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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)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2021**

### **FINANCIAL HIGHLIGHTS**

- Revenue was approximately HK\$870.2 million for the year ended 31 March 2021, representing an increase of approximately 23.1% as compared with the same for the year ended 31 March 2020.
- Gross profit was approximately HK\$66.1 million for the year ended 31 March 2021 representing a decrease of approximately 28.0% as compared with the same for the year ended 31 March 2020.
- Gross profit margin decreased from approximately 13.0% for the year ended 31 March 2020 to approximately 7.6% for the year ended 31 March 2021.
- Profit attributable to the owners of the Company was approximately HK\$37.1 million for the year ended 31 March 2021, representing an increase of approximately 37.6% as compared with the same for the year ended 31 March 2020.
- Basic earnings per share attributable to owners of the Company was approximately HK3.09 cents for the year ended 31 March 2021, and approximately HK2.25 cents for the year ended 31 March 2020.
- The Board does not recommend the payment of any final dividend for the year ended 31 March 2021.

## FINAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Royal Deluxe Holdings Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 March 2021, together with the comparative figures for the year ended 31 March 2020.

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 March 2021*

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	<b>2020</b> <b>HK\$'000</b>
Revenue	4	<b>870,204</b>	706,680
Direct costs		<b>(804,055)</b>	(614,755)
Gross profit		<b>66,149</b>	91,925
Other income, other gains and losses, net	5	<b>49,649</b>	11,215
Administration and other operating expenses		<b>(75,584)</b>	(67,212)
Reversal/(provision) of loss allowance on trade and other receivables and contract assets, net		<b>468</b>	(241)
Finance costs	6	<b>(2,040)</b>	(2,725)
Profit before tax	7	<b>38,642</b>	32,962
Income tax expense	8	<b>(1,535)</b>	(6,032)
<b>Profit and total comprehensive income for the year</b>		<b>37,107</b>	26,930
<b>Profit and total comprehensive income for the year attributable to:</b>			
– Owners of the Company		<b>37,113</b>	26,967
– Non-controlling interests		<b>(6)</b>	(37)
		<b>37,107</b>	26,930
		<b>HK cents</b>	<b>HK cents</b>
<b>Earnings per share attributable to owners of the Company</b>			
– Basic and diluted	10	<b>3.09</b>	2.25

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

		2021	2020
	Notes	HK\$'000	HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		46,301	37,527
Right-of-use assets		35,898	40,596
Deposits and prepayments for life insurance policy		–	3,896
Club membership		1,188	1,188
Deferred tax assets		284	388
		<u>83,671</u>	<u>83,595</u>
<b>Current assets</b>			
Inventories		–	1,849
Trade and other receivables	11	80,407	136,056
Contract assets		195,285	141,215
Bank balances and cash		85,873	65,663
Current tax recoverable		4	6,586
		<u>361,569</u>	<u>351,369</u>
<b>Total assets</b>		<u>445,240</u>	<u>434,964</u>
<b>Current liabilities</b>			
Trade and other payables	12	118,447	121,819
Lease liabilities		280	1,563
Contract liabilities		–	15,290
Borrowings		42,734	43,457
Current tax liabilities		4,801	3,486
		<u>166,262</u>	<u>185,615</u>

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Net current assets</b>	<u>195,307</u>	<u>165,754</u>
<b>Total assets less current liabilities</b>	<u>278,978</u>	<u>249,349</u>
<b>Non-current liabilities</b>		
Deferred tax liabilities	103	181
Lease liabilities	<u>196</u>	<u>2,208</u>
	<u>299</u>	<u>2,389</u>
<b>Net assets</b>	<u><u>278,679</u></u>	<u><u>246,960</u></u>
<b>Capital and reserves</b>		
Share capital	12,000	12,000
Reserves	<u>266,722</u>	<u>234,997</u>
Equity attributable to owners of the Company	278,722	246,997
Non-controlling interests	<u>(43)</u>	<u>(37)</u>
	<u><u>278,679</u></u>	<u><u>246,960</u></u>

## NOTES:

### 1. GENERAL INFORMATION AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands on 12 April 2016 as an exempted company with limited liability under the companies law of the Cayman Islands. The shares 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 owned as to 50% by Mr. Wang Kei Ming, an executive Director, and 50% by Ms. Chao Lai Heng, spouse of Mr. Wang Kei Ming.

The addresses of the registered office and the principal place of business of the Company are Windward 3, Regatta Office Park, PO Box 1350, 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 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 consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”) and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared on the historical cost basis, except as otherwise stated.

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

### 2. CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied the “Amendments to References to the Conceptual Framework in HKFRS Standards” 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 consolidated financial statements:

Amendments to Hong Kong Accounting Standard (“ <b>HKAS</b> ”) 1 and HKAS 8	<i>Definition of Material</i>
Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>

The application of the “Amendments to References to the Conceptual Framework in HKFRS Standards” and the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### 3. NEW AND AMENDMENTS TO HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	<i>Insurance Contracts and the related Amendments</i> <sup>5</sup>
Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i> <sup>4</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</i> <sup>2</sup>
Amendment to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>6</sup>
Amendment to HKFRS 16	<i>COVID-19-Related Rent Concessions</i> <sup>1</sup>
Amendment to HKFRS 16	<i>COVID-19-Related Rent Concessions beyond 30 June 2021</i> <sup>3</sup>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation (2020)</i> <sup>5</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> <sup>5</sup>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> <sup>5</sup>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> <sup>5</sup>
Amendments to HKAS 16	<i>Property, Plant and Equipment — Proceeds before Intended Use</i> <sup>4</sup>
Amendments to HKAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i> <sup>4</sup>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2018 – 2020</i> <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 June 2020

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>3</sup> Effective for annual periods beginning on or after 1 April 2021

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>6</sup> Effective for annual periods beginning on or after a date to be determined

The Directors anticipate that the application of the new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

#### 4. REVENUE AND SEGMENT INFORMATION

Revenue represents amounts received and receivables from construction services in Hong Kong. For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the Directors) 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.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from contracts with customers		
– Provision of formwork erection and related ancillary services	828,938	650,014
– Provision of fit-out services	41,266	56,666
	<u>870,204</u>	<u>706,680</u>

#### Geographical information

The Company is domiciled in the Cayman Islands with the Group's major operations 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 Group's total revenue during the years ended 31 March 2021 and 2020 are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	377,885	77,731
Customer B	225,501	215,283
Customer C	110,503	N/A <sup>1</sup>
Customer D	N/A <sup>1</sup>	136,447
Customer E	N/A <sup>1</sup>	127,286
Customer F	N/A <sup>1</sup>	107,473

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

## 5. OTHER INCOME, OTHER GAINS AND LOSSES, NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Other income</b>		
Bank interest income	53	117
Interest income on deposits and prepayments for life insurance policy	120	115
Income from sale of scrap materials	4,514	4,864
Government grants ( <i>Note</i> )	36,520	–
Sundry income	8,944	6,013
	<u>50,151</u>	<u>11,109</u>
<b>Other gains and losses, net</b>		
Net foreign exchange gain/(loss)	8	(25)
(Loss)/gain on written off or disposal of property, plant and equipment	(305)	131
Loss on surrender of life insurance policy	(188)	–
Loss on early termination of lease	(17)	–
	<u>(502)</u>	<u>106</u>
	<u><b>49,649</b></u>	<u><b>11,215</b></u>

*Note:*

Government grants received from Government's Anti-epidemic Fund (the "AEF") subsidies for employer in construction sector, employment support scheme and a one-off non-accountable subsidy of each goods vehicle of approximately HK\$31,164,000, HK\$5,286,000 and HK\$70,000 respectively.



## 6. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on bank borrowings	1,907	2,563
Interest on lease liabilities	133	162
	<u>2,040</u>	<u>2,725</u>

## 7. PROFIT BEFORE TAX

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit before tax has been arrived at after charging:		
Employee benefits expense ( <i>Note (i)</i> ):		
Salaries and other benefits in kind	106,820	90,431
Discretionary bonuses	7,023	11,031
Contributions to retirement benefit scheme	3,307	2,547
Total employee benefits expense, including Directors' emoluments	<u>117,150</u>	<u>104,009</u>
Amortisation of premium and other expenses charged on life insurance policy	63	58
Auditors' remuneration	1,200	1,200
Depreciation of property, plant and equipment ( <i>Note (ii)</i> )	8,901	3,863
Depreciation of right-of-use assets ( <i>Note (iii)</i> )	2,944	2,440
Amortisation of contract costs	–	1,739
Short-term lease expenses in respect of:		
– Land and buildings	94	809
– Plant and equipment	27,319	20,356

*Notes:*

- (i) During the years ended 31 March 2021 and 2020, total employee benefits expense amounting to approximately HK\$69,699,000 and HK\$59,705,000, respectively, was included in direct costs and amounting to approximately HK\$47,451,000 and HK\$44,304,000, respectively, was included in administration and other operating expenses.
- (ii) During the years ended 31 March 2021 and 2020, depreciation of property, plant and equipment of approximately HK\$5,145,000 and HK\$1,416,000, respectively, was charged to direct costs and approximately HK\$3,756,000 and HK\$2,447,000, respectively, was charged to administration and other operating expenses.
- (iii) During the years ended 31 March 2021 and 2020, depreciation of right-of-use assets of approximately HK\$1,500,000 and HK\$1,091,000, respectively, was charged to direct costs and approximately HK\$1,444,000 and HK\$1,349,000, respectively, was charged to administration and other operating expenses.

## 8. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current income tax:		
– Hong Kong Profits Tax	1,514	6,100
Adjustment in respect of prior years	(5)	(72)
Total current income tax	1,509	6,028
Deferred tax	26	4
Total income tax expense recognised in profit or loss	<u>1,535</u>	<u>6,032</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%.

Accordingly, 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 for the years ended 31 March 2021 and 2020.

## 9. DIVIDEND

No dividend was proposed by the Board for the year ended 31 March 2021. Final dividend of HK0.449 cents per ordinary share, amounting to approximately HK\$5,388,000 was proposed for the year ended 31 March 2020 and paid during the year ended 31 March 2021.

## 10. EARNINGS PER SHARE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Earnings</b>		
Profit for the year attributable to owners of the Company		
for the purpose of basic earnings per share	<u><u>37,113</u></u>	<u><u>26,967</u></u>
	2021 <i>'000</i>	2020 <i>'000</i>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of		
basic earnings per share	<u><u>1,200,000</u></u>	<u><u>1,200,000</u></u>

The diluted earnings per share is equal to the basic earnings per share as there is no potential ordinary share in issue during the years ended 31 March 2021 and 2020.

# 11. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	78,100	110,565
Less: loss allowance for trade receivables	<u>(126)</u>	<u>(578)</u>
	77,974	109,987
Deposits and other receivables	1,212	1,271
Prepayments	1,235	24,825
Less: loss allowance for deposits and other receivables	<u>(14)</u>	<u>(27)</u>
	<u><b>80,407</b></u>	<u><b>136,056</b></u>

The Group allows a credit period ranging from 7 to 45 days (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 of the Group.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 30 days	43,685	81,354
31 – 60 days	18,507	26,187
61 – 90 days	15,750	3,004
Over 180 days	<u>158</u>	<u>20</u>
	<u><b>78,100</b></u>	<u><b>110,565</b></u>

## 12. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	33,236	39,486
Bills payables	18,840	16,518
Retention payables	9,784	11,564
Other payables and accruals	56,587	54,251
	<u>118,447</u>	<u>121,819</u>

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

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 30 days	23,452	19,109
31 – 60 days	7,084	10,505
61 – 90 days	556	4,568
91 – 180 days	1,293	4,329
Over 180 days	851	975
	<u>33,236</u>	<u>39,486</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS AND FINANCIAL REVIEW

The Group is a major subcontractor specialising in providing formwork erection as well as ancillary services in Hong Kong. The Group started its formwork business since 1994 and has accumulated more than 26 years experience in the provision of its services in Hong Kong. The Group actively undertakes large-scale formwork erection projects for building construction and civil engineering works. The direct customers of the Group are main contractors of building construction and civil engineering projects while the ultimate customers are owners of the projects, which include the Hong Kong Government (the “**Government**”), public transport operators, theme park and property developers.

The subsidiary company of the Group has been registered as group 2 Registered Specialist Trade Contractors (the “**RSTCs**”) under “So2-Concreting Formwork” and “So5-Erection of Concrete Precast Component” 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.

#### Business Review

The outbreak of the COVID-19 pandemic since early 2020 has caused disruptions to local economic activities and imposed an abnormally volatile operating environment. During the year ended 31 March 2021 (the “**Financial Year 2021**”), the Group took necessary measures to protect the health and safety of our employees in order to minimise the negative impacts, including supply chain disruptions and work stoppages due to measures imposed by the Government, as well as to ensure on-going projects of the Group were progressing well as planned. However, our construction projects in Hong Kong was likely not materially affected by the COVID-19 pandemic for the Financial Year 2021.

The Group’s overall revenue for the Financial Year 2021 amounted to approximately HK\$870.2 million, representing an increase of approximately 23.1% or HK\$163.5 million as compared with that of approximately HK\$706.7 million for the year ended 31 March 2020 (the “**Financial Year 2020**”). For the Financial Year 2021, the Group recorded profit and total comprehensive income of approximately HK\$37.1 million as compared to approximately HK\$26.9 million for the Financial Year 2020.

The increase in revenue was primarily due to the accelerated progress of the Group's major civil engineering project for SCL1123 Exhibition Station and Tunnel (the "**SCL1123 Project**") and the completion of certain general building projects, including the Group's major building construction project for Tai Wai Station Property Development ("**Tai Wai Projects**") during the Financial Year 2021.

Despite the increase in revenue, the gross profit margin has decreased from approximately 13.0% for the Financial Year 2020 to approximately 7.6% for the Financial Year 2021. The decrease was mainly attributable to projects with relatively high profit margin which were completed or nearly completed in the Financial Year 2020 and certain completed formwork building projects during the Financial Year 2021 with averagely lower gross profit margins. In addition, the outbreak of COVID-19 has also led to an increase in project overhead costs and subcontracting cost, hence resulting in a reduction in gross profit for the Financial Year 2021.

During the Financial Year 2021, the Group secured nine new contracts with total contract value of approximately HK\$791.1 million, representing an increase of approximately 50.9% compared to that of approximately HK\$524.4 million in the Financial Year 2020. Seven of these projects have started contributing revenue to the Group during the Financial Year 2021. As at 31 March 2021, we had a total of 12 projects on hand. The estimated total outstanding value of all remaining works and ongoing projects of approximately HK\$861.5 million for the Financial Year 2021, representing an increase of approximately 36.8% as compared with approximately HK\$629.8 million for the Financial Year 2020. These contracts are expected to be completed in around one to four years.

However, the outbreak of COVID-19 has delayed the commencement of certain new contracts, including a building formwork subcontract for King Lam Street Commercial Development and a major subcontract for formwork and concrete works at Third Runway Concourse at Hong Kong International Airport, which shall be extended to the second and third quarter of the next financial year, respectively.

Subsequent to the Financial Year 2021 and as at the date of this announcement, the Group further secured two new contracts for supplied and installation of formwork and scaffolding for Third Runway Concourse at Hong Kong International Airport and a new formwork subcontract for pile cap works at 7 Ngau Tau Kok Road. The total contract sum of the above mentioned contracts is approximately HK\$21.5 million. With these projects on hand, it is therefore expected that the outstanding value of projects on hand is still maintained at a healthy level.

<b>Year of award/project</b>	<b>Role</b>	<b>Nature of contract</b>	<b>Status</b>
<b>Year 2017-2018</b>			
SCL1123/SC231 Exhibition Station and Western Approach Tunnel	Sub-contractor	Station formwork and concrete	Substantially completed
<b>Year 2019-2020</b>			
J3703-SC1128 L1 Works for Lyric Theatre Complex and the Extended Basement project for WKCD A	Sub-contractor	Formwork	Work-in-progress
18102 Skycity Commercial Development, site A3(B3-L1)	Sub-contractor	Formwork	Work-in-progress
J3828 Development of IE 2.0 Project C Advance Manufacturing Centre (the “AMC”) at Tseung Kwan O Industrial Estate	Sub-contractor	System Formwork	Work-in-progress
<b>Year 2020-2021</b>			
J3876-SC1101 Lift Tower and staircase at Artist Square Bridge	Sub-contractor	Formwork	Work-in-progress
CC/2018/3A/072 (J3761) Lift inter Fitout in WKCD Tower	Sub-contractor	Fitout work	Work-in-progress
CC/2018/3A/072 (J3761) D&S&I Durlum Eggcrate Ceiling System at RDE	Sub-contractor	Fitout work	Work-in-progress
J13788-1089 L2 Lyric Theatre Complex	Sub-contractor	Formwork	Work-in-progress
C40232-1104923 KTIL240, 98 How Ming Street	Sub-contractor	Formwork	Work-in-progress
C2-227 YW20296 Po Shan Road 23	Sub-contractor	Formwork	Work-in-progress
C17101 King Lam Street Commercial Development	Sub-contractor	Formwork	In preparation
AA3405-CRBC-SC-008 3rd Runway Concourse at Hong Kong Airport	Sub-contractor	Formwork and concrete	In preparation



## **FINANCIAL REVIEW**

### **Revenue**

The Group's revenue increased by approximately HK\$163.5 million, or 23.1%, from approximately HK\$706.7 million for the Financial Year 2020 to approximately HK\$870.2 million for the Financial Year 2021. Such increase was primarily due to higher revenue from the accelerated progress of the Group's major formwork civil engineering project for the construction of the SCL1123 Project and the Group's major formwork building project for AMC at Tseung Kwan O Industrial Estate, and was mainly attributable to the completion of the Group's major formwork building project for the construction of Tai Wai Projects during the Financial Year 2021.

### **Gross profit and gross profit margin**

The Group's gross profit decreased by approximately HK\$25.8 million, or 28.0%, from approximately HK\$91.9 million for the Financial Year 2020 to approximately HK\$66.1 million for the Financial Year 2021. The decrease in gross profit were mainly attributable to certain completed formwork building projects during the Financial Year 2021 with averagely lower gross profit margins. In addition, the outbreak of COVID-19 has also led to increase in project overhead costs and subcontracting costs, hence resulting in a reduction in gross profit for the Financial Year 2021.

The Group's gross profit margin decreased from approximately 13.0% for the Financial Year 2020 to approximately 7.6% for the Financial Year 2021. The gross profit margin has declined due to a number of factors: (i) intense competition for tendering new formwork contracts across the market; (ii) additional costs and resources to deal with unforeseeable changes to onsite work arrangements initiated by main contractors; and (iii) an increase of project overhead costs and subcontracting costs as an adverse effect of COVID-19.

## **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\$8.4 million or 12.5%, from approximately HK\$67.2 million for the Financial Year 2020 to approximately HK\$75.6 million for the Financial Year 2021, which was primarily due to the increase in legal and professional fees and depreciation expenses between years.

## **Finance costs**

The Group's finance costs decreased by approximately HK\$0.7 million or 25.1% from approximately HK\$2.7 million for the Financial Year 2020 to approximately HK\$2.0 million for the Financial Year 2021, primarily due to the decrease in average amount of bank and other borrowings and the decrease in average interest rate of bank borrowings.

## **Income tax expense**

The Group's income tax expense decreased by approximately HK\$4.5 million or 74.6% from approximately HK\$6.0 million for the Financial Year 2020 to approximately HK\$1.5 million for the Financial Year 2021 primarily due to the tax exemption on other income in respect of employment support scheme and subsidies under the AEF for the Financial Year 2021. The effective tax rate for the Financial Year 2021 was approximately 4.0% compared to that of approximately 18.3% for the Financial Year 2020.

## **Profit and total comprehensive income for the year attributable to owners of the Company**

Profit and total comprehensive income attributable to owners of the Company increased by approximately HK\$10.1 million or 37.6% from approximately HK\$27.0 million for the Financial Year 2020 as compared to approximately HK\$37.1 million for the Financial Year 2021. The net profit margin increased by approximately 0.5% from approximately 3.8% for the Financial Year 2020 to approximately 4.3% for the Financial Year 2021.

## USE OF PROCEEDS

The net proceeds from the listing of the shares of the Company on the Main Board of the Stock Exchange on 8 February 2017 (the “**Listing**”) was fully utilised in the Financial Year 2021 (31 March 2020: the unutilised net proceeds was approximately HK\$3.2 million).

According to the proposed applications set out in the section “Future Plans and Use of Proceeds” of the prospectus of the Company dated 25 January 2017 (the “**Prospectus**”) and the announcement of the Company dated 7 February 2017, the Group utilised the net proceeds during the Financial Year 2021 as follows:

	<b>Planned use of net proceeds as stated in the Prospectus HK\$'000</b>	<b>Unutilised balance at 1 April 2020 HK\$'000</b>	<b>Used amount in the Financial Year 2021 HK\$'000</b>	<b>Unutilised balance at 31 March 2021 HK\$'000</b>
Funding the initial costs for an existing formworks project located in Yau Tsim Mong District	27,433	–	–	–
Used for acquisition of office premises	41,101	–	–	–
Used for the investment in the new information system	10,102	3,239	3,239	–
Used for repayment part of the outstanding bank borrowings and finance leases of the Group	10,399	–	–	–
Used as general working capital	9,607	–	–	–
	<u>98,642</u>	<u>3,239</u>	<u>3,239</u>	<u>–</u>

## **COVID-19 IMPACT ON THE OPERATION**

During the Financial Year 2021, the temporary construction sites suspensions and the mandatory quarantine requirements and health guidelines imposed by the Government and main-contractors due to the outbreak of COVID-19 had negatively affected the progress of existing projects and increased the overall contract costs and overhead costs.

The Group remained vigilant and took stringent measures as well as extensive safety protocols during the Financial Year 2021. Employees and the Group worked together to ensure personal health protective equipments were distributed and delivered to those who had the greatest or most urgent need so as to maintain non-disruptive operations to customers. In addition, the Group has implemented compulsory testing measures, which require all employees and site workers to present negative COVID-19 test result issued within the past 14 days when entering contract sites or offices for work. Despite the above, it is unfortunate that some of the indirect employed workers of the Company were infected. Out of around 1,066 workers working at the Group's construction sites, there were 8 confirmed COVID-19 cases recorded for the Financial Year 2021, an infection rate of roughly 0.75 % of the overall workforce with no fatal case.

## **FUTURE PROSPECTS**

The ongoing development and distribution of vaccines provided some hope that the spread of COVID-19 will be contained, reducing the risk of repeated suspensions that occurred during the first half of the Financial Year 2021. However, the market remains volatile and the recovery of the economy in short term mainly hinges on Hong Kong's ability to bring COVID-19 pandemic under control.

The Group is still implementing the recent measures to cope with the business risks, including stringent cost control measures and further strengthen our internal management. Amid the outbreak of COVID-19, the Group continuously progressed the subcontract works with only minor disruptions.

Looking ahead, the business environment will remain challenging due to the uncertainty of the private properties market in Hong Kong, we expect the competition in new building formwork project tendering will become fiercer in the near future. As such, we expect that contractors in Hong Kong, including the Group, will continue to have pressure on profit margins.

Nevertheless, we are cautiously optimistic on the construction industry in the medium to long term, especially with the incentive of the Government's plan to increase more infrastructure projects and land creation, which will drive the resilience of the construction industry.

In view of the aforesaid, in addition to the use of competitive pricing strategy in bidding new contracts, the Group will adhere to its core strategies and will continue to develop more sustainable, cost and time-effective construction methods and technologies, implement stringent cost control measures and further strengthen our internal management. Our Group has accumulated ample experience and know-how, in order to maintain the competitiveness edge of the Group.

The Group will continue to uphold a prudent and pragmatic business approach, so as to proactively seek opportunities to expand the Group's market share and customer base as well as expand its businesses into different areas which will enhance value to our shareholders.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

	As at <b>31 March 2021</b>	As at 31 March 2020
Current ratio <sup>1</sup>	<b>2.2</b>	1.9
Gearing ratio <sup>2</sup>	<b>15.5%</b>	19.1%
Debt to equity ratio <sup>3</sup>	<b>N/A</b>	N/A
Interest coverage <sup>4</sup>	<b>19.9 times</b>	13.1 times

*Notes:*

- 1 Current ratio based on the total current assets divided by the total current liabilities.
- 2 Gearing ratio based on the total debt (summation of bank borrowings and lease liabilities) divided by total equity and multiplied by 100%.

- 3 Debt to equity ratio is calculated as total debt (summation of bank borrowings and lease liabilities) less cash and cash equivalents divided by total equity and multiplied by 100%.
- 4 Interest coverage based on the profit before interest and taxation divided by the total interest expenses incurred.

As at 31 March 2021, the Group's current ratio was approximately 2.2 (31 March 2020: approximately 1.9). Debt to equity ratio figures as at 31 March 2021 and 2020 represented that the Group was in a net cash position. Interest coverage increased from approximately 13.1 times for the Financial Year 2020 to approximately 19.9 times for the Financial Year 2021, mainly due to the increase in profit before interest and tax.

As at 31 March 2021, the Group had total assets of approximately HK\$445.2 million (31 March 2020: approximately HK\$435.0 million), which is financed by total liabilities and total equity of approximately HK\$166.6 million (31 March 2020: approximately HK\$188.0 million) and approximately HK\$278.7 million (31 March 2020: approximately HK\$247.0 million), respectively.

As at 31 March 2021, the capital structure of the Group consisted of total equity of approximately HK\$278.7 million (31 March 2020: approximately HK\$247.0 million) and debts of approximately HK\$43.2 million (31 March 2020: approximately HK\$47.2 million), which included bank borrowings and lease liabilities.

The Group adopts a prudent approach to cash management. As at 31 March 2021, the Group had bank balance and cash of approximately HK\$85.9 million (31 March 2020: approximately HK\$65.7 million). Apart from certain debts including bank loans, the Group did not have any material outstanding debts as at 31 March 2021. The Group maintains a variety of credit facilities to meet requirements for working capital. Payment to settle trade payables and wages represented the significant part of the cash outflow of the Group. As of 31 March 2021, the Group has available banking facilities of approximately HK\$108.2 million (31 March 2020: approximately HK\$153.5 million), of which the unutilised and unrestricted banking facilities amounted to approximately HK\$46.7 million (31 March 2020: approximately HK\$103.5 million).

Total bank borrowings decreased from approximately HK\$43.5 million as at 31 March 2020 to approximately HK\$42.7 million as at 31 March 2021 with the maturity profile summarised as follows:

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within one year	<b>28,413</b>	28,258
In the second year	<b>803</b>	676
In the third to fifth year inclusive	<b>2,514</b>	2,198
Over five years	<b>11,004</b>	12,325
	<hr/>	<hr/>
Classified under:		
Current liabilities	<b>42,734</b>	43,457
Non-current liabilities	<b>—</b>	—
	<hr/> <hr/>	<hr/> <hr/>

*Note:*

As at 31 March 2021, bank loans balances with maturity that are repayable over one year after the end of the reporting period but contain a repayment on demand clause with an aggregate carrying amount of approximately HK\$14.3 million (31 March 2020: approximately HK\$15.2 million) have been classified as current liabilities together with bank loans balances with maturity repayable within one year.

## **TREASURY POLICY**

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 operations 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.

## **GEARING RATIO**

As at 31 March 2021, the gearing ratio is calculated based on the total interest-bearing borrowings and lease liabilities divided by total equity, was approximately 15.5% (31 March 2020: approximately 19.1%). Such decrease was mainly due to the decrease in bank borrowings for financing on-going projects.

The Group's interest-bearing borrowings were primarily used in financing the working capital requirement of its operations, while the lease liabilities was for the lease of premise to support its operations.

## **CAPITAL COMMITMENTS**

The Group had no significant capital commitments as at 31 March 2021 (2020: Nil).

## **PLEDGE OF ASSETS**

As at 31 March 2021, the Group's bank borrowings and general banking facilities were secured by the office premise with an aggregate net carrying value of approximately HK\$41.9 million (31 March 2020: approximately HK\$44.0 million).

As at 31 March 2021, the Group had pledged to bank an assignment of project proceeds from one construction contract of the Group as security of the Group banking facilities.

As at 31 March 2021, 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 31 March 2021, 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 31 March 2021, the Group had charge over account with certain banks for general banking facilities.



## **FOREIGN CURRENCY EXPOSURE**

The Group's bank borrowings, time deposits and bank balances are principally denominated in Hong Kong dollars.

The Group has no significant exposure to foreign currency risk because most of the Group's transactions are denominated in HK\$. Under the Linked Exchange Rate System in Hong Kong, HK\$ is pegged to United States dollars, the management considers that there is no significant foreign exchange risk with respect to HK\$. Therefore, the Group had not employed any financial instrument for hedging. The management monitors the exposure to foreign exchange risks 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 Financial Year 2021. Save as disclosed herein, there was no other plan for material investments or capital assets as at 31 March 2021.

## **CONTINGENT LIABILITIES**

Save as disclosed in the paragraph headed "Arbitration" in this announcement, the Group had no material contingent liability as at 31 March 2021 (2020: Nil).

## ARBITRATION

As reported in the annual report for the Financial Year 2020 and the interim report for the six months ended 30 September 2020, Ming Tai Construction Engineering Company Limited, an indirect wholly-owned subsidiary of the Company (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 the two subcontracts. The Respondent indicated to counterclaim against the Applicant. The Applicant has filed a statement of claim in December 2019 and the Respondent filed a request for further and better particulars of the statement of claims in February 2020.

During the Financial Year 2021, the Applicant has filed a response to request for further and better particulars in May 2020 and two case management conferences have been held and direction orders have been made in July 2020 and January 2021 respectively to ensure efficient conduct of the arbitration proceedings. An amended statement of claim was filed by the Applicant in March 2021 following the latest case management conference.

As at the date of this announcement, the hearing of the aforementioned arbitration has not yet commenced and the statement of defence and counterclaim has not yet been served by the Respondent, thus 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.

## EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2021, the Group had 99 full-time employees (31 March 2020: 88 full-time employees). The Group offers a competitive remuneration package that is mainly based on industry practices and individual performance and experience. Remuneration package comprises of salary, a performance-based bonus and Mandatory Provident Fund contributions. Other forms of benefits such as staff medical and training programs are also provided. Employee bonus is distributed based on the performance of the respective employees concerned. Moreover, the Group also provides internal and external training programs which are complementary to certain job functions. The total staff cost included in administration and other operating expenses (including remuneration of Directors and Mandatory Provident Fund contributions) for the Financial Year 2021 amounted to approximately HK\$47.5 million (2020: approximately HK\$44.3 million).

## **EVENT AFTER THE REPORTING PERIOD**

Save as disclosed in this announcement, there is no other important event affecting the Group since 31 March 2021 and up to the date of this announcement.

## **SEGMENT INFORMATION**

Save as disclosed in note 4 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 31 March 2021 and for the Financial Year 2021.

## **RESULTS AND DIVIDEND**

The results of the Group for the Financial Year 2021 and the state of affairs of the Group as at 31 March 2021 are set out in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position in this announcement.

The Board does not recommend the payment of any final dividend in respect of the Financial Year 2021.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Financial Year 2021.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

The annual results announcement of the Company is published on the websites of the Company and the Stock Exchange. The annual report of the Company for the Financial Year 2021 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and made available on the above websites in due course.

## **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. Accordingly, the Company has adopted sound corporate governance principles that emphasise a quality Board, effective internal control, stringent disclosure practices and transparency and accountability to all stakeholders.

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 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

In the opinion of the Board, during the Financial Year 2021, the Company has fully complied with all the applicable code provisions set out in the CG Code.

## **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 to the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry with the Directors, all Directors have fully complied with the required standards set out in the Model Code and there was no event of non-compliance during the Financial Year 2021.

## **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 the Company’s website.

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

The primary duties of the Audit Committee are 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.

## **REVIEW OF THIS ANNUAL RESULTS ANNOUNCEMENT**

The Audit Committee has reviewed the accounting principles adopted by the Group and the consolidated financial statements as the final results announcement of the Group for the Financial Year 2021.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the Financial Year 2021 as set out in the preliminary announcement have been agreed by the Group's auditors, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's consolidated financial statements for the Financial Year 2021. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on the preliminary announcement.

## APPRECIATION

On behalf of the Board, Mr. Wang Kei Ming, chairman of the Board (the “**Chairman**”), would like to express his heartfelt appreciation to the Group’s management team and all employees for their dedication and their value they bring to the Group. The Chairman would also like to constantly extend his heartfelt gratitude to all shareholders and business partners of the Group for their unwavering trust and relentless support all these years.

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

Hong Kong, 25 June 2021

*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.*