



御佳控股有限公司

Royal Deluxe Holdings Limited

*(Incorporated in the Cayman Islands with limited liability)*

Stock code: 3789

Interim Report **2023**

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# CORPORATE INFORMATION

## **BOARD OF DIRECTORS**

### **Executive Directors**

Mr. Wang Kei Ming (*Chairman*)

Mr. Wang Yu Hin

### **Independent Non-executive Directors**

Mr. Lai Ah Ming Leon

Mr. Kwong Ping Man

Mr. Sio Kam Seng

## **BOARD COMMITTEES**

### **Audit Committee**

Mr. Kwong Ping Man (*Chairman*)

Mr. Lai Ah Ming Leon

Mr. Sio Kam Seng

### **Remuneration Committee**

Mr. Lai Ah Ming Leon (*Chairman*)

Mr. Kwong Ping Man

Mr. Sio Kam Seng

Mr. Wang Kei Ming

### **Nomination Committee**

Mr. Sio Kam Seng (*Chairman*)

Mr. Lai Ah Ming Leon

Mr. Kwong Ping Man

Mr. Wang Kei Ming

### **Environmental, Social and Governance Committee**

Mr. Kwong Ping Man (*Chairman*)

Mr. Lai Ah Ming Leon

Mr. Sio Kam Seng

Mr. Wang Kei Ming

Mr. Wang Yu Hin

## **Risk Committee**

Mr. Lai Ah Ming Leon (*Chairman*)

Mr. Wang Yu Hin

Mr. Sio Kam Seng

Mr. Kwong Ping Man

## **COMPANY SECRETARY**

Ms. Yim Sau Ping (*FCPA*)

## **AUTHORISED REPRESENTATIVES**

Mr. Wang Kei Ming

Ms. Yim Sau Ping (*FCPA*)

## **REGISTERED OFFICE IN THE CAYMAN ISLANDS**

Windward 3, Regatta Office Park,

PO Box 1350,

Grand Cayman KY1-1108,

Cayman Islands

## **COMPLIANCE ADVISER**

Frontpage Capital Limited

26th Floor, Siu On Centre,

188 Lockhart Road,

Wanchai, Hong Kong

## **LEGAL ADVISER AS TO HONG KONG LAWS**

CFN Lawyers in association with Broad and Bright

Units 4101-04, 41st Floor,

Sun Hung Kai Centre,

30 Harbour Road,

Wanchai, Hong Kong

# CORPORATE INFORMATION

## **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

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

## **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS**

Ocorian Trust (Cayman) Limited  
Windward 3, Regatta Office Park,  
PO Box 1350,  
Grand Cayman KY1-1108,  
Cayman Islands

## **BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG**

Tricor Investor Services Limited  
17/F, Far East Finance Centre,  
16 Harcourt Road,  
Hong Kong

## **PRINCIPAL BANKS**

DBS Bank (Hong Kong) Limited

## **STOCK CODE**

3789

## **WEBSITE**

[www.royal-deluxe.com](http://www.royal-deluxe.com)

# HIGHLIGHTS

## For the six months ended 30 September

	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	Change %
<b>Financial Highlights</b>			
Revenue	361,001	331,466	8.9%
Gross profit	34,249	28,274	21.1%
Gross profit margin	9.5%	8.5%	11.8%
Profit attributable to owners of the Company	7,563	18,651	(59.4%)

	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)	Change %
<b>Financial Position</b>			
Bank balances and cash	58,740	68,964	(14.8%)
Bank borrowings	13,325	16,166	(17.6%)
<b>Financial Ratios</b>			
Current ratio	3.1	3.4	(8.8%)
Quick ratio	3.0	3.2	(6.3%)
Gearing ratio	4.5%	5.3%	(15.1%)
Return on equity	4.8%	7.0%	(31.4%)
Return on total assets	3.5%	5.3%	(34.0%)

## For the six months ended 30 September

	2023 HK cents (Unaudited)	2022 HK cents (Unaudited)	Change %
<b>Financial Information per share</b>			
Earnings per share – Basic and diluted	0.63	1.55	(59.4%)

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

For the six months ended 30 September 2023

		Six months ended 30 September	
		2023	2022
Notes		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	3	361,001	331,466
Direct costs		(326,752)	(303,192)
Gross profit		34,249	28,274
Other income, other gains and losses, net	4	5,330	20,853
Administration and other operating expenses		(28,339)	(28,634)
(Provision)/reversal of loss allowance on trade and other receivables and contract assets		(111)	692
Finance costs	5	(472)	(763)
Profit before tax	6	10,657	20,422
Income tax expense	7	(3,094)	(1,773)
<b>Profit and total comprehensive income for the period</b>		<b>7,563</b>	18,649
<b>Profit and total comprehensive income for the period attributable to:</b>			
Owners of the Company		7,563	18,651
Non-controlling interests		–	(2)
		<b>7,563</b>	18,649
<b>Earnings per share attributable to owners of the Company</b>		<b>HK cents</b>	HK cents
– Basic and diluted	9	<b>0.63</b>	1.55

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

	Notes	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	34,805	40,036
Right-of-use assets		35,684	35,729
Club membership		1,188	1,188
Deferred tax assets		378	156
		<b>72,055</b>	77,109
<b>Current assets</b>			
Inventories	11	14,325	17,411
Trade and other receivables	12	72,471	43,034
Contract assets	13	211,570	198,470
Bank balances and cash		58,740	68,964
Current tax recoverable		378	378
		<b>357,484</b>	328,257
<b>Current liabilities</b>			
Trade and other payables	14	95,575	76,331
Contract liabilities		–	2,843
Lease liabilities		192	–
Borrowings		13,325	16,166
Current tax liabilities		4,732	2,251
		<b>113,824</b>	97,591
<b>Net current assets</b>		<b>243,660</b>	230,666
<b>Total assets less current liabilities</b>		<b>315,715</b>	307,775
<b>Non-current liabilities</b>			
Deferred tax liabilities		766	918
Lease liabilities		529	–
		<b>1,295</b>	918
<b>Net assets</b>		<b>314,420</b>	306,857
<b>Capital and reserves</b>			
Share capital	15	12,000	12,000
Reserves		302,420	294,857
Equity attributable to owners of the Company		<b>314,420</b>	306,857

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2023

	Attributable to owners of the Company					Total	Non-controlling interests	Total equity
	Share capital	Share premium	Special reserve	Other reserves	Retained profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 31 March 2022 (audited)	12,000	94,956	1,020	–	177,524	285,500	(55)	285,445
Profit and total comprehensive income for the period	–	–	–	–	18,651	18,651	(2)	18,649
Balance at 30 September 2022 (unaudited)	12,000	94,956	1,020	–	196,175	304,151	(57)	304,094
Balance at 31 March 2023 (audited)	<b>12,000</b>	<b>94,956</b>	<b>1,020</b>	<b>(46)</b>	<b>198,927</b>	<b>306,857</b>	–	<b>306,857</b>
Profit and total comprehensive income for the period	–	–	–	–	<b>7,563</b>	<b>7,563</b>	–	<b>7,563</b>
Balance at 30 September 2023 (unaudited)	<b>12,000</b>	<b>94,956</b>	<b>1,020</b>	<b>(46)</b>	<b>206,490</b>	<b>314,420</b>	–	<b>314,420</b>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2023

	Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
<b>Cash flows from operating activities</b>		
Cash used in operations	(5,901)	(15,042)
Interest received	575	8
Interest paid	(472)	(760)
Hong Kong Profits Tax paid	(988)	(336)
<b>Net cash used in operating activities</b>	<b>(6,786)</b>	<b>(16,130)</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(716)	(1,231)
Decrease in restricted bank deposits	3,022	–
Proceeds from disposal of items of property, plant and equipment	119	110
<b>Net cash generated from/(used in) investing activities</b>	<b>2,425</b>	<b>(1,121)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	5,000	23,500
Repayment of borrowings	(7,841)	(26,856)
Repayment of lease liabilities	–	(149)
<b>Net cash used in financing activities</b>	<b>(2,841)</b>	<b>(3,505)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(7,202)</b>	<b>(20,756)</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>65,942</b>	<b>67,514</b>
<b>Cash and cash equivalents at the end of period</b>	<b>58,740</b>	<b>46,758</b>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2023

## 1. GENERAL INFORMATION AND BASIS OF PREPARATION

Royal Deluxe Holdings Limited (the “**Company**”) is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the provision of formwork erection and related ancillary services in Hong Kong. The Company was incorporated in the Cayman Islands as an exempted company with limited liability under The Companies Act (as revised) of the Cayman Islands. 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 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 (“**Wang K M**”), a company incorporated in the British Virgin Islands and is owned to as 50% by Mr. Wang Kei Ming (“**Mr. Joseph Wang**”), an executive director of the Company (the “**Director(s)**”), and 50% by Ms. Chao Lai Heng (“**Ms. Chao**”), spouse of Mr. Joseph Wang.

These unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2023 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**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (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 2023 (the “**2023 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 2023 are the same as those followed in the preparation of the 2023 Annual Financial Statements.

These unaudited condensed consolidated interim financial statements have been approved for issue by the board of Directors (the “**Board**”) on 28 November 2023.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2023

## 2. CHANGE IN ACCOUNTING POLICIES

### Application of new and amendments to HKFRSs

In the current interim period, the Group has applied the following new and 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 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17 Amendments to HKAS 1 and HKFRS Practice Statement 2	Insurance Contracts and related Amendments Disclosure of Accounting Policies
Amendments to HKAS 8 Amendments to HKAS 12	Definition of Accounting Estimates Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The application of the amendments to HKFRSs in the current interim 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 any new or amendments to HKFRSs that have been issued by the HKICPA but are not yet effective for the current interim period.

## 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	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Types of goods and services		
– Provision of formwork erection and related ancillary services	361,001	329,350
– Provision of fit-out services	–	2,116
	<b>361,001</b>	<b>331,466</b>
Timing of revenue recognition		
– Over time	361,001	331,466

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2023

## 3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

### Segment information

For the purpose of the Group's 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.

### 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	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Customer A	197,798	191,057
Customer B	61,681	N/A <sup>1</sup>
Customer C	46,454	58,474
Customer D	42,574	N/A <sup>1</sup>

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

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2023

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

	Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
<b>Other income</b>		
Bank interest income	575	8
Income from sale of scrap materials	133	450
Government grants ( <i>Note</i> )	–	15,592
Sundry income	5,096	4,832
	<b>5,804</b>	20,882
<b>Other gains and losses, net</b>		
Loss on written off or disposal of property, plant and equipment	(474)	(29)
	<b>(474)</b>	(29)
	<b>5,330</b>	20,853

*Note:*

Government grants received from Government's Anti-epidemic Fund (the "AEF") subsidies for Employment Support Scheme (the "ESS"), which were included in "Other income, other gains and losses, net" for the six months ended 30 September 2022. There was no unfulfilled conditions or contingencies relating to these subsidies amount.

## 5. FINANCE COSTS

	Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Interest on bank borrowings and overdrafts	472	760
Interest on lease liabilities	–	3
	<b>472</b>	763

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2023

## 6. PROFIT BEFORE TAX

	Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Profit before tax has been arrived at after charging:		
Employee benefits expense ( <i>Note (i)</i> ):		
Salaries and other benefits in kind	36,214	37,946
Discretionary bonuses	1,590	650
Contributions to retirement benefit scheme	906	983
Total employee benefits expense, including Directors' emoluments	<b>38,710</b>	39,579
Depreciation of property, plant and equipment ( <i>Note (ii)</i> )	<b>5,354</b>	4,526
Depreciation of right-of-use assets ( <i>Note (iii)</i> )	<b>767</b>	878
Short-term lease expenses in respect of:		
– Land and buildings	<b>2,614</b>	804
– Plant and equipment	<b>9,475</b>	5,111

### Notes:

- (i) During the six months ended 30 September 2023 and 2022, total employee benefits expense amounting to approximately HK\$19,903,000 and HK\$20,029,000, respectively, was included in direct costs and amounting to approximately HK\$18,807,000 and HK\$19,550,000 respectively was included in administration and other operating expenses.
- (ii) During the six months ended 30 September 2023 and 2022, depreciation of property, plant and equipment of approximately HK\$3,982,000 and HK\$3,259,000, respectively, was charged to direct costs and approximately HK\$1,372,000 and HK\$1,267,000, respectively, was charged to administration and other operating expenses.
- (iii) During the six months ended 30 September 2023 and 2022, depreciation of right-of-use assets of approximately HK\$767,000 and HK\$878,000, respectively, was charged to administration and other operating expenses.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2023

## 7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Current income tax:		
– Hong Kong Profits Tax	3,468	1,623
Deferred tax	(374)	150
Total income tax expenses recognised in profit or loss	3,094	1,773

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 months ended 30 September 2023 and 2022, 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.

## 8. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2023 (six months ended 30 September 2022: Nil).

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2023

## 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 2023 and the six months ended 30 September 2022 respectively.

	Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
<b>Earnings</b>		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	7,563	18,651

	Six months ended 30 September	
	2023 '000 (Unaudited)	2022 '000 (Unaudited)
<b>Number of shares</b>		
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. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2023, the Group acquired items of property, plant and equipment of approximately HK\$716,000 (six months ended 30 September 2022: approximately HK\$1,231,000).

During the six months ended 30 September 2023, the Group disposed certain items of property, plant and equipment with a carrying amount of approximately HK\$593,000 (six months ended 30 September 2022: approximately HK\$139,000) and recognised a loss of approximately HK\$474,000 (six months ended 30 September 2022: approximately HK\$29,000) in the unaudited condensed consolidated statement of profit or loss and other comprehensive income.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2023

## 11. INVENTORIES

	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
Raw materials and consumables	14,325	17,411

## 12. TRADE AND OTHER RECEIVABLES

	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
Trade receivables	68,154	41,620
Less: loss allowance for trade receivables	(227)	(280)
	67,927	41,340
Deposits and other receivables	3,333	682
Prepayments	1,377	1,031
Less: loss allowance for deposits and other receivables	(166)	(19)
	72,471	43,034

The Group allows a credit period ranging from 7 to 45 days (31 March 2023: 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 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
0 – 30 days	49,536	13,640
31 – 60 days	18,618	27,980
	68,154	41,620

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2023

## 13. CONTRACT ASSETS

	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
<b>Analysed as current:</b>		
Retention receivables of construction contracts (Note (a))	72,434	57,693
Unbilled revenue of construction contracts (Note (b))	139,791	141,416
Less: loss allowance for contract assets	(655)	(639)
	<b>211,570</b>	<b>198,470</b>

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.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2023

## 14. TRADE AND OTHER PAYABLES

	<b>As at 30 September 2023 HK\$'000 (Unaudited)</b>	As at 31 March 2023 HK\$'000 (Audited)
Trade payables	<b>36,794</b>	24,066
Retention payables	<b>13,079</b>	8,757
Other payables and accruals	<b>45,702</b>	43,508
	<b>95,575</b>	76,331

The credit period on trade payables is generally 30 to 60 days (31 March 2023: 30 to 60 days).

As at 30 September 2023, included in trade payables was approximately HK\$4,593,000 (31 March 2023: approximately HK\$3,687,000) payable to a related company, Genuine Treasure Construction Material Limited. Mr. Joseph Wang's close family member is the substantial shareholder and director of Genuine Treasure Construction Material Limited.

As at 30 September 2023, included in trade payables was approximately HK\$3,372,000 (31 March 2023: approximately HK\$2,986,000) payable to a related company, Genuine Treasure Access and Scaffolding Limited. Mr. Joseph Wang's close family member is the substantial shareholder and director of Genuine Treasure Access and Scaffolding Limited.

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

	<b>As at 30 September 2023 HK\$'000 (Unaudited)</b>	As at 31 March 2023 HK\$'000 (Audited)
0 – 30 days	<b>27,166</b>	18,243
31 – 60 days	<b>6,878</b>	3,593
61 – 90 days	<b>2,061</b>	1,253
91 – 180 days	<b>603</b>	145
Over 180 days	<b>86</b>	832
	<b>36,794</b>	24,066

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2023

## 14. TRADE AND OTHER PAYABLES (CONTINUED)

Except for retention payables of approximately HK\$3,741,000 as at 30 September 2023 (31 March 2023: approximately HK\$3,473,000) which are expected to be settled after one year, all of the remaining retention payables are expected to be settled within one year.

## 15. SHARE CAPITAL

	As at 30 September 2023		As at 31 March 2023	
	Number of shares	HK\$'000 (Unaudited)	Number of shares	HK\$'000 (Audited)
<b>Authorised:</b>				
Ordinary shares of HK\$0.01 each	2,000,000,000	20,000	2,000,000,000	20,000
<b>Issued and fully paid:</b>				
Ordinary shares of HK\$0.01 each	1,200,000,000	12,000	1,200,000,000	12,000

## 16. COMMITMENTS

Capital commitments outstanding at the end of the reporting period not provided for in the unaudited condensed consolidated interim financial statements are as follows:

	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
Contracted but not provided for: Property, plant and equipment	6,747	5,142

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2023

## 17. RELATED PARTY TRANSACTIONS

### (a) Outstanding balances with related parties

Details of outstanding balances with related parties are set out in Note 14 to the unaudited condensed consolidated interim financial statements.

### (b) Material related party transactions

The Group entered into the following material related party transactions during the period:

Name of related parties	Nature	Six months ended 30 September	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Genuine Treasure Construction Material Limited (Note (iii))	Transportation, logistic and plant hiring charge	13,131	2,593
Genuine Treasure Access and Scaffolding Limited (Note (i))	Scaffolding & equipment rental charge	9,320	4,734

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2023

## 17. RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Material related party transactions (Continued)

Notes:

- (i) Mr. Joseph Wang's close family member is the substantial shareholder and director of Genuine Treasure Access and Scaffolding Limited.
- (ii) Mr. Joseph Wang's close family member is the substantial shareholder and director of Genuine Treasure Construction Material Limited.
- (iii) The transactions were conducted on terms and conditions mutually agreed between the relevant parties. The Directors are of the opinion that these related party transactions were conducted in the ordinary course of business of the Group.

The related party transactions in respect of items (i) and (ii) above also constitute connected transactions and/or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

### (c) Compensation of key management personnel

The remuneration of Directors and other members of key management of the Group during the six months ended 30 September 2023 and 2022 are as follows:

	Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Short-term employee benefits	10,702	12,258
Post-employment benefits	36	54
	<b>10,738</b>	12,312

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS AND FINANCIAL REVIEW

The Group is a major subcontractor specialising in providing construction formwork works as well as related ancillary services in Hong Kong. The Group has started its construction formwork business since 1994 and has accumulated more than 29 years experience in the provision of its services in Hong Kong. The Group core expertise lies in traditional construction timber formwork, metallic (usually steel and aluminium) formworks as well as engineered formwork systems for every type of project. Through the growth in recent decades, the Group has developed and become one of the Hong Kong's largest sub-contractor of construction formwork businesses. The Group actively undertakes large-scale construction 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 SAR Government (the "Government"), public transport operators, Airport Authority and property developers.

The subsidiaries of the Group have renewed the registration as group 2 Registered Specialist Trade Contractors under "S02-Concreting Formwork" and "S07-Scaffolding" categories are qualified to tender for the contracts or subcontracts of the designated trades under public works of unlimited value since 18 January 2023 and 2 June 2023, respectively.

## BUSINESS REVIEW

During the six months ended 30 September 2023, the Group secured three new contracts with total contract value of approximately HK\$372.9 million, two of these projects started contributing revenue to the Group during the six months ended 30 September 2023.

As at 30 September 2023, the Group has a total of nine projects on hand with the estimated total outstanding value of approximately HK\$566.4 million, representing an increase of approximately HK\$121.0 million or approximately 27.2% as compared with the estimated total outstanding value of approximately HK\$445.4 million as at 31 March 2023.

Subsequent to the six months ended 30 September 2023 and as at the date of this report, the Group further secured four new subcontracts for building formwork works with contract value of approximately HK\$559.6 million. With the projects on hand, it is therefore expected the performance of the subcontract works will remain sustainable and stable in the coming years. These contracts are expected to be completed in around one to three years.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

The Group's revenue increased by approximately HK\$29.5 million, or approximately 8.9%, from approximately HK\$331.5 million for the six months ended 30 September 2022 to approximately HK\$361.0 million for the six months ended 30 September 2023.

The increase in revenue was mainly due to the satisfactory progresses of the Group's major subcontract for formwork and concrete works at Third Runway Concourse Foundation and Substructure works at the Hong Kong International Airport and certain building formwork projects, including Kai Tak Area 1E Phase 1 public housing development and Tai Wai Station Property Development Project T1-8 Tower for the six months ended 30 September 2023.

### Gross profit and gross profit margin

With increase in revenue, the Group's gross profit increased by approximately HK\$5.9 million, or 21.1%, from approximately HK\$28.3 million for the six months ended 30 September 2022 to approximately HK\$34.2 million for the six months ended 30 September 2023. The Group's gross profit margin remained relatively stable at approximately 8.5% for the six months ended 30 September 2022 and approximately 9.5% for the six months ended 30 September 2023.

### Other income, other gains and losses, net

Other income mainly consisted of government grants, insurance claim proceeds, interest income and other sundry income. The significant decrease in other income for the six months ended 30 September 2023 was primarily attributable to the absence of approximately HK\$15.6 million non-recurring government subsidies relating to the ESS under the Anti-epidemic Fund to provide wage subsidies to employees.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **Administration and other operating expenses**

The Group's administration and other operating expenses primarily comprise staff costs (including Directors' remuneration), depreciation, office expenses and professional charges. The Group's administration and other operating expenses remained stable at approximately HK\$28.6 million for the six months ended 30 September 2022 and approximately HK\$28.3 million for the six months ended 30 September 2023.

## **Finance costs**

The Group's finance costs decreased by approximately HK\$0.3 million or 38.1% from approximately HK\$0.8 million for the six months ended 30 September 2022 to approximately HK\$0.5 million for the six months ended 30 September 2023, primarily due to the decrease in average amount of bank borrowings.

## **Income tax expenses**

The Group's income tax expenses increased by approximately HK\$1.3 million or 74.5% from approximately HK\$1.8 million for the six months ended 30 September 2022 to approximately HK\$3.1 million for the six months ended 30 September 2023 primarily due to the non-recurring tax exemption on other incomes in respect of the subsidies received by the Group from the ESS for the six months ended 30 September 2022. The effective tax rate for the six months ended 30 September 2023 was approximately 29.0% compared to that of approximately 8.7% for the six months ended 30 September 2022.

## **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 decreased by approximately HK\$11.1 million or 59.4% from approximately HK\$18.7 million for the six months ended 30 September 2022 to approximately HK\$7.6 million for the six months ended 30 September 2023.

If the effect of the ESS subsidies is excluded, the adjusted net profit margin for the six months ended 30 September 2022 would be 0.9% as compared to 2.1 % for the six months ended 30 September 2023.

# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group financed its operations and capital expenditure with internal resources and bank borrowings. The Group adopts a prudent approach to cash management. As at 30 September 2023, apart from certain debts including bank borrowings, the Group did not have any material outstanding debts.

As at 30 September 2023, the Group had total bank balances and cash of approximately HK\$58.7 million (31 March 2023: approximately HK\$69.0 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 3.1 (31 March 2023: approximately 3.4).

As at 30 September 2023, the Group had total bank borrowings and lease liabilities of approximately HK\$14.0 million (31 March 2023: approximately HK\$16.2 million).

## TREASURY POLICIES

The Group continues to follow a prudent policy in managing the Group's cash balances and maintaining 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.

Meanwhile, in order to mitigate the impact of the continued increase in Hong Kong dollar borrowing interest rates on financial costs, the Group continues to repay interest-bearing bank borrowings while also striving to maintain various credit facilities and bank balances as financial reserve for meeting the new awarded tenders working capital requirement. As of 30 September 2023, the Group has available banking facilities of approximately HK\$76.8 million (31 March 2023: approximately HK\$101.7 million), of which the unutilised and unrestricted banking facilities amounted to approximately HK\$63.5 million (31 March 2023: approximately HK\$85.5 million).

## GEARING RATIO

As at 30 September 2023, the gearing ratio is calculated based on the total interest-bearing borrowings and lease liabilities divided by total equity, was approximately 4.5% (31 March 2023: approximately 5.3%), representing total interest-bearing borrowings and lease liabilities as a percentage of total equity. Such decrease was mainly due to the decrease in bank borrowings for financing ongoing projects.

# MANAGEMENT DISCUSSION AND ANALYSIS

The Group's interest-bearing borrowings were primarily used in financing the working capital requirement of its operations, while the lease liabilities were for the leasing of premises to support its operations. However, despite positive operating outlook benefiting from border reopening, due to the risk of prolonged high interest rate, management is committed to the reduction of leverage level.

## CAPITAL EXPENDITURES

The Group generally finances its capital expenditures with internal resources and bank borrowings. During the six months ended 30 September 2023, the Group invested an aggregate of approximately HK\$0.7 million (31 March 2023: approximately HK\$8.6 million) in machinery and equipment, leasehold improvements, office equipment, furniture and fixtures and motor vehicle.

## CAPITAL COMMITMENTS

As at 30 September 2023, the Group had capital commitments of approximately HK\$6.7 million (31 March 2023: approximately HK\$5.1 million) in relation to purchase of property, plant and equipment.

## PLEDGE OF ASSETS

As at 30 September 2023, the Group's bank borrowings and general banking facilities were secured by the office premises with an aggregate net carrying amount of approximately HK\$37.9 million (31 March 2023: approximately HK\$38.7 million).

As at 30 September 2023 and as at 31 March 2023, 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 2023 and as at 31 March 2023, the Group had charge over accounts with certain banks for general banking facilities.

As at 31 March 2023, the Group had a restricted time deposit of approximately HK\$3.0 million charging to a bank to secure general banking facilities granted to the Group. The restricted time deposit was subsequently released during the six months ended 30 September 2023.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FOREIGN CURRENCY RISK

The Group's bank borrowings, time deposits and bank balances are principally denominated in HK\$.

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 six months ended 30 September 2023. Save as disclosed herein, there was no other plans for material investments or capital assets as at 30 September 2023.

## CONTINGENT LIABILITIES

Save as disclosed below, the Group had no material contingent liability as at 30 September 2023 (31 March 2023: Nil).

The ordinary course business activities of the Group in the construction industry, the Group has been subject to a number of claims due to personal injuries suffered by employees of the Group or of the Group's sub-subcontractors in accidents arising out of and in the course of their employment. As at 30 September 2023, the Directors are of the opinion that such claims are covered by insurance or otherwise, would not result in any material adverse impact on the financial position or results and operations of the Group.

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2023 (six months ended 30 September 2022: Nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

## EVENTS AFTER THE REPORTING PERIOD

### New project awarded

Further to the Group's voluntary announcement date 11 October 2023 regarding the new projects awards in October 2023, the Board is pleased to announce that the Group has been further awarded a formwork and installation of precast façade subcontract of the residential development at Tai Po Town Lot No.243 at Ma Wo Road in Tai Po with contract value of approximately HK\$217.7 million in November 2023.

Save as disclosed in this report, the Board is not aware of any other significant events requiring disclosure that have taken place subsequent to 30 September 2023 and up to the date of this report.

## EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2023, the Group had 85 full-time employees (30 September 2022: 87 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 six months ended 30 September 2023 amounted to approximately HK\$18.8 million (six months ended 30 September 2022: approximately HK\$19.6 million).

## SEGMENT INFORMATION

Save as disclosed in note 3 to the unaudited condensed consolidated interim financial statements in this report, the Group's business was regarded as a single operating segment and the Group had no geographical segment information presented as at 30 September 2023 and for the six months ended 30 September 2023.

# MANAGEMENT DISCUSSION AND ANALYSIS

## RISK MANAGEMENT

During the six months ended 30 September 2023, just as we were emerging from the haze of the epidemic, we still had to deal with other issues, including labour shortages in various industries in Hong Kong, soaring inflation and interest costs, and geopolitical tensions, and ongoing threats such as cybersecurity risks. At the same time, recently serious accidents in the construction industry and climate change risks such as rising sea levels have also become the focus of our attention. Our risk committee will continue to strive to strengthen internal controls to manage the Group's strategic risks. We will also focus on strengthening communication, improving risk monitoring awareness and responsibility throughout the Group, and continuously improving risk management methods.

## FUTURE PROSPECTS

We are pleased to report a perceptible rebound in business for the six months ended 30 September 2023 compared to the challenging situation for the six months ended 30 September 2022 as reflected by the increase in the Group's revenue during the period of comparison. Management's strictly control over the progress of the project has been a significant factor in improving performance. Moreover, the initiation of new projects is expected to enable more efficient use of existing equipment and inventories.

Looking ahead, the labour shortage, is a key issue particularly across the construction industry, which will undoubtedly hinder our projects from operating at full capacity. Inflation and rising finance costs continue to be a concern.

We believe that our interim results were pleasing and reflecting an emerging recovery from the difficult years of the COVID-19 pandemic.

## OTHER INFORMATION

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

As at 30 September 2023, the interests or short positions of each of the Directors and the chief executive of the Company (the "Chief Executive") in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

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

Name of director/ Chief Executive	Capacity/ Nature of interest	Number of underlying shares of the Company held	Approximate percentage of shareholding
Mr. Joseph Wang ( <i>Note</i> )	Interested in controlled corporations/Interest of spouse	850,800,000	70.9%
Ms. Chao ( <i>Note</i> )	Interested in controlled corporations/Interest of spouse	850,800,000	70.9%
Mr. Wang Yu Hin	Beneficial owners	9,880,000	0.8%

#### Notes:

Each of Mr. Joseph Wang and Ms. Chao holds 50% of the issued share capital of Wang K M, which directly holds 66.8% of the shares of the Company. Each of Mr. Joseph Wang and Ms. Chao also holds 50% of the issued share capital of K C Limited, which directly holds 4.1% of the shares of the Company. Ms. Chao is the spouse of Mr. Joseph Wang. Therefore, each of Mr. Joseph Wang and Ms. Chao is deemed, or taken to be, interested in the same number of shares of the Company in which Wang K M and K C Limited are interested for the purpose of the SFO. Mr. Joseph Wang is the sole director of each of Wang K M and K C Limited.

## OTHER INFORMATION

Save as disclosed above, as at 30 September 2023, none of the Directors or Chief Executive had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under provision of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

### **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES**

So far as known to the Directors or Chief Executive, as at 30 September 2023, the following persons/entities (other than the Directors or Chief Executive) had or were deemed to have an interest or a short position in the shares, the underlying shares and debentures of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company or any other member of the Group:

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

<b>Name</b>	<b>Capacity/ Nature of interest</b>	<b>Number of underlying shares of the Company held</b>	<b>Approximate percentage of shareholding</b>
Wang K M	Beneficial owner	801,600,000	66.8%
K C Limited	Beneficial owner	49,200,000	4.1%

Save as disclosed above, as at 30 September 2023, there was no person or corporation, other than the Directors and Chief Executive whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, had or were deemed to have an interest or a short position in the shares, the underlying shares and debentures of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

# OTHER INFORMATION

## 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 2023.

## COMPETING BUSINESS

During the six months ended 30 September 2023, 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. Joseph Wang and Wang K M (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.

On 13 January 2021, Ms. Chao subscribed for 1 issued share capital of Wang K M, which currently represents 50% shareholdings in Wang K M. Accordingly, Wang K M is beneficially owned as to 50% by Mr. Joseph Wang and 50% by Ms. Chao. Ms Chao became one of the Controlling Shareholders.

Each of the Covenantors further undertakes that if any of he/she/it or his/her/its close associates other than any member of the Group is offered or becomes aware of any business opportunity which may compete with the business of the Group, he/she/it shall (and he/she/it shall procure his/her/its close associates to) notify the Group in writing and the Group shall have a right of first refusal to take up such business opportunity. The Group shall, within 6 months after receipt of the written notice (or such longer period if the Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the Covenantor(s) whether the Group will exercise the right of first refusal or not.

## OTHER INFORMATION

The Group shall only exercise the right of first refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal.

Each of the Covenantors 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 of the Company dated 25 January 2017 (the “Prospectus”).

During the six months ended 30 September 2023, 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 of the Company or their associates (other than any member of the Group).

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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 2023.

### SHARE SCHEMES

The Company conditionally adopted a share option scheme on 17 January 2017 (the “**2017 Share Option Scheme**”). The Company terminated the 2017 Share Option Scheme and adopted a new share option scheme (the “**2023 Share Option Scheme**”) and the share award scheme (the “**2023 Share Award Scheme**”) (together, the “**Share Schemes**”) pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 19 September 2023 (the “**Adoption Date**”). Unless otherwise altered or terminated, the Share Schemes will be valid and effective for a period of 10 years commencing on the Adoption Date.

## OTHER INFORMATION

The purpose of the 2023 Share Option Scheme is to recognise and acknowledge the contributions that eligible participants have made or may make to the Group, and to enable the Group to grant options to the eligible participants as incentives or rewards for their contributions with the view of achieving the principal objectives of (i) recruiting and retaining high-calibre personnel and key staff members that are valuable to the Group and whose contributions are important to the long-term growth and profitability of the Group; and (ii) motivate the eligible participants whose contributions are, will or expected to be beneficial to the Group. The eligible participant(s) under the 2023 Share Option Scheme include directors and employees of the Group and individuals or entities that provide services to the Group on a continuing or recurring basis in its ordinary and usual course of business (the **"Service Providers"**).

The purpose of the 2023 Share Award Scheme is to recognise the contribution or future contribution of the eligible participants for their contribution to the Group by granting awards to them as incentives or rewards and to attract, retain and motivate high-calibre eligible participants in line with the performance goals of the Group. The 2023 Share Award Scheme is intended to strengthen the long-term relationships that the eligible participants may have with the Group. The eligible participant(s) under the 2023 Share Award Scheme include the directors and employees of the Group (including persons who are granted awards as inducement to enter into employment contracts with the Group).

Pursuant to the terms of the Share Schemes and in compliance with Chapter 17 of the Listing Rules, the total number of shares which may be issued upon exercise of all share options and awards to be granted under the Share Schemes and all other share schemes of the Company shall not exceed 10% of the total number of the Company's issued shares as at the Adoption Date of the Share Schemes (i.e. 120,000,000 Shares) (the **"Scheme Mandate Limit"**). The total number of shares which may be issued in respect of all options and awards to be granted to the Service Providers under the 2023 Share Option Scheme and any other share schemes of the Company shall not exceed 1% of the total number of shares in issue on the Adoption Date (i.e. 12,000,000 Shares) (the **"Service Provider Sublimit"**).

Save for certain specific circumstances, the vesting period of the options and the awards granted under the Share Scheme shall generally not be less than 12 months.

The exercise period of any share option shall be such period to be notified by the Board subject to the terms of grant (including but not limited to the vesting period), save that no share option may be exercised on a date exceeding the tenth anniversary of the date of grant in respect of such offer. The Board may determine a minimum period that an option must be held before it can be exercised, if any.

## OTHER INFORMATION

The subscription price per share payable upon exercise of any share option will be determined by the Board upon the grant of the share option. It will not be less than the higher of (i) the closing price per share as stated in the Stock Exchange's daily quotations sheet on the date of offer of such share option; (ii) the average closing price per Share as stated in the Stock Exchange's daily quotations sheet for the five (5) business days immediately preceding the date of offer of such share option; or (iii) the nominal value of a share. Meanwhile, the purchase price of the award shares shall be determined from time to time based on considerations such as the prevailing closing price of the shares, the purpose of the award and the characteristics and profile of the grantee.

Each grantee is required to pay HK\$1.0 as consideration for acceptance of the grant of share options in accordance with the 2023 Share Option Scheme and no payment is required for acceptance of an award of shares under the 2023 Share Award Scheme unless otherwise stated in the relevant award letter as determined by the Board. The offer of share options and share awards must be accepted within 14 and 21 days from the date of the offer, respectively.

The principal terms of the Share Schemes are set out in a circular of the Company dated 24 August 2023. The number of shares available for grant under the Scheme Mandate Limit as at the Adoption Date and as at the end of the financial period for the six months ended 30 September 2023 was 120,000,000 shares (representing 10% of the issued Shares of the Company as at 30 September 2023). The number of shares available for grant under the Service Provider Sublimit as at the Adoption Date and as at the end of the financial period for the six months ended 30 September 2023 was 12,000,000 shares (representing 1.0% of the issued shares of the Company as at 30 September 2023).

The number of shares available for grant under the 2017 Share Option Scheme at the beginning of the financial period for the six months ended 30 September 2023 and up to the date of termination was 120,000,000 shares. No share options were outstanding under the 2017 Share Option Scheme as at the date of termination, and following termination, no options will be granted under the 2017 Share Option Scheme. No share options or awards have been granted under the Share Schemes since their adoption.

### CORPORATE GOVERNANCE PRACTICE

The Company and the Board are devoted to achieving and maintaining high standards of corporate governance, as the Board believes that good and effective corporate governance practices are fundamental to obtaining and maintaining the trust and safeguarding the 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.

## OTHER INFORMATION

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 2023 and up to the date of this report.

### 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 2023 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 2023 comply with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

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

Hong Kong, 28 November 2023