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ROYAL DELUXE HOLDINGS LIMITED

御佳控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3789)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

FINANCIAL HIGHLIGHTS

Results	Six months ended 30 September		Change %
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	
Revenue	460,050	328,776	39.9%
Gross profit	46,969	45,956	2.2%
Gross profit margin	10.2%	14.0%	(27.1%)
Profit attributable to owners of the Company	27,476	17,167	60.1%
Earnings per share (HK cents) – Basic and diluted	2.29	1.43	60.1%
Financial Position	As at 30 September 2020 (Unaudited) HK\$'000	As at 31 March 2020 (Audited) HK\$'000	Change %
Bank balances and cash	70,038	65,663	6.7%
Bank and other borrowings	40,640	43,457	(6.5%)
Financial Ratio			
Current ratio	1.9	1.9	–
Quick ratio	1.9	1.9	–
Gearing ratio	15.7%	19.1%	(17.8%)
Return on equity	20.4%	10.9%	87.2%
Return on total assets	11.6%	6.2%	87.1%

INTERIM CONSOLIDATED RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Royal Deluxe Holdings Limited (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2020, together with the comparative figures for the corresponding period in 2019 as follow:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

		Six months ended 30 September 2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
	<i>Notes</i>		
Revenue	3	460,050	328,776
Direct costs		(413,081)	(282,820)
Gross profit		46,969	45,956
Other income, other gains and losses, net	4	17,958	7,367
Administration and other operating expenses		(33,575)	(31,792)
Reversal of loss allowance on trade and other receivables and contract assets, net		277	351
Finance costs	5	(1,275)	(1,439)
Profit before tax	6	30,354	20,443
Income tax expense	7	(2,881)	(3,280)
Profit and total comprehensive income for the period		27,473	17,163
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		27,476	17,167
Non-controlling interests		(3)	(4)
		27,473	17,163
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share attributable to owners of the Company			
– Basic and diluted	9	2.29	1.43

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

		As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		42,592	37,527
Right-of-use assets		37,739	40,596
Deposits and prepayment for life insurance policy		3,939	3,896
Club membership		1,188	1,188
Deferred tax assets		334	388
		<u>85,792</u>	<u>83,595</u>
Current assets			
Inventories		1,864	1,849
Trade and other receivables	10	127,584	136,056
Contract assets	11	188,578	141,215
Bank balances and cash		70,038	65,663
Current tax recoverable		–	6,586
		<u>388,064</u>	<u>351,369</u>
Total assets		<u>473,856</u>	<u>434,964</u>
Current liabilities			
Trade and other payables	12	147,751	121,819
Lease Liabilities		1,688	1,563
Contract liabilities		–	15,290
Borrowings		40,640	43,457
Dividend payables		5,388	–
Current tax liabilities		9,251	3,486
		<u>204,718</u>	<u>185,615</u>
Net current assets		<u>183,346</u>	<u>165,754</u>
Total assets less current liabilities		<u><u>269,138</u></u>	<u><u>249,349</u></u>

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Non-current liabilities		
Deferred tax liabilities	93	181
Lease Liabilities	—	2,208
	<u>93</u>	<u>2,389</u>
Net assets	<u>269,045</u>	<u>246,960</u>
Capital and reserves		
Share capital	12,000	12,000
Reserves	<u>257,085</u>	<u>234,997</u>
Equity attributable to:		
Owners of the Company	269,085	246,997
Non-controlling interests	<u>(40)</u>	<u>(37)</u>
Total equity	<u>269,045</u>	<u>246,960</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company is an investment holding company. The Group is principally engaged in the provision of formwork erection and related ancillary services in Hong Kong. The Company was incorporated in the Cayman Islands on 12 April 2016 as an exempted company with limited liability. The addresses of the registered office and the principal place of business of the Company are P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and Unit A, 22nd Floor, T G Place, 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong, respectively.

The share of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 8 February 2017 (the “**Listing**”). Its parent company and ultimate holding company is Wang K M Limited, a company incorporated in the British Virgin Islands and is wholly-owned by Mr. Wang Kei Ming, an executive director of the Company.

These unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2020 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). These unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements of the Group for the year ended 31 March 2020 (the “**2020 Annual Financial Statements**”), which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars (“**HK\$**”), which is the same as the functional currency of the Company.

Other than changes in accounting policies resulting from application of new and amendments to HKFRSs, the accounting policies and methods of computation used in the unaudited condensed consolidated interim financial statements for the six months ended 30 September 2020 are the same as those followed in the preparation of the 2020 Annual Financial Statements.

These unaudited condensed consolidated interim financial statements have been approved for issue by the Board on 27 November 2020.

2. CHANGE IN ACCOUNTING POLICIES

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied *the Amendments to References to the Conceptual Framework in HKFRSs* and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKFRS 16	Covid-19 – Related Rent Concessions

The application of *the Amendments to References to the Conceptual Framework in HKFRSs* and the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated interim financial statements.

The Group has not early applied the new and revised HKFRSs that have been issued by the HKICPA but are not yet effective, but is in the process of assessing their impact on the Group's results of operations and financial position.

3. REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue for the period is as follows:

Disaggregation of revenue from contracts with customers

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Types of goods and services		
– Provision of formwork erection and related ancillary services	431,431	305,054
– Provision of fit-out services	28,619	23,722
	<u>460,050</u>	<u>328,776</u>
Timing of revenue recognition		
– Over time	460,050	328,776
	<u>460,050</u>	<u>328,776</u>

Segment information

For the purpose of the Group's resources allocation and performance assessment, the chief operating decision maker (i.e. the directors of the Company) reviews the overall results and financial position of the Group as a whole. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

Geographical information

The Company is domiciled in the Cayman Islands with the Group's major operation located in Hong Kong. All of the Group's revenue from external customers are derived from Hong Kong, the place of domicile of the Group's operating subsidiaries. All the non-current assets of the Group are located in Hong Kong. Accordingly, no geographical information is presented.

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group is as follows:

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Customer A	197,484	117,255
Customer B	152,266	46,913
Customer C	78,947	70,889
Customer D	N/A ¹	71,419
	<u>N/A¹</u>	<u>71,419</u>

¹ The corresponding revenue did not contribute over 10% of the Group's total revenue.

4. OTHER INCOME, OTHER GAINS AND LOSSES, NET

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other income		
Bank interest income	41	34
Interest income on deposits and prepayment for life insurance policy	66	109
Income from sale of scrap materials	814	4,293
Government grants (<i>Note (i)</i>)	13,281	–
Sundry income	3,816	2,912
	<u>18,018</u>	<u>7,348</u>
Other gains and losses, net		
Net foreign exchange (losses)/gains	(1)	19
Others	(59)	–
	<u>(60)</u>	<u>19</u>
	<u>17,958</u>	<u>7,367</u>

Note:

- (i) Government grants received from government's Anti-epidemic Fund (the "AEF") subsidies for employer in construction sector and employment support scheme of approximately HK\$10,632,000 and HK\$2,649,000 respectively, were included in "Other income, other gains and losses, net" for the six months ended 30 September 2020. There is no unfulfilled conditions or contingencies relating to these subsidies amount.

5. FINANCE COSTS

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings and overdrafts	1,184	1,419
Interest on lease liabilities	91	20
	<u>1,275</u>	<u>1,439</u>

6. PROFIT BEFORE TAX

Six months ended 30 September	
2020	2019
HK\$'000	HK\$'000
(Unaudited)	(Unaudited)

Profit before tax has been arrived at after charging:

Employee benefits expense (*Note (i)*):

Salaries and other benefits in kind	56,982	37,929
Discretionary bonuses	3,035	3,354
Contributions to retirement benefit scheme	1,759	1,001
	<hr/>	<hr/>
Total employee benefits expense, including directors' emoluments	61,776	42,284
	<hr/>	<hr/>
Amortisation of premium and other expenses charged on life insurance policy	22	31
Auditors' remuneration	600	600
Depreciation of property, plant and equipment (<i>Note (ii)</i>)	4,176	2,022
Depreciation of right-of-use assets (<i>Note (iii)</i>)	1,493	267
Short-term lease expenses in respect of:		
– Land and buildings	47	520
– Plant and equipment	12,390	5,276
	<hr/>	<hr/>

Notes:

- (i) During the six months ended 30 September 2020 and 2019, total employee benefits expense amounting to approximately HK\$41,243,000 and HK\$22,056,000, respectively, was included in direct costs and amounting to approximately HK\$20,533,000 and HK\$20,228,000 respectively was included in administration and other operating expenses.
- (ii) During the six months ended 30 September 2020 and 2019, depreciation of approximately HK\$2,026,000 and HK\$169,000, respectively, was charged to direct costs and approximately HK\$2,150,000 and HK\$1,853,000, respectively, was charged to administration and other operating expenses.
- (iii) During the six months ended 30 September 2020 and 2019, depreciation of right-of-use assets of approximately HK\$818,000 and HK\$267,000, respectively, was charged to direct costs and approximately HK\$675,000 and nil was charged to administration and other operating expenses.

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax:		
– Hong Kong Profits Tax	2,914	3,206
Deferred tax	(33)	74
Total income tax expenses recognised in profit or loss	<u>2,881</u>	<u>3,280</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

For the six month ended 30 September 2020 and 2019, the Hong Kong Profits Tax for one of the subsidiaries of the Company is calculated at 8.25% on the first HK\$2,000,000 of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2,000,000. Hong Kong Profits Tax for other subsidiaries is calculated at 16.5% of the estimated assessable profits arising in or derived from Hong Kong.

The Exemption from Salaries Tax and Profits Tax (Anti-epidemic Fund) Order (“the Exemption Order”) comes into operation on 29 May 2020. The Exemption Order exempts, subject to certain conditions, individuals and businesses from the payment of salaries tax and profits tax in respect of financial assistance or relief provided under the AEF. The exemption applies in relation to salaries tax and profits tax chargeable for the year of assessment commencing on 1 April 2019 and for all subsequent years of assessment.

8. DIVIDEND

During the six months ended 30 September 2020, a final dividend of HK0.449 cents per ordinary share, in aggregate amounting to HK\$5,388,000, in respect of the year ended 31 March 2020 (2019: nil) was declared and approved by the shareholders of the Company.

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: nil).

9. EARNINGS PER SHARE

For the purpose of these unaudited condensed consolidated interim financial statements, the calculation of the basic earnings per share attributable to owners of the Company is based on:

- (i) the profit attributable to owners of the Company for the respective periods; and
- (ii) the weighted average number of ordinary shares issued during the six months ended 30 September 2020 and the six months ended 30 September 2019 respectively.

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Earnings	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	27,476	17,167

	Six months ended 30 September	
	2020	2019
	'000	'000
Number of shares	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,200,000	1,200,000

The diluted earnings per share is equal to the basic earnings per share as there is no dilutive potential ordinary share in issue during the respective periods.

10. TRADE AND OTHER RECEIVABLES

	As at 30 September 2020 HK\$'000 (Unaudited)	As at 31 March 2020 HK\$'000 (Audited)
Trade receivables	123,698	110,565
Less: loss allowance for trade receivables	(216)	(578)
	123,482	109,987
Deposits and other receivables	796	1,271
Prepayments	3,319	24,825
Less: loss allowance for deposits and other receivables	(13)	(27)
	127,584	136,056

The Group allows a credit period ranging from 7 to 45 days (31 March 2020: 7 to 45 days) to its customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

The ageing analysis of trade receivables presented based on dates of progress certificates issued by customers, at the end of reporting period, are as follows:

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
0 – 30 days	32,276	81,354
31 – 60 days	69,582	26,187
61 – 90 days	21,662	3,004
Over 180 days	178	20
	<u>123,698</u>	<u>110,565</u>

11. CONTRACT ASSETS

As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
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Analysed as current:

Retention receivables of construction contracts (<i>Note (a)</i>)	83,535	61,318
Unbilled revenue of construction contracts (<i>Note (b)</i>)	106,041	80,796
Less: loss allowance for contract assets	<u>(998)</u>	<u>(899)</u>
	<u>188,578</u>	<u>141,215</u>

Notes:

- (a) Retention receivables included in contract assets represent the Group's right to receive consideration for work performed and conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed by the Group. The due dates for retention receivables are usually one to two years after the completion of construction work.

- (b) Unbilled revenue included in contract assets represents the Group's right to receive consideration for work completed but 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 trade receivables when the rights become unconditional, which is typically at the time when the Group obtains the certification of the completed construction work from the customers.

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

12. TRADE AND OTHER PAYABLES

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
Trade payables	49,113	39,486
Bills payables	8,453	16,518
Retention payables	12,516	11,564
Other payables and accruals	77,669	54,251
	<u>147,751</u>	<u>121,819</u>

The credit period on trade payables is generally 30 to 60 days (31 March 2020: 30 to 60 days).

The ageing analysis of trade payables, presented based on the invoice date, at the end of reporting period, are as follows:

	As at 30 September 2020 <i>HK\$'000</i> (Unaudited)	As at 31 March 2020 <i>HK\$'000</i> (Audited)
0 – 30 days	27,191	19,109
31 – 60 days	11,411	10,505
61 – 90 days	4,030	4,568
91 – 180 days	6,378	4,329
Over 180 days	103	975
	<u>49,113</u>	<u>39,486</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The Group is a major subcontractor, given the market share and the large number of players in the construction industry, specialising in providing concreting formwork works as well as related ancillary services in Hong Kong, the Group is also specialised in erection of concrete precast component works and scaffolding works on the basis of the selected contractors' projects.

BUSINESS REVIEW

The outbreak of the COVID-19 since early 2020, have caused disruptions to the Hong Kong economy, however, the Group's overall financial performance has remained stable despite the challenging operating environment during the six months ended 30 September 2020.

During the six months ended 30 September 2020, the Group secured five new contracts with total contract value of approximately HK\$218.7 million, representing an increase of approximately 72.5% compared to the six months ended 30 September 2019 of approximately HK\$126.8 million. Two of these projects started contributing revenue to the Group during the six months ended 30 September 2020. As at 30 September 2020, the Group has a total of fourteen projects on hand with the estimated total outstanding value of approximately HK\$546.0 million, representing a decrease of approximately 13.3% as compared with the estimated total outstanding value of approximately HK\$629.8 million as at 31 March 2020. Subsequent to the period ended 30 September 2020, the Group further secured three new contracts with total contract value of approximately HK\$570.5 million. These new awarded projects included one major subcontract for formwork and concrete works at Third Runway Concourse at Hong Kong Airport (reference is made to the announcement dated 9 October 2020). With the projects on hand, it is therefore expected the performance of the subcontract works will remain steady for the coming years.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately HK\$131.3 million, or 39.9%, from approximately HK\$328.8 million for the six months ended 30 September 2019 to approximately HK\$460.1 million for the six months ended 30 September 2020. The increase was mainly attributable to the revenue recognised from ongoing major projects, including civil engineering projects for SCL1123 Exhibition Station and Tunnel and L1 for the Lyric Theatre complex (LTC) as well as building construction projects for Tai Wai Station Property Development and Advanced Manufacturing Centre at Tseung Kwan O Industrial Estate, by catching up with the work progress, during the six months ended 30 September 2020.

Gross profit and gross profit margin

The Group's gross profit slightly increased by approximately HK\$1.0 million, or 2.2%, from approximately HK\$46.0 million for the six months ended 30 September 2019 to approximately HK\$47.0 million for the six months ended 30 September 2020 as a result of the increase in revenue for the period in 2020.

The gross profit remained stable as compared to the six months ended 30 September 2019. The Group's gross profit margin decreased from approximately 14.0% for the six months ended 30 September 2019 to approximately 10.2% for the six months ended 30 September 2020 was mainly due to the increasing price competition among the construction industry.

Administration and other operating expenses

The Group's administration and other operating expenses primarily comprise of staff costs (including Directors' remuneration), depreciation, office expenses and professional charges. The Group's administration and other operating expenses increased by approximately HK\$1.8 million or 5.6%, from approximately HK\$31.8 million for the six months ended 30 September 2019 to approximately HK\$33.6 million for the six months ended 30 September 2020, primarily due to an increase of approximately HK\$4.0 million in legal and professional fees, partially offset by a decrease in other administration expenses.

Finance costs

The Group's finance costs decreased by approximately HK\$0.1 million or 11.4% from approximately HK\$1.4 million for the six months ended 30 September 2019 to approximately HK\$1.3 million for the six months ended 30 September 2020, primarily due to the decrease in average amount of bank borrowings as well as the decrease in average interest rate of bank borrowings.

Income tax expenses

The Group's income tax expenses decreased by approximately HK\$0.4 million or 12.2% from approximately HK\$3.3 million for the six months ended 30 September 2019 to approximately HK\$2.9 million for the six months ended 30 September 2020 primarily due to the estimated tax exemption for other incomes from employment support scheme and subsidies under the AEF programme for the six months ended 30 September 2020. The effective tax rate for the six months ended 30 September 2020 was 9.5% compared to that of 16.0% for the six months ended 30 September 2019.

Profit and total comprehensive income for the period attributable to owners of the Company

As a result of the foregoing, profit attributable to owners of the Company increased by approximately HK\$10.3 million or 60.1% from approximately HK\$17.2 million for the six months ended 30 September 2019 to approximately HK\$27.5 million for the six months ended 30 September 2020, due to being assisted by the recognition of several government subsidies such as employment support scheme and AEF subsidies for employer in construction sector of approximately HK\$13.3 million. The net profit margin slightly increased by approximately 0.8 percentage points from approximately 5.2% for the six months ended 30 September 2019 to approximately 6.0% for the six months ended 30 September 2020.

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the Listing have been and will be utilised in accordance with the proposed applications set out in the section “Future Plans and Use of Proceeds” of the prospectus dated 25 January 2017 (the “**Prospectus**”) and the announcement of the Company dated 7 February 2017.

The below table sets out the utilisation of the net proceeds from the Listing up to 30 September 2020:

	Planned use of net proceeds as stated in the Prospectus HK\$'000	Actual use of net proceeds up to 30 September 2020 HK\$'000	Unutilised balance as at 30 September 2020 HK\$'000
Funding the initial costs for an existing formworks project located in Yau Tsim Mong District	27,433	27,433	—
Used for acquisition of office premises	41,101	41,101	—
Used for the investment in the new information system	10,102	9,222	880
Used for repayment part of our outstanding bank borrowings and finance leases	10,399	10,399	—
Used as general working capital	9,607	9,607	—
	<u>98,642</u>	<u>97,762</u>	<u>880</u>

For information systems, the Company have implemented its building information modelling (“**BIM**”) adoption and the Group’s human resources management system upgrading projects. Therefore, the Company expects the unutilised amount of net proceeds shall be used during the year ended 31 March 2021.

The unutilised amounts of the net proceeds of approximately HK\$0.9 million was deposited into licensed banks in Hong Kong.

As at the date of this announcement, the Directors do not anticipate any change to the plan as to the use of proceeds.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group financed its operations and capital expenditure with internal resources and bank borrowings.

As at 30 September 2020, the Group's total bank balances and cash were approximately HK\$70.0 million (31 March 2020: approximately HK\$65.7 million), all of which were denominated in Hong Kong dollars. The current ratio (defined as current assets divided by current liabilities) of the Group was approximately 1.9 (31 March 2020: approximately 1.9).

The Group had total bank borrowings of approximately HK\$40.6 million as at 30 September 2020 (31 March 2020: approximately HK\$43.5 million).

CONTINGENT LIABILITIES

Save as disclosed in the paragraph headed "Arbitration" in this announcement, the Group had no material contingent liabilities as at 30 September 2020 and 31 March 2020.

ARBITRATION

As reported in the note 36 – Arbitration in the "Notes to the consolidated financial statements" of the Annual Report 2020 of the Group, Ming Tai Construction Engineering Company Limited, an indirect wholly-owned subsidiary of the Company (as the "**Applicant**"), has submitted two applications for arbitration (the "**Applications**") to the Hong Kong International Arbitration Centre against Laing O'Rourke-Hsin Chong-Paul Y. Joint Venture (the "**Joint Venture**") in year 2019. Pursuant to the Applications, the Applicant initiated an arbitration against the Joint Venture (as the "**Respondent**") in respect of disputes arising from two subcontracts. The Respondent indicated to counterclaim against the Applicant.

The Applicant claims, among others, that the Joint Venture failed to properly assess extensions of time and value sums due to Ming Tai Construction under the two subcontracts entered between Ming Tai Construction and the Joint Venture in June 2012 and September 2015, respectively, and caused delay and disruption to the progress and completion of the subcontract works and such delay and disruption caused Ming Tai Construction to incur loss and/or expense. The Applicant seeks, among other things, relief for the extension of time for the two subcontracts and loss suffered by them in the aggregate amount of approximately HK\$273 million, being the outstanding payment by the Joint Venture under the two subcontracts.

During the year ended 31 March 2020, the Applicant has filed its statement of claim in December 2019 and the Respondent has subsequently filed a request for further and better particulars of the statement of claims in February 2020. Up to the date of this announcement, a case management conference has been held and a directions order has been made in July 2020 in order to ensure efficient conduct of the arbitration proceedings.

As at the date of this announcement, the hearing of the aforementioned arbitration has not yet commenced and the effects on the Group cannot be assessed at this moment. Further announcement will be made by the Company in the event of any material development regarding the arbitration if appropriate in due course.

PLEDGE OF ASSETS

As at 30 September 2020, the Group's bank borrowings and general banking facilities were secured by the office premises with an aggregate carrying amount of approximately HK\$42.7 million (31 March 2020: approximately HK\$44.0 million).

As at 30 September 2020, the Group had pledged to the bank an assignment of project proceeds from one construction contract of the Group as security of the Group banking facilities.

As at 30 September 2020, the Group had a restricted time-deposit of approximately HK\$3.0 million (31 March 2020: approximately HK\$3.0 million) charging to a bank to secure general banking facilities granted to the Group.

As at 30 September 2020, the Group had a deed of charge for unlimited amount securing moneys due in respect of a factoring agreement with a bank for one construction contract.

As at 30 September 2020, the Group had charge over account with certain banks for general banking facilities.

CAPITAL COMMITMENTS

As at 30 September 2020, the Group had capital commitments of approximately HK\$545,000 (31 March 2020: Nil) contracted but not provided for the acquisition of property, plant and equipment.

TREASURY POLICIES

The Group continues to follow a prudent policy in managing the Group's cash balances and maintain a healthy liquidity position. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. Internally generated cash flow and interest-bearing bank borrowings are the general source of funds to finance the operation of the Group. To manage liquidity risk, the Directors closely monitor the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

FOREIGN CURRENCY RISK

The Group has no significant exposure to foreign currency risk because almost all of the Group's transactions and balances are denominated in Hong Kong dollars. The management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should and when appropriate.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 September 2020. Save as disclosed herein, there was no other plan for material investments or capital assets as at 30 September 2020

GEARING RATIO

As at 30 September 2020, the Group's gearing ratio was approximately 15.7% (31 March 2020: approximately 19.1%), representing total bank borrowings and lease liabilities as a percentage of total equity. The decrease in gearing ratio was attributed to the effect of decrease in bank borrowings mainly used in financing the substantial completed and ongoing projects during the six months ended 30 September 2020.

EVENT AFTER THE REPORTING PERIOD

(a) Impact of the outbreak of COVID-19

As of the date of this announcement, business operations of the Group has not been significantly impacted by the outbreak of the COVID-19 since the latter half of January 2020. The outbreak of COVID-19 had brought a significant negative impact to the Hong Kong's economy which in return may have an adverse effect on the Group's operation.

As the situation remains fluid as date of this announcement, the Directors considered that the financial impacts of the COVID-19 on the Group's unaudited condensed consolidated financial statements cannot be reasonably estimated and will closely monitor the Group's exposure to the risks and uncertainties in connection with the COVID-19 pandemic.

- (b) The Board is pleased to announce that, subsequent to 30 September 2020, the Group has been awarded three new projects included a major formwork and concrete subcontract for Third Runway Concourse at Hong Kong International Airport (reference is made to the announcement dated 9 October 2020); a new formwork subcontract for King Lam Street Commercial Development and a new formwork subcontract for the Lift Tower of Artist Square Bridge. The total contract sum of the above mentioned contracts is approximately HK\$570.5 million.
- (c) The indirect wholly-owned subsidiaries of the Company, Ming Tai Construction Engineering Company Limited, which has been registered as Group 2 Registered Specialist Trade Contractors (the "RSTCs") under "S02-Concreting Formwork" and "S05-Erection of Concrete Precast Component" and "S07-Scaffolding" categories with confirmed status and are qualified to tender for the contracts/subcontracts of the designate trades under public works of unlimited value on or after 1 October 2020.

Save for the above, the Board is not aware of any other significant events requiring disclosure that have taken place subsequent to 30 September 2020 and up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICIES

The Group had 98 full-time employees as at 30 September 2020 (30 September 2019: 92 fulltime employees). The Group offers competitive remuneration package that is based on overall market rates and employee performance, as well as the performance of the Group. Remuneration package comprised of salary, a performance-based bonus, and other benefits including training and mandatory provident funds. Employee bonus is distributable based on the performance of the respective employees concerned. Moreover, the Group also provides internal and external training programmes which are complementary to certain job functions. The total staff costs included in administration and other operating expenses (including remuneration of Directors and mandatory provident funds contributions) for the six months ended 30 September 2020 amounted to approximately HK\$20.5 million (six months ended 30 September 2019: approximately HK\$20.2 million). All employees of the Group were under direct employment.

SEGMENT INFORMATION

Save as disclosed in note 3 to the unaudited condensed consolidated interim financial statements in this announcement, the Group's business was regarded as a single operating segment and the Group had no geographical segment information presented as at 30 September 2020.

FUTURE PROSPECTS

During the six months ended 30 September 2020, the COVID-19 pandemic had brought about unprecedented challenges on the production and operation of the Group. The economic downturn in Hong Kong has impacted the overall performance in construction industry and increased price competition.

While the pandemic is far from over and vaccine(s) will not be available soon, the consequential impact of the pandemic on the world is yet to be fully reflected. Given the recent recurrence of the epidemic in Hong Kong, the economy may take a longer time to recover. However, the business environment will remain challenging due to the COVID-19 pandemic, which may potentially impede the progress of infrastructure projects.

Looking ahead, we are optimistic on the construction industry, especially the 10-year Hospital Development Plan and the HKSAR government has committed to promote infrastructure development, particularly in areas of housing and land supply in Hong Kong, will become major factors on revival of construction industry.

As an established formwork subcontractor in Hong Kong, the Group will be keen on refining its workmanship and develop innovative formwork patents and construction technology applications, aim of developing more sustainable, cost-and time-effective construction technologies and processes that create greater value to its valuable customers.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2020.

COMPETING BUSINESS

During the six months ended 30 September 2020, none of the Directors or the controlling shareholders of the Company (the **"Controlling Shareholders"**) and their respective associates had any interests in a business, apart from the business of the Group, which competes or may compete with the business of the Group or has any other conflict of interest with the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

NON-COMPETITION UNDERTAKING

In order to avoid any possible future competition between the Group and the Controlling Shareholders, Mr. Wang Kei Ming and Wang K M Limited (each a **"Covenantor"** and collectively the **"Covenantors"**) have entered into the deed of non-competition (the **"Deed of Non-competition"**) with the Company (for itself and for the benefit of each other member of the Group) on 17 January 2017. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and as trustee for its subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its close associates (other than any member of the Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group.

Each of the Convenantors also gave certain non-competition undertakings under the Deed of Non-competition as set out in the paragraph headed "Relationship with our controlling shareholders – Non-competition undertaking" in the Prospectus.

During the six months ended 30 September 2020, the Company had not received any information in writing from any of the Controlling Shareholders in respect of any new business opportunity which competed or might compete with the existing and future business of the Group which were offered to or came to be the knowledge of the Controlling Shareholders or their associates (other than any member of the Group).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the “**Model Code**”) set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry, all Directors have fully complied with the required standards set out in the Model Code during the six months ended 30 September 2020.

SHARE OPTION SCHEME

The Company’s share option scheme (the “**Share Option Scheme**”) was conditionally adopted on 17 January 2017. The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to it. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions. This will be in accordance with Chapter 17 of the Listing Rules and other relevant rules and regulations. Further details of the Share Option Scheme are set forth in the section headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to the Prospectus and note 27 of the 2020 Annual Financial Statements.

For the six months ended 30 September 2020, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

CORPORATE GOVERNANCE PRACTICE

The Company and the Board are devoted to achieve and maintain high standards of corporate governance, as the Board believes that good and effective corporate governance practices are fundamental to obtain and maintain the trust and safeguarding interest of the shareholders and other stakeholders of the Company. The Company has adopted the principles and code provisions set out in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Listing Rules.

To the best knowledge of the Board, the Company has complied with the code provisions in the CG Code during the six months ended 30 September 2020 and up to the date of this announcement.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) was established on 17 January 2017. The chairman of the Audit Committee is Mr. Kwong Ping Man, the independent non-executive Director, and other members include Mr. Lai Ah Ming Leon and Mr. Sio Kam Seng, the independent non-executive Directors. The written terms of reference of the Audit Committee are posted on the Stock Exchange’s website and on the Company’s website.

The primary duties of the Audit Committee are mainly to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has complied with Rule 3.21 of the Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an independent non-executive Director) is an independent non-executive Director who possesses appropriate professional qualifications or accounting related financial management expertise.

The Group’s condensed consolidated interim financial statements for the six months ended 30 September 2020 are unaudited, but have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2020 comply with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company’s website at www.royal-deluxe.com. The interim report for the six months ended 30 September 2020 will be dispatched to the shareholders of the Company and will be published on the above websites.

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

Hong Kong, 27 November 2020

As at the date of this announcement, the Board comprises Mr. Wang Kei Ming and Mr. Wang Yu Hin as executive Directors; and Mr. Lai Ah Ming Leon, Mr. Kwong Ping Man and Mr. Sio Kam Seng as independent non-executive Directors.