK\$646.0 million. Furthermore, with reference to the interim report of the Company for the six months ended 30 September 2018 (the “**2018/19 Interim Report**”), the Group secured five new contracts with total contract value of approximately HK\$225.8 million during the six months ended 30 September 2018, representing an increase of approximately 56.2% as compared to the six months ended 30 September 2017. The 2018/2019 Interim Report further stated that subsequent to the period ended 30 September 2018, the Group has been awarded two new formwork subcontracts for a residential development in Sheung Shing Street and a construction of The Fullerton Ocean Park Hotel, with a total contract value of approximately HK\$144.6 million. With the projects on hand, the Group expected that the performance of the subcontract work will remain steady for the coming years. By taking into account the outstanding projects expected to be completed by the Group, we concur with the view of the Management that it is crucial for the Group to ensure a stable supply of metal scaffolds for the existing and upcoming projects, as well as to maintain its working relationship with the main contractors, and it is noted that two subcontractors are newly included into the Company’s latest approved list of subcontractor for metal scaffold rental services during the year ended 31 March 2019 to diversify its base of subcontractors.

We have also performed desktop search and according to the press release published by the Hong Kong Construction Association on 20 December 2018, the average labour shortage for November 2018 within the construction industry was approximately 7.8%. We further noted from the website of Construction Industry Council that metal scaffolders are included in the List of Shortage Trades (短缺工種名單) as at 18 March 2019. In this regard, we concur with the view of the Management that engagement of GT Scaffolding for letting and assembling of metal scaffolds services would offer greater flexibility and aid the Group’s project management by broadening the Group’s list of approved subcontractors to ensure a stable supply of metal scaffolds and assembly services for projects that require metal scaffolding.

As mentioned in the Letter from the Board, the single largest subcontractor had charged the Group approximately HK\$21.0 million for metal scaffold assembly services for the ten months ended 31 January 2019, representing approximately 86.7% of the total charges from the Group’s subcontractors for metal scaffold assembly services for the same period. As mentioned above, the Group is broadening its approved list of subcontractors and plans to reduce its reliance on certain subcontractors in providing metal scaffold assembly services. In this regard, the Directors, having considered (i) GT Scaffolding’s experience in providing and assembling metal scaffolds; and (ii) the good business relationship of the

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Group with GT Scaffolding, are of the view that GT Scaffolding could satisfy the metal scaffolding assembly services needs of the Group, such that the engagement of GT Scaffolding for metal scaffold assembly services could reduce the Group's reliance on its largest subcontractor and provide the Group with greater flexibility to deal with unforeseeable factors in the construction industry.

Having considered the above, we are of the view that the GTS Framework Agreement could broaden the subcontractor base of the Group, and offer flexibility for the Group's operations and aid the Group's project management. Thus, we concur with the Directors' view that the transactions contemplated under the GTS Framework Agreement are in the ordinary and usual course of business of the Group and is in the interest of the Company and the Shareholders as a whole.

### **3. Principal terms of the GTS Framework Agreement**

As extracted from the Letter from the Board, the principal terms of the GTS Framework Agreement are set out below:

Parties:	(i) the Company (ii) GT Scaffolding
Date of agreement:	27 March 2019
Terms:	Fixed term from 1 April 2019 to 31 March 2022 (both days inclusive)
Nature of transactions:	Provision of rental of metal scaffolds, supporting equipment, technical support and transport, as well as metal scaffold assembly services to the Group

#### ***Pricing policy***

For projects involving the rental of metal scaffolds, supporting equipment, technical support and transport services, the price payable under the GTS Framework Agreement by the Group shall be determined based on the amount of scaffolds required, the period of the project that is expected to last, and the complexity of the project involved. In order to ensure that the fees are fair and reasonable and in line with prevailing market rate, the Group will obtain three quotations from similar scaffolding providers, who are third parties independent of the Company and its connected persons, not less frequently than on a quarterly basis or for each project. As mentioned in the Letter from the Board, due to the limited number of approximately five suppliers in the market who could meet the demands of the Group and provide a quotation to the Group, the Group considers that three quotations to be sufficient to indicate what the current market rate is and excessive additional quotes from smaller and low quality suppliers might not be meaningful for the Group's purpose in determining the market rate. GT Scaffolding will only be engaged by the Company

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under normal commercial terms and with the terms no less favourable to the Group than those offered by the independent third parties for each transaction. The Group will only accept GT Scaffolding's quotations if they are favourable to the Group.

For projects involving metal scaffold assembly services, the price payable under the GTS Framework Agreement by the Group to GT Scaffolding shall be determined based on the complexity of the scaffolding proposed and the estimated time and labour required to complete the assembly. Metal scaffold assembly subcontractors will estimate the number of workers and time required to complete the scaffolding based on the specification of each project and provide the Group with a lump sum pricing. In order to ensure that the fees are fair and reasonable and in line with prevailing market rate, the Group will obtain three quotations from similar metal scaffold assembly subcontractors, who are third parties independent of the Company and its connected persons. In view of the complexity of some of the Group's projects, the Group requires experienced scaffolding assembler with high service quality that could meet the timeline demanded by the Group. As mentioned in the Letter from the Board, due to the Group's stringent requirements, the Group relies on approximately five scaffold assembly service providers whom the Group considers reliable as poor assembly methods could lead to the collapse of scaffolding. Therefore, the Group considers three quotations from their limited pool of reliable scaffold assembly service provider is sufficient and will not consider quotation from smaller or unfamiliar scaffold assembly service providers. The prices charged by GT Scaffolding shall be no less favourable to the Group than terms available from subcontractors who are third parties independent to the Company and its connected persons.

As confirmed by the Management, GT Scaffolding started providing metal scaffolding assembling service to the Group in 2018 on a trial basis and the transaction amount in relation to the provision of metal scaffolds assembling services from GT Scaffolding to the Group only represents approximately 1.0% of the total historical transaction amount between GT Scaffolding and the Group for the ten months ended 31 January 2019. In assessing the fairness of the terms and conditions of the GTS Framework Agreement, we have obtained and reviewed (i) the schedule prepared by the Management illustrating the quotations confirmed by the Company that were newly obtained from or renewed by the Group's scaffolding providers for each quarter during the three years ended 31 March 2019 and up to the current quarter as of the Latest Practicable Date; and (ii) the samples of new metal scaffold rental quotations obtained by the Group, including the quotations provided by GT Scaffolding and independent third parties for the provision of rental of metal scaffold, supporting equipment, technical support and transport services for two quarters, being the current quarter and the last quarter for the year ended 31 March 2019, (the "**Samples**") covering three projects that were work in progress as at 30 September 2018 and one project secured by the Group subsequent to the period ended 30 September 2018, and we noted that GT Scaffolding was engaged for the provision of rental of metal scaffolds, supporting equipment, technical support and transport services for a particular project as it offered more favourable pricing to the Group. We also considered the sample size is appropriate as the abovementioned projects covered in the Samples (i) represent over 60% of the estimated total outstanding value of the Group's projects on hand of approximately HK\$678.9 million as at 30 September 2018 as mentioned in 2018/2019



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Interim Report; (ii) represent over 60% of the total contract sum of new contracts secured by the Group subsequent to the period ended 30 September 2018 with total contract value of approximately HK\$144.6 million as mentioned in the 2018/2019 Interim Report; and (iii) cover the Group's projects in both public and private sectors with projects related to mass public transportation infrastructure construction, hotel development and residential property development in which GT Scaffolding was engaged for the provision of rental of metal scaffolds, supporting equipment, technical support and transport services.

Having considered the above, we are of the view that the terms and conditions of the GTS Framework Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

#### 4. The historical annual caps and the proposed annual caps under the GTS Framework Agreement

##### *Annual caps*

	For the year ended 31 March 2017 <i>HK\$'000</i>	For the year ended 31 March 2018 <i>HK\$'000</i>	For the ten months ended 31 January 2019 <i>HK\$'000</i>
Historical transaction amounts	12,990	13,144	13,551 <sup>(Note)</sup>
	For the year ended 31 March 2017 <i>HK\$'000</i>	For the year ended 31 March 2018 <i>HK\$'000</i>	For the year ended 31 March 2019 <i>HK\$'000</i>
Historical annual caps	13,000	14,000	15,000
Utilisation rate	99.9%	93.9%	90.3%
	For the year ending 31 March 2020 <i>HK\$'000</i>	For the year ending 31 March 2021 <i>HK\$'000</i>	For the year ending 31 March 2022 <i>HK\$'000</i>
Proposed annual caps under the GTS Framework Agreement	23,000	25,000	26,000

*Note:* Including an amount of approximately HK\$137,000 for provision of metal scaffold assembly services.

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As depicted from the table above, we note that (i) the utilisation rates of the historical annual caps in relation to metal scaffold rental services provided by GT Scaffolding to the Group under the Existing GTS Framework Agreement were approximately 99.9%, 93.9% and 90.3% for the years ended 31 March 2017 and 2018 and the ten months ended 31 January 2019, respectively; (ii) the proposed annual cap for the year ending 31 March 2020 will increase by approximately 53.3% as compared to that for the year ended 31 March 2019; and (iii) the proposed annual caps for the year ending 31 March 2021 and the year ending 31 March 2022 will steadily increase by approximately 8.7% and 4.0% as compared to that for the year ending 31 March 2020 and 2021, respectively.

As stated in the Letter from the Board, the existing level of annual cap of HK\$15,000,000 per annum has been almost fully utilised, with only HK\$1,449,000 left for the last two months of the financial year ended 31 March 2019, which the Group expects to be used by the aforesaid financial year end. Such small amount is insufficient if the Group desires to source a large quantity of its scaffolds from GT Scaffolding for bigger projects and without sufficient caps, the Group is unable to accept GT Scaffolding offers if their prices are more favourable when compared to the quotation from independent third parties. Therefore, the Directors are of the view that a larger annual cap is needed for the three financial years ending 31 March 2022. We understand from the Management that the increase of the proposed annual cap for the year ending 31 March 2020 by approximately 53.3% as compared to that for the year ended 31 March 2019 has taken into consideration the potential remaining metal scaffolding related works in relation to the progress delays of two major projects, namely the construction works for the M+ Museum project and the major civil project for the Exhibition Station formwork & concrete placing for concrete structure of Shatin To Central Link as stated in the 2018/19 Interim Report, whereas the slight increase in the respective proposed annual caps for the year ending 31 March 2021 and 2022 is mainly due to the Company's expectation that subcontracting works will remain steady for the coming years.

As stated in the Letter from the Board, the proposed annual caps for rental of metal scaffolds, supporting equipment, technical support and transport services, as well as metal scaffold assembly services under the GTS Framework Agreement for the three years ending 31 March 2022 are determined mainly with reference to:

- (i) demand for metal scaffolds from five existing projects, which includes the possible variations to be instructed by the Group's customers in the existing projects;
- (ii) demand for metal scaffolds from forecast of new projects expected to be undertaken by the Group based on the tenders submitted and expected future demand of the construction industry;
- (iii) historical transaction amount between the Group and GT Scaffolding; and
- (iv) expected fluctuation in prices as well as inflation.



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In assessing the fairness and reasonableness of the proposed annual caps for rental of metal scaffolds supporting equipment, technical support and transport services as well as metal scaffolds assembly services under the GTS Framework Agreement, we have discussed with the Company and conducted work done and analysis as set out in sections 4.1 & 4.2 below to understand the proposed transaction amount out of the annual caps to be utilized for (i) rental of metal scaffolds, supporting equipment, technical support and transport services; and (ii) metal scaffold assembly services.

### ***4.1 Proposed transaction amount out of the annual caps for rental of metal scaffolds, supporting equipment, technical support and transport services***

The Management estimated that approximately HK\$20.0 million out of the proposed annual cap for the year ending 31 March 2020 will be utilised for rental of metal scaffolds, supporting equipment, technical support and transport services provided by GT Scaffolding. Such estimation is determined by the Management with reference to (i) the provision of rental of metal scaffolds, supporting equipment, technical support and transport services from GT Scaffolding to the Group accounted for approximately 2.5% of the contract value contributed by the new contracts awarded to the Group's revenue for the ten months ended 31 January 2019; (ii) the demand of metal scaffolds from five existing projects (including the possible variations to be instructed by the Group's customers in the existing projects) for the year ending 31 March 2020; and (iii) the potential new projects and the remaining metal scaffold works to be subcontracted in relation to the progress delays of the projects expected to be undertaken by the Group. In this regard, we have (i) reviewed schedules prepared by the Management in relation to the Group's transaction amount with GT Scaffolding for the provision of rental of metal scaffolds, supporting equipment, technical support and transport services as compared to the contract value of the new projects contributed to the Group's revenue for the ten months ended 31 January 2019; (ii) reviewed schedules prepared by the Management in relation to the Group's remaining budgeted and forecasted transaction amount with GT Scaffolding for the provision of rental of metal scaffolds, supporting equipment, technical support and transport services for the abovementioned five existing projects and potential new projects; (iii) reviewed the key terms of the contracts of the abovementioned five existing projects; (iv) reviewed the key terms of two tender submissions of the potential projects that the Management expected to be secured by the Group for the year ending 31 March 2020; and (v) discussed with the Management the expected progress of the potential new and delayed projects in deriving the estimated transaction amount for the rental of metal scaffolds, supporting equipment, technical support and transport services provided by GT Scaffolding of approximately HK\$20.0 million for the year ending 31 March 2020.

Furthermore, we understand that, when determining the proposed annual caps, the Management has also considered the buffer to accommodate for (i) casual labour used when moving the scaffolds; (ii) general price increases due to inflation; and (iii) variation orders of projects that may arising unexpectedly. In order to assess the fairness of the above basis, we have reviewed the calculation prepared by the Management in deriving the abovementioned buffer and conducted desktop research and reviewed certain public information, and noted that (i) the average daily wages of general workers and labors engaged in public sector construction projects in February

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2019 was around HK\$980 according to public statistics released by the Census and Statistics Department on 3 May 2019; and (ii) the underlying inflation rate in Hong Kong is forecasted to be 2.5% per annum in average from 2019 to 2023 based on the 2019-2020 budget issued by the Hong Kong Government on 27 February 2019, both of which are in line with the Company's estimated buffer to accommodate for casual labour used when moving the scaffolds and general price increases due to inflation.

Considering the information above, we are of the view that the determination basis of the proposed annual caps is fair and reasonable.

The Management also assumed that the total contract sum under the new contracts expected to be awarded to the Group will remain relatively stable and due to the causal relationship described above, the estimated transaction amount out of the proposed annual caps for rental of metal scaffolds, supporting equipment, technical support and transport services provided by GT Scaffolding of approximately HK\$20.0 million for each of the years ending 31 March 2022 is considered reasonable. According to the Mid-term Construction Forecast report published by the Construction Industry Council in August 2018, we have noted that the forecast construction expenditure in the upper boundary will only increase slightly from approximately HK\$300.0 billion for the year 2019-2020 to approximately HK\$305.0 billion for the year 2021-2022. Also, based on the 2019-2020 budget issued by the Hong Kong Government on 27 February 2019, the underlying inflation rate in Hong Kong is forecasted to be 2.5% per annum in average from 2019 to 2023.

Based on the above, we concur with the Management's view that the estimated transaction amount out of the proposed annual caps for the provision of rental of metal scaffolds, supporting equipment, technical support and transport services provided by GT Scaffolding for the remaining three years ending 31 March 2022 are fair and reasonable.

#### ***4.2 Proposed transaction amount out of the annual caps for metal scaffold assembly services***

For metal scaffold assembly services provided by GT Scaffolding, the Management estimates the transaction amount out of the proposed annual caps for the said services to be approximately HK\$3.0 million, HK\$4.5 million and HK\$6.0 million for the years ending 31 March 2020, 2021 and 2022, respectively. As mentioned in the Letter from the Board and following our discussion with the Management, by including GT Scaffolding into its approved list of subcontractors for providing metal scaffold assembly services, the Company's reliance on its largest subcontractor, which accounted for approximately 86.7% of the total charges as mentioned above, will be reduced and the Company will be provided with a wider range of choice of service provider. The Management represented that the proposed annual cap of approximately HK\$3.0 million for the year ending 31 March 2020 is determined, after taking into account (i) the subcontracting costs incurred to the second largest subcontractor for the provision of metal assembly services during the ten months ended 31 January 2019, being the benchmark for GT Scaffolding; and (ii) the manpower capacity of GT Scaffolding expected to be available to the Group for the year ending 31 March 2020. In this regard, we have obtained and reviewed the breakdown of the metal scaffold

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assembly services provided by the Management and concurred with the Management that the Company has heavily relied on the largest subcontractor for the ten months period ended 31 January 2019.

As advised by the Management, the metal scaffolding industry is facing labour shortage as there is an increase in metal scaffold works for large scale projects in Hong Kong, including those large scale projects participated by the Group, which led to an increase in subcontracting costs for metal scaffold assembly services. Having considered that the annualised metal scaffold assembly cost of the Group is approximately HK\$29.1 million for the year ended 31 March 2019 (based on the metal scaffold assembly cost of approximately HK\$24.2 million for the ten months ended 31 January 2019), and assuming (i) the largest proposed annual cap for metal scaffold assembly services provided by GT Scaffolding during the three years ending 31 March 2020 of approximately HK\$6.0 million is fully utilised; and (ii) the annualised subcontracting costs incurred to the current largest subcontractor (based on the metal scaffold assembly cost for the ten months ended 31 January 2019) remain unchanged for the three years ending 31 March 2022, the subcontracting costs incurred to the current largest subcontractor for metal scaffold assembly services could be potentially reduced by approximately 20%. Therefore, we concur with the Management that engaging GT Scaffolding for metal scaffold assembly services could potentially reduce the Group's reliance on its largest subcontractor for the said services.

Further, in arriving at the proposed annual caps for metal scaffold assembly services provided by GT Scaffolding for the years ending 31 March 2021 and 2022, the Management has also taken into account the potential increase in labour costs for metal scaffold assembly services as a result of labour shortage, in particular metal scaffolders, in the construction industry in Hong Kong. We have noted that metal scaffolders is listed in the List of Shortage Trades (短缺工種名單) published on the website of Construction Industry Council (last updated 18 March 2019). We also noted from an article published on the website of The Hong Kong Federation of Trade Unions on 23 October 2018 that Hong Kong Construction Industry Employees General Union, after considering comments and negotiation with industry stakeholders, has negotiated the daily wages of metal scaffolders to adjust upward by approximately 5.2% commencing from 1 November 2018.

Based on the above, we concur with the Management's view that the estimated transaction amount out of proposed annual caps for metal scaffold assembly services provided by GT Scaffolding for the three years ending 31 March 2022 are fair and reasonable.

Having considered the factors as set out above in relation to the rental of metal scaffolds services and the metal scaffold assembly services, we are of the view that the proposed annual caps in respect of the transactions contemplated under the GTS Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

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### 5. Internal control measures on continuing connected transactions

The Group has adopted internal control measures and policies in respect of continuing connected transactions to provide an effective framework for corporate governance and risk management and monitoring all continuing connected transactions of the Group. We noted that the Group has implemented internal control procedures and policies on connected transactions to monitor connected transactions and to ensure that all connected transactions are entered into in accordance with pricing policies and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. For details of the internal control procedures on continuing connected transactions, please refer to the paragraph headed “Internal control” under the Letter from the Board.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors are required to review the Group’s continuing connected transactions annually and confirm in the Company’s annual report that they have been (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole. In compliance with the Listing Rules, the Company will engage auditors to report on the Group’s continuing connected transactions for each of the years ending 31 March 2020, 2021 and 2022.

With reference to the 2017/2018 Annual Report, the Company’s auditors were engaged to report on the Group’s continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions, including transactions contemplated under the Existing GTS Framework Agreement, disclosed by the Group in the 2017/2018 Annual Report in accordance with Rule 14A.56 of the Listing Rules. It is further noted from the 2017/2018 Annual Report that the Directors, including the independent non-executive Directors, considered that all of the Group’s continuing connected transactions, including transactions contemplated under the Existing GTS Framework Agreement, for the year ended 31 March 2018 and their respective annual caps are fair and reasonable, and that such transactions have been and will be entered into in the ordinary and usual course of the business of the Group, on normal commercial terms, are fair and reasonable, and in the interests of the Group and Shareholder as a whole.

Given the above, we consider there exists appropriate procedures and arrangements to ensure that the transactions contemplated under the GTS Framework Agreement will be conducted on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and on normal commercial terms or better and in the ordinary and usual course of business of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

In view of the above principal factors and reasons, we consider that (i) the terms of GTS Framework Agreement, the transactions contemplated thereunder and its proposed annual caps are fair and reasonable; and (ii) they are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to recommend to the Independent Shareholders, to vote in favour of the relevant resolution to be proposed at the EGM to approve the GTS Framework Agreement and its proposed annual caps.

Yours faithfully,

For and on behalf of

**Shang International Finance Limited**

**Henry Yau**

**Alvin Tsui**

*Executive Director    Executive Director*

*Note:* Mr. Henry Yau is a licensed person registered with the Securities and Futures Commission and is a responsible officer of Shang International Finance Limited to carry out type 6 regulated activity (advising on corporate finance). He has over seven years of experience in the corporate finance industry in Hong Kong.

Mr. Alvin Tsui is a licensed person registered with the Securities and Futures Commission and is a responsible officer of Shang International Finance Limited to carry out type 6 regulated activity (advising on corporate finance). He has over ten years of experience in the corporate finance industry in Hong Kong.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' and chief executive's interests and short positions in shares, underlying shares and debentures

As at the Latest Practicable Date, the interests or short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “**Model Code**”), to be notified to the Company and the Stock Exchange, were as follows:

#### Long Positions in shares and underlying shares of the Company

Name of Director	Capacity/Nature of interest	Number of underlying shares held	Approximate percentage of shareholding
Mr. Wang Kei Ming ( <i>note 1</i> )	Interested in a controlled corporation	801,600,000	66.8%

*Note 1:* Mr. Wang Kei Ming beneficially owns the entire issued share capital of Wang K M, which directly holds 66.8% of the shares of the Company. Therefore, Mr. Wang Kei Ming is deemed to be interested in all the shares of the Company held by Wang K M for the purpose of the SFO. Mr. Wang Kei Ming is the sole director of Wang K M.

Save as disclosed above, as at Latest Practicable Date, none of the Directors or chief executive of the Company had any interest 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) 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 (including interests and short positions which they were taken or deemed to have

under provision of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

**(b) Substantial shareholders' interests and short positions in shares, underlying shares and debentures**

As at the Latest Practicable Date, the following persons/entities (other than the Directors or chief executive of the Company) had or were deemed to have interests or short positions in the shares, the underlying shares and debentures of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company or any other member of the Group:

**Long positions in shares and underlying shares of the Company**

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of issued share capital
Wang K M	Beneficial owner	801,600,000	66.8%

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any other persons who had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

**3. DIRECTORS' INTEREST IN COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors and their respective associates had any interest in other competing business.

**4. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2018, being the date to which the latest published audited financial statements of the Company were made up.



**5. SERVICE CONTRACTS OF DIRECTORS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

**6. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF THE GROUP**

As at the Latest Practicable Date, none of the Directors or expert had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2018, being the date to which the latest published audited consolidated financial statements of the Company were made up.

No Director was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group taken as a whole.

**7. EXPERT AND CONSENT**

The following is the qualification of the expert who has given opinion or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
Shang International Finance Limited	a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, the Independent Financial Adviser was not beneficially interested in the share capital of the Group nor did it have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in the Group.

As at the Latest Practicable Date, the Independent Financial Adviser had no direct or indirect interest in any assets which had been since 31 March 2018 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to the Group, or were proposed to be acquired or disposed of by or leased to the Group.

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular, with the inclusion therein of its letter(s), report(s), opinion and/or the references to its name in the form and context in which it appears.



**8. GENERAL**

Should there be any inconsistencies between the English text and the Chinese text of the circular, the English text of this circular shall prevail over the Chinese text.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at Room 4101-04, 41st Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong during normal business hours from 9:30 a.m. to 12:00 p.m. and 2:00 p.m. to 5:30 p.m. on any weekday (except Saturdays and public holidays) from the date of this circular up to the date of the EGM:

- (a) the GTS Framework Agreement;
- (b) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 12 to 13 of this circular;
- (c) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 14 to 27 of this circular;
- (d) the written consent of the Independent Financial Adviser referred to in the paragraph headed “Expert and Consent” in this appendix; and
- (e) this circular.

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## NOTICE OF EGM

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### ROYAL DELUXE HOLDINGS LIMITED

### 御佳控股有限公司

*(Incorporated in Cayman Islands with limited liability)*

**(Stock Code: 3789)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** an extraordinary general meeting (the “EGM”) of Royal Deluxe Holdings Limited (the “**Company**”) will be held at Unit A, 21/F, T G Place, 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong on Friday, 31 May 2019 at 3:00 p.m., for the following purpose of considering and, if thought fit, passing with or without amendment, the following resolution as an ordinary resolution:

#### ORDINARY RESOLUTION

1. “**THAT:**

- (a) the execution of the GTS Framework Agreement and its proposed annual caps (as defined and described in the Circular) be and are hereby confirmed, ratified and approved and the transactions hereunder be and is hereby approved; and
- (b) any one or more directors of the Company be and are hereby authorised to do all such acts and things as they consider necessary and to sign and execute all such documents (including under the seal of the Company), and to take all such steps which in their opinion may be necessary appropriate, desirable or expedient for the purpose of giving effect to the GTS Framework Agreement and its proposed annual caps and completing the transactions contemplated thereby.”

By order of the Board  
**Royal Deluxe Holdings Limited**  
**Wang Kei Ming**  
*Chairman and Executive Director*

Hong Kong, 16 May 2019

*Notes:*

- 1. A member of the Company entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the EGM. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each of such proxies is so appointed.

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## NOTICE OF EGM

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2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of any officer or attorney authorised to sign the same.
3. In order to be valid, the proxy form must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, at the Company's share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and, in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish and in such event, the proxy form will be deemed to be revoked.
4. The register of members of the Company will be closed on Friday, 31 May 2019, during which no transfer of Shares will be effected. In order to ascertain Shareholders' rights for the purpose of attending and voting at the EGM, all transfer documents, accompanied by relevant share certificates, must be lodged with the Company's share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Thursday, 30 May 2019 for registration.
5. In the case of joint holders of shares, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
6. The voting on the resolution will be conducted by way of a poll.