ROYAL DELUXE HOLDINGS LIMITED
御佳控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3789)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

FINANCIAL HIGHLIGHTS

	Six months ended 30 September		
	2018	2017	
	HK$'000	*HK$'000*	
Results	**(Unaudited)**	(Unaudited)	Change
Revenue	**248,814**	359,359	(30.8%)
Gross profit	**39,211**	55,202	(29.0%)
Gross profit margin	**15.8%**	15.4%	2.6%
Profit attributable to owners of the Company	**14,399**	25,776	(44.1%)
Earnings per share (HK cents)			
Basic and diluted	**1.20**	2.15	(44.2%)
	As at	As at	
	30 September	31 March	
	2018	2018	
	HK$'000	*HK$'000*	
Financial Position	**(Unaudited)**	(Audited)	Change
Bank balances and cash	**27,179**	57,066	(52.4%)
Bank and other borrowings	**65,863**	49,374	33.4%
Financial ratio			
Current ratio	**1.8**	2.0	(10.0%)
Quick ratio	**1.8**	2.0	(10.0%)
Gearing ratio	**34.2%**	22.1%	54.8%
Return on equity	**15.0%**	25.1%	(40.2%)
Return on total assets	**8.6%**	14.9%	(42.3%)

INTERIM CONSOLIDATED RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Royal Deluxe Holdings Limited (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 September 2018, together with the comparative figures for the corresponding period in 2017 as follow:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

		Six months ended 30 September	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**248,814**	359,359
Direct costs		**(209,603)**	(304,157)
Gross profit		**39,211**	55,202
Other income, other gains and losses, net	*4*	**2,797**	2,079
Administration and other operating expenses		**(23,137)**	(24,871)
Finance costs	*5*	**(1,907)**	(1,207)
Profit before tax	*6*	**16,964**	31,203
Income tax expense	*7*	**(2,565)**	(5,427)
Profit and total comprehensive income for the period attributable to owners of the Company		**14,399**	25,776
		HK cents	*HK cents*
Earnings per share attributable to owners of the Company			
– Basic and diluted	*9*	**1.20**	2.15

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Notes	As at 30 September 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**62,006**	62,567
Financial assets at fair value through profit or loss		**3,572**	–
Deposits and prepayments for life insurance policy		**–**	3,829
Club membership		**1,188**	1,188
Deferred tax assets		**9,519**	104
		76,285	67,688
Current assets			
Trade and other receivables	*10*	**107,237**	140,571
Contract assets	*11*	**114,419**	–
Contract costs		**10,114**	–
Amounts due from customers for contract work		**–**	111,058
Bank balances and cash		**27,179**	57,066
		258,949	308,695
Total assets		**335,234**	376,383
Current liabilities			
Trade and other payables	*12*	**76,069**	91,193
Amounts due to customers for contract work		**–**	10,821
Amount due to a related party		**10,000**	–
Borrowings		**55,863**	49,374
Current tax liabilities		**778**	1,456
		142,710	152,844
Net current assets		**116,239**	155,851
Total assets less current liabilities		**192,524**	223,539
Non-current liabilities			
Deferred tax liabilities		**98**	71
Net assets		**192,426**	223,468
Capital and reserves			
Share capital		**12,000**	12,000
Reserves		**180,426**	211,468
Equity attributable to owners of the Company		**192,426**	223,468

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2018

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company is an investment holding company. The Group is principally engaged in the provision of formwork erection and related ancillary services in Hong Kong. The Company was incorporated in the Cayman Islands on 12 April 2016 as an exempted company with limited liability. The addresses of the registered office and the principal place of business of the Company are P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and Unit A, 22th 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**").

These unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2018 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). These unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements of the Group for the year ended 31 March 2018 (the "**2018 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.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2018 Annual Financial Statements, except for the accounting policy changes that are expected to be reflected in the annual financial statements of the Group for the year ended 31 March 2019. Details of any changes in accounting policies are set out in note 2.

These unaudited condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 23 November 2018.

2 CHANGE IN ACCOUNTING POLICIES

(a) Overview

The Group has adopted the following new and amendments to HKFRSs issued by the HKICPA for the first time for the current accounting period, which are mandatory effective for the annual period beginning on or after 1 April 2018 for the preparation of the Group's unaudited condensed consolidated interim financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by HKFRS 15 in relation to timing of recognition of contract costs and presentation of contract assets and contract liabilities. Details of the changes in accounting policies are discussed in note 2(b) for HKFRS 9 and note 2(c) for HKFRS 15.

Under the transition method chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening balance of equity at 1 April 2018. Comparative information is not restated.

The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS9 and HKFRS 15:

	At 31 March 2018	**Impact on initial application of HKFRS 9** *(Note 2(b))*	**Impact on initial application of HKFRS 15** *(Note 2(c))*	**At 1 April 2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at fair value through profit or loss	–	3,605	–	3,605
Deposits and prepayments for life insurance policy	3,829	(3,829)	–	–
Deferred tax assets	104		8,935	9,039
Total non-current assets	**67,688**	**(224)**	**8,935**	**76,399**
Trade and other receivables	140,571	–	(47,950)	92,621
Contract assets	–	–	94,035	94,035
Amounts due from customers for contract work	111,058	–	(111,058)	–
Total current assets	**308,695**	**–**	**(64,973)**	**243,722**
Total assets	**376,383**	**(224)**	**(56,038)**	**320,121**
Amounts due to customers for contract work	10,821	–	(10,821)	–
Total current liabilities	**152,844**	**–**	**(10,821)**	**142,023**
Net current assets	**155,851**	**–**	**(54,152)**	**101,699**
Total assets less current liabilities	**223,539**	**(224)**	**(45,217)**	**178,098**
Net assets	**223,468**	**(224)**	**(45,217)**	**178,027**
Reserves	211,468	(224)	(45,217)	166,027
Total equity attributable to owners of the Company	**223,468**	**(224)**	**(45,217)**	**178,027**
Total equity	**223,468**	**(224)**	**(45,217)**	**178,027**

Further details of these changes are set out in sub-sections (b) and (c) of this note.

(b) HKFRS 9, *Financial instruments*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 April 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained profits and the related tax impact at 1 April 2018.

Retained profits

	HK$'000
Reclassification and re-measurement of the Group's deposits and prepayments for life insurance policy	
– Financial assets measured at amortised cost	(3,829)
– Financial assets at fair value through profit	3,605
– Related tax	–
Net decrease in retained profits at 1 April 2018	(224)

(c) HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 11 and HKAS 18.

The following table summarises the impact of transition to HKFRS 15 on retained profits and the related tax impact at 1 April 2018.

Retained profits

	HK$'000
Change in timing of contract costs recognition for construction contracts	
– amounts due from customers for contract work	(64,973)
– amounts due to customers for contract work	10,821
– Related tax	8,935
Net decrease in retained profits at 1 April 2018	(45,217)

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Type of services		
Formwork and other subcontracting works	**248,814**	359,359

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
Over time	248,814	359,359

(b) Segment information

(i) Operating segment information

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

(ii) 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.

(iii) 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	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Customer A	**96,519**	114,347
Customer B	**63,253**	N/A[1]
Customer C	**39,861**	N/A[1]
Customer D	**33,220**	N/A[1]
Customer E	**N/A[1]**	88,353
Customer F	**N/A[1]**	39,218

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

4. OTHER INCOME, OTHER GAINS AND LOSSES, NET

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Other income		
Bank interest income	**–**	66
Interest income on deposits and prepayments for life insurance policy	**–**	58
Income from sale of scrap materials	**1,964**	1,304
Sundry income	**871**	650
	2,835	2,078
Other gains and losses, net		
Net foreign exchange gains	**–**	1
Loss on written off or disposal of property, plant and equipment	**(4)**	–
Loss on financial asset at fair value through profit or loss	**(34)**	–
	(38)	1
	2,797	2,079

5. FINANCE COSTS

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings and overdrafts	**1,907**	1,207

6. PROFIT BEFORE TAX

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit before tax has been arrived at after charging:		
Employee benefits expense *(Note)*:		
Salaries and other benefits in kind	**140,956**	243,419
Discretionary bonuses	**700**	3,288
Contributions to retirement benefit scheme	**4,487**	7,851
Total employee benefits expense, including directors' emoluments	**146,143**	254,558
Amortisation of premium and other expenses charged on life insurance policy	–	14
Auditors' remuneration	**530**	561
Depreciation of property, plant and equipment	**1,873**	1,413
Operating lease charges in respect of:		
– Land and buildings	**552**	711
– Plant and equipment	**7,080**	6,180

Note:

During the six months ended 30 September 2018 and 2017, total employee benefits expense amounting to approximately HK$129,963,000 and HK$236,794,000 respectively was included in direct costs and amounting to approximately HK$16,180,000 and HK$17,764,000 respectively was included in administration and other operating expenses.

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current income tax:		
– Hong Kong Profits Tax	**3,018**	5,418
Deferred tax	**(453)**	9
Total income tax expenses recognised in profit or loss	**2,565**	5,427

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: Nil).

9. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basis earnings per share	**14,399**	25,776

	Six months ended 30 September	
	2018	2017
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,200,000**	1,200,000

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

10. TRADE AND OTHER RECEIVABLES

	As at 30 September 2018 *HK$'000* (Unaudited)	As at 31 March 2018 *HK$'000* (Audited)
Trade receivables	**104,361**	88,805
Retention receivables	–	47,950
Deposits, prepayments and other receivables	**2,876**	3,816
	107,237	140,571
Retention receivables:		
Due within one year	–	1,361
Due more than one year	–	46,589
	–	47,950

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 2018 *HK$'000* (Unaudited)	As at 31 March 2018 *HK$'000* (Audited)
0-30 days	**46,578**	50,864
31-60 days	**26,164**	25,526
61-90 days	**4,417**	12,162
91-180 days	**27,202**	253
	104,361	88,805

The Group allows a credit period ranging from 7 to 67 days (31 March 2018: 7 to 56 days) to its customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

As part of the internal credit risk management, the Group applies internal credit rating for its customers in relation to construction contracts. The exposure to credit risk and expected credit losses ("**ECL**") for trade receivables are assessed collectively based on provision matrix as at 30 September 2018. After the assessment of the Group, the impairment allowance on trade receivables based on the provision matrix is insignificant to the Group for the current reporting period.

11. CONTRACT ASSETS

	As at 30 September 2018	As at 31 March 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Unbilled revenue	**63,724**	–
Retention receivables	**50,695**	–
	114,419	–

As part of the internal credit risk management, the Group applies internal credit rating for its customers in relation to construction contracts. The exposure to credit risk and ECL for contract assets are assessed collectively based on provision matrix as at 30 September 2018. After the assessment of the Group, the impairment allowance on contract assets based on the provision matrix is insignificant to the Group for the current reporting period.

12. TRADE AND OTHER PAYABLES

	As at 30 September 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000 (Audited)
Trade payables	**24,980**	21,346
Bills payables	**22,443**	36,371
Retention payables	**3,428**	5,540
Other payables and accruals	**25,218**	27,936
	76,069	91,193

The credit period on trade payables is generally 30 to 60 days.

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

	As at 30 September 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000 (Audited)
0-30 days	**3,373**	5,363
31-60 days	**6,739**	4,776
61-90 days	**13,264**	7,805
91-180 days	**1,236**	3,262
Over 180 days	**368**	140
	24,980	21,346

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The Group is a major subcontractor, given the market share and the large number of players in the construction industry, specialising in providing formwork erection as well as related ancillary services in Hong Kong.

BUSINESS REVIEW

The Group's overall revenue for the six months ended 30 September 2018 amounted to approximately HK$248.8 million, representing a decrease of approximately 30.8% or HK$110.6 million as compared with that of approximately HK$359.4 million for the six months ended 30 September 2017. For the six months ended 30 September 2018, the Group recorded profit after tax of approximately HK$14.4 million as compared to profit after tax for the six months ended 30 September 2017 of approximately HK$25.8 million.

Such decrease in net profit was primarily attributable to the following factors:

a. The decrease in revenue recognised by the Group for the six months ended 30 September 2018 due to (i) temporary suspension of construction work for M+ Museum Project until the novation arrangement was completed in early October 2018 (references are made to the announcement dated 15 June 2018 and 20 August 2018); (ii) the completion of most of the construction projects as reported in annual report for the year ended 31 March 2018 (the "**Annual Report 2018**"); and (iii) the results from the delay of the Group's new major civil project on Exhibition Station & Western Approach Tunnel (the "**SCL1123 Project**") which commenced in March 2018. Such delay was due to MTR Corporation Limited (the "**MTRC**") and the Government requiring the main contractor to suspend the excavation works of the construction site until the settlement monitoring points have reached the pre-set trigger levels as well as the construction works could meet design and statutory requirements, the MTRC had proposed to resume the excavation work at the end of September 2018. The Company aims to complete the SCL1123 Project within schedule.

b. The increase in cost recognised by the Group for the six months ended 30 September 2018 mainly due to (i) additional construction costs incurred towards the completion stage of certain projects; and (ii) the cumulative effect of construction costs recognised in the profit and loss account arising from the application of the HKFRS 15.

During the six months ended 30 September 2018, the Group secured five new contracts with total contract value of approximately HK$225.8 million, representing an increase of approximately 56.2% compared to the six months ended 30 September 2017 of approximately HK$144.6 million, three of these projects started contributing revenue to the Group during the six months ended 30 September 2018 and two of them were completed. As at 30 September 2018, the Group has a total of nine projects on hand with the estimated total outstanding value of approximately HK$678.9 million, representing an increase of approximately 5.1% as compared with the estimated total outstanding value of approximately HK$646.0 million for the year ended 31 March 2018. Subsequent to the period ended 30 September 2018, the Group further secured two new contracts with total contract value of approximately HK$144.6 million, with the projects on hand, it is expected that the performance of the subcontract works will remain steady for the coming years.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately HK$110.6 million, or 30.8%, from approximately HK$359.4 million for the six months ended 30 September 2017 to approximately HK$248.8 million for the six months ended 30 September 2018. The decrease in revenue was mainly attributable to the completion of 9 construction projects as reported in the Annual Report 2018 during the six months ended 30 September 2018, and the temporary progress delays of two major projects as disclosed in the section headed "Business Review".

Gross profit and gross profit margin

The Group's gross profit decreased by approximately HK$16.0 million, or 29.0%, from approximately HK$55.2 million for the six months ended 30 September 2017 to approximately HK$39.2 million for the six months ended 30 September 2018. The decrease in gross profit was mainly due to the decrease in revenue for the six months ended 30 September 2018 as compared to the six months ended 30 September 2017.

The Group's gross profit margin slightly increased from approximately 15.4% for the six months ended 30 September 2017 to approximately 15.8% for the six months ended 30 September 2018.

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 decreased by approximately HK$1.8 million or 7.0%, from approximately HK$24.9 million for the six months ended 30 September 2017 to approximately HK$23.1 million for the six months ended 30 September 2018, primarily due to the decrease in the staff salaries and benefits, including directors' emoluments of approximately HK$1.6 million.

Finance costs

The Group's finance costs increased by approximately HK$0.7 million or 58.0% from approximately HK$1.2 million for the six months ended 30 September 2017 to approximately HK$1.9 million for the six months ended 30 September 2018, primarily due to the increase in average amount of bank and other borrowings and the increase in average interest rate of bank borrowings.

Income tax expenses

The Group's income tax expenses decreased by approximately HK$2.8 million or 52.7% from approximately HK$5.4 million for the six months ended 30 September 2017 to approximately HK$2.6 million for the six months ended 30 September 2018. The decrease in the Group's income tax expense was primarily due to the decrease in profit before tax as a result of decrease in gross profit as discussed above.

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

As a result of foregoing, profit attributable to owners of the Company decreased by approximately HK$11.4 million or 44.1% from approximately HK$25.8 million for the six months ended 30 September 2017 compared to approximately HK$14.4 million for the six months ended 30 September 2018. The net profit margin slightly decreased by approximately 1.4 percentage points from approximately 7.2% for the six months ended 30 September 2017 to approximately 5.8% for the six months ended 30 September 2018.

USE OF NET PROCEEDS FROM LISTING

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

The below table sets out the utilisation of the net proceeds from the Listing as at 30 September 2018:

	Planned use of net proceeds as stated in the Prospectus	Actual use of net proceeds up to 30 September 2018	Unutilised balance as at 30 September 2018
	HK$'000	*HK$'000*	*HK$'000*
Funding the initial costs for an existing formworks project located in Yau Tsim Mong District	27,433	27,433	–
Used for acquisition of office premises	41,101	41,101	–
Used for the investment in the new information system	10,102	3,875	6,227
Used for repayment part of our outstanding bank borrowings and finance leases	10,399	10,399	–
Used as general working capital	9,607	9,607	–
	98,642	92,415	6,227

The unutilised amounts of the net proceeds of approximately HK$6.2 million was deposited into licensed banks in Hong Kong.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

As at 30 September 2018, the Group's total bank balances and cash were approximately HK$27.2 million (31 March 2018: approximately HK$57.1 million), all of which are held in Hong Kong dollars. The current ratio (defined as current assets divided by current liabilities) of the Group was approximately 1.8 times (31 March 2018: approximately 2.0 times).

The Group had total bank and other borrowings of approximately HK$65.9 million as at 30 September 2018 (31 March 2018: approximately HK$49.4 million).

CONTINGENT LIABILITIES

As at 30 September 2018, the Group did not have any material contingent liabilities (31 March 2018: nil).

PLEDGE OF ASSETS

As at 30 September 2018, the Group's bank borrowings and general banking facilities were secured by the office premise with an aggregate carrying amount of approximately HK$46.1 million (31 March 2018: approximately HK$46.8 million).

As at 30 September 2018, 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 30 September 2018, the Group had no restricted bank balances.

CAPITAL COMMITMENTS

As at 30 September 2018, the Group had capital commitments of approximately HK$842,000 (31 March 2018: approximately HK$1,808,000) contracted but not provided for the acquisition of property, plant and equipment.

TREASURY POLICIES

The Group continues to follow a prudent policy in managing the Group's bank balances and cash and maintain a healthy liquidity position. The Group applied internal credit rating for its customers in relation to construction contracts, then the Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Directors closely monitor the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

FOREIGN CURRENCY RISK

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

GEARING RATIO

As at 30 September 2018, the Group's gearing ratio was approximately 34.2% (31 March 2018: approximately 22.1%), representing total bank and other borrowings as a percentage of total equity. The increase in gearing ratio was attributed to the combined effect of increase in bank and other borrowings mainly used in financing the new and ongoing projects during the six months ended 30 September 2018.

EVENT AFTER THE REPORTING PERIOD

The Board is pleased to announce that, subsequent to 30 September 2018, the Group has been awarded two new formwork subcontracts for residential development in Sheung Shing Street and construction of The Fullerton Ocean Park Hotel respectively. The total contract sum of the abovementioned contracts is approximately HK$144.6 million.

Save for the above, the Board is not aware of any other significant events requiring disclosure that have taken place subsequent to 30 September 2018 and up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICIES

The Group had 77 full-time employees as at 30 September 2018 (30 September 2017: 81 full-time employees). The Group offers competitive remuneration package that is based on overall market rates and employee performance, as well as the performance of the Group. Remuneration package comprised of salary, a performance-based bonus, and other benefits including training and mandatory provident funds.

SEGMENT INFORMATION

Save as disclosed in note 3 to the unaudited condensed consolidated interim financial statements in this announcement, the Group's business was regarded as a single operating segment and the Group had no geographical segment information presented as at 30 September 2018.

FUTURE PROSPECTS

Looking ahead, in light of the long term housing development and land supply plans initiated by the HKSAR Government, the prospects for the construction industry will remain positive. The Group will be operated in a stable way in order to maintain a steady and healthy development. Meanwhile, the Group will suitably allocate internal resources and keep looking for channels to expand our businesses into different constructions and geographical areas to capture new business opportunities.

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 six months ended 30 September 2018.

COMPETING BUSINESS

During the six months ended 30 September 2018, none of the Directors or the controlling shareholders of the Company 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 of the Company, Mr. Wang Kei Ming and Wang K M Limited (each a "**Covenantor**" and collectively the "**Covenantors**") have entered into the Deed of Non-competition with the Company (for itself and for the benefit of each other member of the Group) on 17 January 2017. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and as trustee for its subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its close associates (other than any member of the Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code (the "**Model Code**") set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the 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 2018.

SHARE OPTION SCHEME

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

For the six months ended 30 September 2018, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

CORPORATE GOVERNANCE PRACTICE

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

To the best knowledge of the Board, the Company has complied with the code provisions in the CG Code during the six months ended 30 September 2018 and up to the date of this announcement.

AUDIT COMMITTEE

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

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

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

The Group's unaudited condensed consolidated interim financial statements for the six months ended 30 September 2018 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 2018 comply with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the website of the Company at *www.royal-deluxe.com* and that of the Stock Exchange at *www.hkexnews.hk*. The interim report for the six months ended 30 September 2018 will be despatched to the shareholders of the Company and will be published on the above websites.

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

Hong Kong, 23 November 2018

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.