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ROYAL DELUXE HOLDINGS LIMITED
御佳控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3789)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019

FINANCIAL HIGHLIGHTS

- Revenue was approximately HK$602.8 million for the year ended 31 March 2019, representing a decrease of approximately 10.5% as compared with the same for the year ended 31 March 2018.
- Gross profit was approximately HK$106.5 million for the year ended 31 March 2019 representing a decrease of approximately 2.9% as compared with the same for the year ended 31 March 2018.
- Gross profit margin increased from approximately 16.3 % for the year ended 31 March 2018 to approximately 17.7% for the year ended 31 March 2019.
- Profit attributable to the owners of the Company was approximately HK$43.4 million for the year ended 31 March 2019, representing a decrease of approximately 22.6% as compared with the same for the year ended 31 March 2018.
- Basic earnings per share was approximately HK3.61 cents for the year ended 31 March 2019, and approximately HK4.67 cents for the year ended 31 March 2018.
- The Board does not recommend the payment of any final dividend for the year ended 31 March 2019.

FINAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Royal Deluxe Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2019, together with the comparative figures for the year ended 31 March 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	*4*	**602,772**	673,275
Direct costs		**(496,314)**	(563,636)
Gross profit		**106,458**	109,639
Other income, other gains and losses, net	*5*	**7,075**	5,421
Administration and other operating expenses		**(58,427)**	(44,410)
Reversal of loss allowance on trade and other receivables and contract assets, net		**2,845**	–
Finance costs	*6*	**(3,609)**	(2,673)
Profit before tax	*7*	**54,342**	67,977
Income tax expense	*8*	**(10,966)**	(11,917)
Profit and total comprehensive income for the year attributable to owners of the Company		**43,376**	56,060
		HK cents	*HK cents*
Earnings per share			
– Basic and diluted	*10*	**3.61**	4.67

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**59,976**	62,567
Deposits and prepayments for life insurance policy		**3,888**	3,829
Club membership		**1,188**	1,188
Deferred tax assets		**337**	104
		65,389	67,688
Current assets			
Trade and other receivables	*11*	**86,285**	140,571
Amounts due from customers for contract work		–	111,058
Contract assets		**110,217**	–
Contract costs		**1,739**	–
Bank balances and cash		**92,733**	57,066
Current tax recoverable		**10,636**	–
		301,610	308,695
Total assets		**366,999**	376,383
Current liabilities			
Trade and other payables	*12*	**90,853**	91,193
Amounts due to customers for contract work		–	10,821
Borrowings		**54,676**	49,374
Current tax liabilities		**1,314**	1,456
		146,843	152,844
Net current assets		**154,767**	155,851
Total assets less current liabilities		**220,156**	223,539
Non-current liabilities			
Deferred tax liabilities		**126**	71
Net assets		**220,030**	223,468
Capital and reserves			
Share capital		**12,000**	12,000
Reserves		**208,030**	211,468
Equity attributable to owners of the Company		**220,030**	223,468

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands on 12 April 2016 as an exempted company with limited liability under the companies law of the Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 8 February 2017 (the "**Listing**"). Its parent company and ultimate holding company is Wang K M Limited, a company incorporated in the British Virgin Islands and is wholly-owned by Mr. Wang Kei Ming, an executive Director of the Company.

The addresses of the registered office and the principal place of business of the Company are P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and Unit A, 22nd Floor, T G Place, 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong, respectively.

The Company is an investment holding company. The Group is principally engaged in the provision of formwork erection and related ancillary services in Hong Kong.

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared on the historical cost basis, except as otherwise stated.

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

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*

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 15 *Revenue from Contracts with Customers*

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to the contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and HKAS 11 and the related interpretations.

The Group recognises revenue for its construction services which arise from contracts with customers.

Summary of effects arising from initial application of HKFRS 15

The following table summarises the impacts of transition to HKFRS 15 on retained profits at 1 April 2018.

	HK$'000
Retained profits	
Construction revenue recognised over time	37,480
Recognition of contract costs incurred	(89,437)
Tax effects	8,573
Impact at 1 April 2018	(43,384)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Notes	**Carrying amounts previously reported at 31 March 2018** *HK$'000*	**Impact** *HK$'000*	**Carrying amounts under HKFRS 15 at 1 April 2018*** *HK$'000*
Current assets				
Trade and other receivables	*(b)*	140,571	(47,950)	92,621
Amounts due from customers for contract work	*(a)*	111,058	(111,058)	–
Contract assets	*(a),(b)*	–	96,230	96,230
Current tax recoverable	*(a)*	–	8,573	8,573
Current liabilities				
Amounts due to customers for contract work	*(a)*	10,821	(10,821)	–
Capital and reserves				
Retained profits	*(a)*	110,104	(43,384)	66,720

* The amounts in this column are before the adjustments from the initial application of HKFRS 9.

(a) In relation to construction contracts previously accounted for under HKAS 11, the Group continues to apply output method in estimating the performance obligations satisfied up to date of initial application of HKFRS 15. Under HKAS 11, construction costs were charged to profit or loss by reference to the stage of completion of the contract, which is measured by reference to the estimated total billing value for contracts entered into by the Group. Under

HKFRS 15, costs that related to satisfied performance obligations are expensed as incurred. Construction costs of HK$100,258,000 that have been incurred but deferred to be recognised in profit or loss under HKAS 11 and included in amounts due from customers for contract work were charged to retained profits. Construction costs of HK$10,821,000 that have not been incurred but accelerated to be recognised in profit or loss under HKAS 11 and included in amounts due to customers for contract work were credited to retained profits. Unbilled revenue of HK$48,280,000 arising from construction contracts was reclassified from amounts due from customers for contract work to contract assets. The related tax effect of HK$8,573,000 was recognised in current tax recoverable and included in adjustment to retained profits.

(b) At the date of initial application, retention receivables of HK$47,950,000 arising from construction contracts are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts, and such balance was reclassified from trade and other receivables to contract assets.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 March 2019 and its consolidated statement of profit or loss and other comprehensive income for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	Notes	**As reported** *HK$'000*	**Adjustments** *HK$'000*	**Amounts without application of HKFRS 15** *HK$'000*
Current assets				
Trade and other receivables	*(b)*	86,285	44,033	130,318
Amounts due from customers for contract work	*(a)*	–	79,279	79,279
Contract assets	*(a), (b)*	110,217	(110,217)	–
Contract costs	*(c)*	1,739	(1,739)	–
Current tax recoverable	*(a)*	10,636	(583)	10,053
Current liabilities				
Amounts due to customers for contract work	*(a)*	–	7,822	7,822
Capital and reserves				
Retained profits	*(a)*	106,666	2,951	109,617

(c) Contract costs capitalised as at 31 March 2019 under HKFRS 15 represents material costs that relate directly to construction contracts entered by the Group, which generate or enhance resources of the Group and will be used in satisfying or continuing to satisfy performance obligations in the future.

Impact on the consolidated statement of profit or loss and other comprehensive income

	Notes	**As reported**	**Adjustments**	**Amounts without application of HKFRS 15**
		HK$'000	*HK$'000*	*HK$'000*
Revenue	*(a)*	602,772	7,740	610,512
Direct costs	*(a),(c)*	(496,314)	(56,163)	(552,477)
Profit before tax	*(a),(c)*	54,342	(48,423)	5,919
Income tax expense	*(a),(c)*	(10,966)	7,990	(2,976)
Profit and total comprehensive income for the year	*(a),(c)*	43,376	(40,433)	2,943

The explanations of the above changes affected in the current year by the application of HKFRS 15 as compared to HKAS 11, HKAS 18 and the related interpretations are similar to the explanations set out in notes (a), (b) and (c) above for describing the adjustments made to the consolidated statement of financial position at 1 April 2018 upon adoption of HKFRS 15.

The adoption of HKFRS 15 has no material impact to the net cash flows from operating, investing and financing activities on the consolidated statement of cash flows.

HKFRS 9 *Financial Instruments*

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities; 2) expected credit losses ("**ECL**") for financial assets and other items (for example, contract assets); and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Summary of effects arising from initial application of HKFRS 9

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all contract assets and trade receivables. Contract assets and trade receivables have been assessed in groups classified based on internal credit ratings, past due status and repayment history. Contract assets arising from construction contracts that are conditional on the satisfaction of the service quality by the customer over a certain period as stipulated in the contracts and contract assets that relate to unbilled satisfied performance obligation have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore estimated the expected loss rates for trade receivables and contract assets on the same basis.

Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial asset at amortised cost, including deposits and other receivables and bank balances, is assessed on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

As at 1 April 2018, credit loss allowance of HK$4,108,000 net of deferred tax asset of HK$678,000, has been charged against retained profits. The loss allowances are charged against the respective assets.

All loss allowances, including trade receivables, contract assets and deposits and other receivables, as at 31 March 2018 reconciled to the opening loss allowances as at 1 April 2018 are as follows:

	Trade receivables	**Contract assets**	**Deposits and other receivables**
	HK$'000	*HK$'000*	*HK$'000*
At 31 March 2018 – HKAS 39	–	–	–
Amounts remeasured through opening retained profits	2,605	1,365	138
At 1 April 2018 – HKFRS 9	2,605	1,365	138

Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 March 2018	HKFRS 15	HKFRS 9	1 April 2018 *(Restated)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Deferred tax assets	104	–	678	782
Current assets				
Trade and other receivables	140,571	(47,950)	(2,743)	89,878
Amounts due from customers for contract work	111,058	(111,058)	–	–
Contract assets	–	96,230	(1,365)	94,865
Current tax recoverable	–	8,573	–	8,573
Current liabilities				
Amounts due to customers for contract work	10,821	(10,821)	–	–
Capital and reserves				
Retained profits	110,104	(43,384)	(3,430)	63,290

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

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

HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[2]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Amendments to HKFRS 3	*Definition of a Business*[4]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[5]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2015-2018 Cycle*[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 January 2020.

The Directors anticipate that the application of the above new and amendments to HKFRSs will have no material effect on the Group's consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents amounts received and receivables from construction services in Hong Kong. For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the Directors) reviews the overall results and financial position of the Group as a whole. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customers		
– Provision of formwork erection and related ancillary services	**588,980**	673,275
– Provision of fit-out services	**13,792**	–
	602,772	673,275

Geographical information

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

Information about major customers

Revenue from customers contributing over 10% of the Group's total revenue during the year are as follows:

	2019	2018
	HK$'000	*HK$'000*
Customer A	**177,316**	–
Customer B	**119,977**	N/A[1]
Customer C	**104,582**	81,404
Customer D	**91,555**	N/A[1]
Customer E	**68,631**	271,399
Customer F	**N/A[1]**	101,844

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

5. OTHER INCOME, OTHER GAINS AND LOSSES, NET

	2019	2018
	HK$'000	*HK$'000*
Other income		
Bank interest income	**15**	66
Interest income on deposits and prepayments for life insurance policy	**114**	115
Income from sale of scrap materials	**3,216**	3,092
Sundry income	**3,738**	2,247
	7,083	5,520
Other gains and losses, net		
Net foreign exchange (loss)/gain	**(4)**	4
Loss on written off or disposal of property, plant and equipment	**(4)**	(103)
	(8)	(99)
	7,075	5,421

6. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest on bank borrowings and overdrafts	**3,609**	2,673

7. PROFIT BEFORE TAX

	2019	2018
	HK$'000	*HK$'000*
Profit before tax has been arrived at after charging/(crediting):		
Employee benefits expense *(Note)*:		
Salaries and other benefits in kind	**102,709**	438,026
Discretionary bonuses	**11,999**	4,613
Contributions to retirement benefit scheme	**2,930**	12,943
Total employee benefits expense, including directors' emoluments	**117,638**	455,582
Amortisation of premium and other expenses charged on life insurance policy	**55**	13
Auditors' remuneration	**1,200**	1,050
Depreciation of property, plant and equipment	**3,755**	3,466
Reversal of loss allowance on trade and other receivables and contract assets, net	**(2,845)**	–
Operating lease rentals in respect of:		
– Land and buildings	**1,073**	1,365
– Plant and equipment	**16,362**	16,431

Note:

During the years ended 31 March 2019 and 2018, total employee benefits expense amounting to approximately HK$78,782,000 and HK$427,543,000 respectively was included in direct costs and amounting to approximately HK$38,856,000 and HK$28,039,000 respectively was included in administration and other operating expenses.

8. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
Current income tax:		
– Hong Kong Profits Tax	**10,218**	11,950
Adjustment in respect of prior year	**248**	–
Total current income tax	**10,466**	11,950
Deferred tax	**500**	(33)
Total income tax expense recognised in profit or loss	**10,966**	11,917

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits arising in or derived from Hong Kong for the year ended 31 March 2018.

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

Accordingly, starting from the year ended 31 March 2019, the Hong Kong Profits Tax for one of the subsidiaries of the Company is calculated at 8.25% on the first HK$2,000,000 of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2,000,000. Hong Kong Profits Tax for other subsidiaries is calculated at 16.5% of the estimated assessable profits arising in or derived from Hong Kong for the year ended 31 March 2019.

9. DIVIDEND

No dividend was paid or proposed by the Board for the year ended 31 March 2019 (2018: Nil).

10. EARNINGS PER SHARE

	2019	2018
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**43,376**	56,060

	2019	2018
	'000	*'000*
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 potential ordinary share in issue during the years ended 31 March 2019 and 2018.

11. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**81,976**	88,805
Less: loss allowance for trade receivables	**(407)**	–
	81,569	88,805
Retention receivables*	–	47,950
Deposits and other receivables	**841**	2,896
Prepayments	**3,884**	920
Less: loss allowance for deposits and other receivables	**(9)**	–
	86,285	140,571

* Upon application of HKFRS 15, the retention receivables were reclassified to contract assets.

As at 31 March 2019 and 1 April 2018, trade receivables from contracts with customers amounted to approximately HK$81,569,000 and HK$86,200,000 respectively.

The Group allows a credit period ranging from 7 to 56 days (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.

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

	2019	2018
	HK$'000	*HK$'000*
0 – 30 days	**44,769**	50,864
31 – 60 days	**30,024**	25,526
61 – 90 days	**7,011**	12,162
91 – 180 days	**–**	253
Over 180 days	**172**	–
	81,976	88,805

12. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**33,470**	21,346
Bills payables	**18,748**	36,371
Retention payables	**7,413**	5,540
Other payables and accruals	**31,222**	27,936
	90,853	91,193

The credit period on trade payables is generally 30 to 60 days. (2018: 30 to 60 days)

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

	2019	2018
	HK$'000	*HK$'000*
0 – 30 days	**17,460**	5,363
31 – 60 days	**3,626**	4,776
61 – 90 days	**7,572**	7,805
91 – 180 days	**4,172**	3,262
Over 180 days	**640**	140
	33,470	21,346

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The Group is a major subcontractor specialising in providing formwork erection as well as ancillary services in Hong Kong. The Group started its formwork business since 1994 and has accumulated more than 24 years experience in the provision of its services in Hong Kong. The Group actively undertakes large-scale formwork erection projects for building construction and civil engineering works. The direct customers of the Group are main contractors of building construction and civil engineering projects while the ultimate customers are owners of the projects, which include the Government, public transport operators, theme park and property developers.

During the year ended 31 March 2019 (the "**Financial Year 2019**"), the Group continued to upgrade and elevate its technical skills and construction methods in the industry in which it operates, maintained its continuous approach in refining its workmanship and enhanced its management process, developed construction technology applications and innovated formwork construction patents. Further, the Group commenced Building Information Modeling, being a model-based technology application in the areas of formwork engineering design and tendering process, Takeoff for Architecture and Structure ("**TAS**") and Takeoff for Bill of Quantities ("**TBQ**"). The Group considers that our management and operation teams have extensive expertise and knowledge in formwork erection industry, and will therefore continue to be a valuable asset of the Group to strive towards further success.

Business Review

The Group's overall revenue for the Financial Year 2019 amounted to approximately HK$602.8 million, representing a decrease of approximately 10.5% or HK$70.5 million as compared with that of approximately HK$673.3 million for the year ended 31 March 2018 (the "**Financial Year 2018**"). For the Financial Year 2019, the Group recorded profit and total comprehensive income of approximately HK$43.4 million as compared to approximately HK$56.1 million for the Financial Year 2018.

Such decrease in revenue and the profit and total comprehensive income for the Financial Year 2019 of the Group was primarily attributable to the following factors:

(i) the results from the delay of the Group's major civil engineering project for the construction of the Exhibition Station & Western Approach Tunnel (the "**SCL1123 Project**") which was commenced in March 2018, such delay was due to the impact of site suspension of works since mid-August 2018. Subsequent to main-contractor of SCL1123 Project resumed its site excavation works on 29 September 2018, the ensuing works progress and the cost have thus been affected by such site suspension. The Group has requested project management team to proactively explore measures to recover the progress so as to minimise the costs on delay. The Group will continue to coordinate with the main-contractor of SCL1123 Project so as to complete the project within schedule;

(ii) temporary suspension of construction work for M+ Museum Project until the novation arrangement was completed in early October 2018 (references are made to the announcements dated 15 June 2018 and 20 August 2018), the works progress and the cost have thus been affected by the suspension; and

(iii) costs incurred to meet the contractual obligations and post-contracts administration costs from several projects which were completed during the Financial Year 2019 of which most of the revenue had reported in the Financial Year 2018.

The Group has applied, for the first time, HKFRS 15 which is one of the new HKFRSs applied in the current year. Had this new accounting standard not been applied, the Group's profit and total comprehensive income for the year attributable to owners of the Company for the Financial Year 2019 would be reduced by HK$53.1 million as compared to the Financial Year 2018.

During the Financial Year 2019, the Group secured seven new contracts with total contract value of approximately HK$371.1 million, representing a decrease of approximately 19.8 % compared to the Financial Year 2018 of approximately HK$461.8 million, six of these projects started contributing revenue to the Group during the Financial Year 2019, out of which three of the projects were completed. As at 31 March 2019, the Group has a total of 9 projects on hand with the estimated total outstanding value of approximately HK$615.5 million, decrease of approximately 4.7% as compared with the estimated total outstanding value of approximately HK$646.0 million for the year ended 31 March 2018. Subsequent to the year ended 31 March 2019, the Group further secured a new formwork contract of L1 Contract for the Lyric Theatre Complex (LTC) at West Kowloon Cultural District with total contract value of approximately HK$124.6 million. With the projects on hand, it is expected that the performance of the subcontract works will remain steady for the coming years.

Year of award/project	Role	Nature of contract	Status
Year 2015-2016			
M+ Museum project	Sub-contractor	Formwork	Work in progress
Year 2016-2017			
Pak Tin Estate Phase 7 and 8	Sub-contractor	Formwork	Work in progress
Year 2017-2018			
SC2101 Global Switch Hong Kong 1 (GSHK) –Building 3, 4 & 5 Data Centre at Tseung Kwan O	Sub-contractor	Traditional timber formwork (For early works)	Substantially completed
SC2105 Global Switch Hong Kong 1 (GSHK) –Building 3, 4 & 5 Data Centre at Tseung Kwan O	Sub-contractor	Formwork for superstructure and external works	Work in progress
14105 Tai Wai Station property development project (Zone B platform & tower T5-6)	Sub-contractor	Formwork	Work in progress
SCL1123/SC231 Exhibition Station and Western Approach Tunnel	Sub-contractor	Station formwork and concrete	Work in progress

Year of award/project	Role	Nature of contract	Status
Year 2018-2019			
M+ Museum project	Sub-contractor	ABWF Works in RDE Building of M+Museum	Work in progress
J3777-Proposed Residential Development at KIL11257, Sheung Shing Street, Homantin	Sub-contractor	System Formwork	Work in progress
J3699-The Fullerton Ocean Park Hotel Hong Kong	Sub-contractor	Formwork (below Podium RC Structure-Pile Cap to 5/F)	Work in progress
14105-08 Tai Wai Station property development project (Zone A skirting, platform & tower T1-3)	Sub-contractor	Formwork	Work in progress

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately HK$70.5 million, or 10.5%, from approximately HK$673.3 million for the Financial Year 2018 to approximately HK$602.8 million for the Financial Year 2019. The decrease in revenue was mainly attributable to 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$3.1 million, or 2.9%, from approximately HK$109.6 million for the Financial Year 2018 to approximately HK$106.5 million for the Financial Year 2019. The decrease in gross profit was mainly due to the decrease in revenue for Financial Year 2019 as compared to the Financial Year 2018.

The Group's gross profit margin slightly increased from approximately 16.3% for the Financial Year 2018 to approximately 17.7% for the Financial Year 2019, was mainly because a higher proportion of the Group's revenue was generated from the Group's major projects for the Financial Year 2019, which generally in higher gross profit margin as less direct costs were incurred as compared to the Financial Year 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 increased by approximately HK$14.0 million or 31.6%, from approximately HK$44.4 million for the Financial Year 2018 to approximately HK$58.4 million for the Financial Year 2019, primarily due to the increase in the staff salaries and benefits, including the increase in directors' emoluments and administrative salaries expenses of approximately HK$10.9 million. For the Financial Year 2019, the directors' remuneration and administrative staff salaries amounted to approximately HK$38.9 million, compared to that of approximately HK$28.0 million for the Financial Year 2018.

Finance costs

The Group's finance costs increased by approximately HK$0.9 million or 35.0% from approximately HK$2.7 million for the Financial Year 2018 to approximately HK$3.6 million for the Financial Year 2019, 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 expense

Income tax expense decreased by approximately HK$0.9 million or 8.0% from approximately HK$11.9 million for the Financial Year 2018 to approximately HK$11.0 million for the Financial Year 2019 primarily due to the decrease in profit before tax for the Financial Year 2019.

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

Profit and total comprehensive income attributable to owners of the Company decreased by approximately HK$12.7 million or 22.6% from approximately HK$56.1 million for the Financial Year 2018 compared to approximately HK$43.4 million for the Financial Year 2019. The net profit margin decreased by approximately 1.1 percentage points from approximately 8.3% for the Financial Year 2018 to 7.2% for the Financial Year 2019.

USE OF PROCEEDS

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

The below table sets out the utilisation of the net proceeds from the Listing as at 31 March 2019:

	Planned use of net proceeds as stated in the Prospectus *HK$'000*	**Actual use of net proceeds up to 31 March 2019** *HK$'000*	**Unutilised balance as at 31 March 2019** *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	5,063	5,039
Used for repayment part of the outstanding bank borrowings and finance leases of the Group	10,399	10,399	–
Used as general working capital	9,607	9,607	–
	98,642	93,603	5,039

The unutilised amount of the net proceeds from the Listing of approximately HK$5.0 million was deposited into licensed banks in Hong Kong.

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

FUTURE PROSPECTS

Looking ahead, despite the ongoing turbulence in the international trade environment, upon taking into account the commitment to large infrastructure investment development and the long term housing development as well as land supply plans initiated by the HKSAR Government, the prospects for the construction industry will remain positive.

As the longstanding subcontractor in the formwork erection industry in Hong Kong with reputation and strengthened experience, the Group is well-positioned to compete with our competitors. Going forward, the Group will operate in a stable way in order to maintain a steady and healthy development. Meanwhile, the Group will reasonably allocate internal resources and keep looking for channels to expand our businesses into different areas of constructions and geographical areas to capture new business opportunities.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

	As at 31 March 2019	As at 31 March 2018
Current ratio[1]	**2.1**	2.0
Gearing ratio[2]	**24.8%**	22.1%
Debt to equity ratio[3]	**N/A**	N/A
Interest coverage[4]	**16.1 times**	26.4 times

Notes:

1 Current ratio based on the total current assets divided by the total current liabilities.

2 Gearing ratio based on the total debt (summation of bank borrowings) divided by total equity and multiplied by 100%.

3 Debt to equity ratio is calculated as total debt (summation of bank borrowings) less cash and cash equivalents divided by total equity and multiplied by 100%.

4 Interest coverage based on the profit before interest and taxation divided by the total interest expenses incurred.

Current ratio was 2.1 and 2.0 as at 31 March 2019 and 31 March 2018 respectively. Debt to equity ratio figures as at 31 March 2019 and 31 March 2018 represents that the Company was in a net cash position. Interest coverage decreased from 26.4 times for the Financial Year 2018 to 16.1 times for the Financial Year 2019, mainly due to the decrease in profit before interest and tax and the increase in finance costs.

As at 31 March 2019, the capital structure of the Group consisted of equity of approximately HK$220.0 million (31 March 2018: approximately HK$223.5 million) and debts of approximately HK$54.7 million (31 March 2018: approximately HK$49.4 million).

The Group adopts a prudent approach in cash management. Apart from certain debts including bank loans, the Group did not have any material outstanding debts as at 31 March 2019. The Group maintains a variety of credit facilities to meet requirements for working capital. Payment to settle trade payable and wages represented the significant part of the cash outflow of the Group. As of 31 March 2019, the Group has available banking facilities of approximately HK$143.2 million (31 March 2018: approximately HK$95.4 million), of which the unutilised and unrestricted banking facilities amounted to approximately HK$69.8 million (31 March 2018: approximately HK$9.6 million).

As at 31 March 2019, total borrowings increased from approximately HK$49.4 million to approximately HK$54.7 million with the maturity profile summarised as follows:

	2019	2018
	HK$'000	*HK$'000*
Within one year	**34,744**	32,933
In the second year	**4,775**	684
In the third to fifth year inclusive	**2,160**	2,185
Over five years	**12,997**	13,572
Classified under:		
Current liabilities	**54,676**	49,374
Non-current liabilities	**–**	–

Notes:

As at 31 March 2019, bank loans balances with maturity that are repayable over one year after the end of the reporting period but contain a repayment on demand clause with an aggregate carrying amount of approximately HK$19.9 million (2018: approximately HK$16.4 million) have been classified as current liabilities together with bank loans balances with maturity repayable within one year.

During the Financial Year 2019, the Group had no financial instruments for hedging purpose. As at 31 March 2019, the Group had no fixed-rate borrowing.

GEARING RATIO

As at 31 March 2019, the gearing ratio, representing the ratio of interest bearing borrowings to equity attributable to owners of the Company, was approximately 24.8% (2018: approximately 22.1%). Such increase was mainly due to the increase in bank borrowings for financing new projects.

PLEDGE OF ASSETS

As at 31 March 2019 the Group's bank borrowings and general banking facilities were secured by the office premise during the Financial Year 2019 with an aggregate net carrying value of approximately HK$45.4 million (31 March 2018: HK$46.8 million).

As at 31 March 2019, the Group had pledged to bank an assignment of project proceeds from one construction contract of the Group as security of the Group banking facilities.

As at 31 March 2019, the Group had a restricted time-deposit of approximately HK$3.0 million (31 March 2018: Nil) charging to a bank to secure general banking facilities granted to the Group.

FOREIGN CURRENCY EXPOSURE

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

The Group has no significant exposure to foreign currency risk because almost all 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.

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

There were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the Financial Year 2019. Save as disclosed herein, there was no other plan for material investments or capital assets as at 31 March 2019.

CAPITAL COMMITMENTS

As at 31 March 2019, the Group had capital commitments of approximately HK$130,000 (2018: approximately HK$1,808,000) contracted but not provided for the acquisition of property, plant and equipment.

CONTINGENT LIABILITIES

Save as disclosed in the paragraph headed "Arbitration" in this announcement, the Group had no material contingent liability as at the end of the reporting period (2018: Nil).

ARBITRATION

Ming Tai Construction Engineering Company Limited ("**Ming Tai**"), a wholly-owned subsidiary of the Group submitted two applications for arbitration (the "**Applications**") to the Hong Kong International Arbitration Centre against Laing O'Rourke-Hsin Chong-Paul Y. Joint Venture (the "**Joint Venture**"). Pursuant to the Applications, Ming Tai (as the "**Applicant**") initiated an arbitration against the Joint Venture (as the "**Respondent**") in respect of disputes arising from two subcontracts. The Respondent indicated to counterclaim against the Applicant.

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

As at the date of this announcement, the hearing of the aforementioned arbitration has not yet commenced and the effects on the Company cannot be assessed at this moment. The Company will make further disclosure as and when necessary or appropriate based on the progress of the arbitration.

TREASURY POLICY

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

EMPLOYEES AND REMUNERATION POLICY

The Group had 90 full-time employees as at 31 March 2019 (31 March 2018: 76 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 salary, a performance-based bonus, and other benefits including training and mandatory provident funds. Employee bonus is distributable based on the performance of the respective employees concerned. Moreover, the Group also provides internal and external training programmes which are complementary to certain job functions. The total staff cost included in administration and other operating expenses (including remuneration of Directors and mandatory provident funds contributions) for the year ended 31 March 2019 amounted to approximately HK$38.9 million (31 March 2018: HK$28.0 million).

EVENT AFTER THE REPORTING PERIOD

New project awarded

The Board is pleased to announce that, subsequent to 31 March 2019, the Group has been awarded a formwork subcontract of L1 Contract for the Lyric Theatre Complex (LTC) at West Kowloon Cultural District with total contract value of approximately HK$124.6 million.

Save as disclosed above, the Board does not aware of any significant events requiring disclosure that have taken place subsequent to 31 March 2019 and up to the date of this announcement.

SEGMENT INFORMATION

Save as disclosed in note 4 in this announcement, the Group's business was regarded as a single operating segment and the Group had no geographical segment information presented as at and for the year ended 31 March 2019.

RESULTS AND DIVIDEND

The results of the Group for the Financial Year 2019 and the state of affairs of the Company and the Group as at 31 March 2019 are set out in the consolidated statement of profit or loss and other comprehensive income in this announcement.

The Board does not recommend the payment of any final dividend in respect of the Financial Year 2019.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Financial Year 2019.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement of the Company is published on the websites of the Company and the Stock Exchange. The annual report of the Company for the Financial Year 2019 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and made available on the above websites in due course.

CORPORATE GOVERNANCE PRACTICE

The Company and the Board are devoted to achieve and maintain high standards of corporate governance, as the Board believes that good and effective corporate governance practices are fundamental to obtain and maintain the trust and safeguarding interest of the shareholders and other stakeholders of the Company. Accordingly, the Company has adopted sound corporate governance principles that emphasise a quality Board, effective internal control stringent disclosure practices and transparency and accountability to all stakeholders.

The Company has adopted the principles and code provisions set out in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules.

In the opinion of the Board, during the Financial Year 2019, the Company has fully complied with all the applicable code provisions set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") set out in Appendix 10 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 Financial Year 2019.

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, an independent non-executive Director, and other members included Mr. Lai Ah Ming Leon and Mr. Sio Kam Seng, each an independent non-executive Director. The written terms of reference of the Audit Committee are posted on the websites of the Stock Exchange and the Company.

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

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.

REVIEW OF THIS ANNUAL RESULTS ANNOUNCEMENT

The Audit Committee has reviewed the accounting principles adopted by the Group and the consolidated financial statements as the final results announcement of the Group for the Financial Year 2019.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the Financial Year 2019 as set out in the preliminary announcement have been agreed by the Group's auditors, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's consolidated financial statements for the Financial Year 2019. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on the preliminary announcement.

APPRECIATION

On behalf of the Board, the Chairman of the Company, Mr. Wang Kei Ming, would like to take this opportunity to extend his sincere appreciation to the shareholders, customers, subcontractors and suppliers for their continuous support, as well as the management team and the staff of the Group for their hard work and dedication.

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

Hong Kong, 27 June 2019

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.