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 2020

FINANCIAL HIGHLIGHTS

- Revenue was approximately HK$706.7 million for the year ended 31 March 2020, representing an increase of approximately 17.2% as compared with the same for the year ended 31 March 2019.
- Gross profit was approximately HK$91.9 million for the year ended 31 March 2020 representing a decrease of approximately 13.7% as compared with the same for the year ended 31 March 2019.
- Gross profit margin decreased from approximately 17.7% for the year ended 31 March 2019 to approximately 13.0% for the year ended 31 March 2020.
- Profit attributable to the owners of the Company was approximately HK$27.0 million for the year ended 31 March 2020, representing a decrease of approximately 37.8% as compared with the same for the year ended 31 March 2019.
- Basic earnings per share attributable to owners of the Company was approximately HK2.25 cents for the year ended 31 March 2020, and approximately HK3.61 cents for the year ended 31 March 2019.
- The Board proposed to recommend, at the forthcoming annual general meeting of the Company, the payment of a final dividend of HK0.449 cents per ordinary share, amounting to approximately HK$5.4 million for the year ended 31 March 2020.

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 2020, together with the comparative figures for the year ended 31 March 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

		2020	2019
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**706,680**	602,772
Direct costs		**(614,755)**	(496,314)
Gross profit		**91,925**	106,458
Other income, other gains and losses, net	*5*	**11,215**	7,075
Administration and other operating expenses		**(67,212)**	(58,427)
(Provision)/reversal of loss allowance on trade and other receivables and contract assets, net		**(241)**	2,845
Finance costs	*6*	**(2,725)**	(3,609)
Profit before tax	*7*	**32,962**	54,342
Income tax expense	*8*	**(6,032)**	(10,966)
Profit and total comprehensive income for the year		**26,930**	43,376
Profit and total comprehensive income for the year attributable to:			
– Owners of the Company		**26,967**	43,376
– Non-controlling interests		**(37)**	–
		26,930	43,376
		HK cents	*HK cents*
Earnings per share attributable to owners of the Company			
– Basic and diluted	*10*	**2.25**	3.61

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	**2020** **HK$'000**	2019 *HK$'000*
Non-current assets			
Property, plant and equipment		**74,304**	59,976
Right-of-use asset		**3,819**	–
Deposits and prepayments for life insurance policy		**3,896**	3,888
Club membership		**1,188**	1,188
Deferred tax assets		**388**	337
		83,595	65,389
Current assets			
Inventories		**1,849**	–
Trade and other receivables	*11*	**136,056**	86,285
Contract assets		**141,215**	110,217
Contract costs		**–**	1,739
Bank balances and cash		**65,663**	92,733
Current tax recoverable		**6,586**	10,636
		351,369	301,610
Total assets		**434,964**	366,999
Current liabilities			
Trade and other payables	*12*	**121,819**	90,853
Lease liabilities		**1,563**	–
Contract liabilities		**15,290**	–
Borrowings		**43,457**	54,676
Current tax liabilities		**3,486**	1,314
		185,615	146,843
Net current assets		**165,754**	154,767
Total assets less current liabilities		**249,349**	220,156
Non-current liabilities			
Deferred tax liabilities		**181**	126
Lease liabilities		**2,208**	–
		2,389	126
Net assets		**246,960**	220,030
Capital and reserves			
Share capital		**12,000**	12,000
Reserves		**234,997**	208,030
Equity attributable to owners of the Company		**246,997**	220,030
Non-controlling interests		**(37)**	–
		246,960	220,030

NOTES:

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands on 12 April 2016 as an exempted company with limited liability under the companies law of the Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 8 February 2017 (the "**Listing**"). Its parent company and ultimate holding company is Wang K M Limited, a company incorporated in the British Virgin Islands and is 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 16	*Leases*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2015-2017 Cycle*

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 16 *Leases*

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases*, and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 are as follows:

	HK$'000
Operating lease commitments disclosed as at 31 March 2019	511
Less: Practical expedient – leases with lease term ending within 12 months from the date of initial application	(511)
Lease liabilities as at 1 April 2019	–

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

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

HKFRS 17	*Insurance Contracts*[1]
Amendment to HKFRS 16	*COVID-19 Related Rent Concessions*[5]
Amendments to HKFRS 3	*Definition of a Business*[2]
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*[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[4]

[1] Effective for annual periods beginning on or after 1 January 2021.

[2] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

[3] Effective for annual periods beginning on or after a date to be determined.

[4] Effective for annual periods beginning on or after 1 January 2020.

[5] Effective for annual periods beginning on or after 1 June 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the *Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

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

4. REVENUE AND SEGMENT INFORMATION

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

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers		
– Provision of formwork erection and related ancillary services	**650,014**	588,980
– Provision of fit-out services	**56,666**	13,792
	706,680	602,772

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:

	2020	2019
	HK$'000	*HK$'000*
Customer A	**127,286**	177,316
Customer B	**136,447**	119,977
Customer C	**107,473**	104,582
Customer D	**N/A[1]**	91,555
Customer E	**–**	68,631
Customer F	**215,283**	N/A[1]
Customer G	**77,731**	N/A[1]

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

5. OTHER INCOME, OTHER GAINS AND LOSSES, NET

	2020	2019
	HK$'000	*HK$'000*
Other income		
Bank interest income	**117**	15
Interest income on deposits and prepayments for life insurance policy	**115**	114
Income from sale of scrap materials	**4,864**	3,216
Sundry income	**6,013**	3,738
	11,109	7,083
Other gains and losses, net		
Net foreign exchange loss	**(25)**	(4)
Gain/(loss) on written off or disposal of property, plant and equipment	**131**	(4)
	106	(8)
	11,215	7,075

6. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Interest on bank borrowings and overdrafts	**2,563**	3,609
Interest on lease liabilities	**162**	–
	2,725	3,609

7. PROFIT BEFORE TAX

	2020	2019
	HK$'000	*HK$'000*
Profit before tax has been arrived at after charging:		
Employee benefits expense *(Note (i))*		
Salaries and other benefits in kind	**90,431**	102,709
Discretionary bonuses	**11,031**	11,999
Contributions to retirement benefit scheme	**2,547**	2,930
Total employee benefits expense, including directors' emoluments	**104,009**	117,638
Amortisation of premium and other expenses charged on life insurance policy	**58**	55
Auditors' remuneration	**1,200**	1,200
Depreciation of property, plant and equipment *(Note (ii))*	**5,212**	3,755
Depreciation of right-of-use assets	**1,091**	–
Amortisation of contract costs	**1,739**	–
Short-term lease expense in respect of:		
– Land and buildings	**809**	–
– Plant and equipment	**20,356**	–
Operating lease rentals in respect of		
– Land and buildings	**–**	1,073
– Plant and equipment	**–**	16,362

Notes:

(i) During the years ended 31 March 2020 and 2019, total employee benefits expense amounting to approximately HK$59,705,000 and HK$78,782,000 respectively was included in direct costs and amounting to approximately HK$44,304,000 and HK$38,856,000 respectively was included in administration and other operating expenses.

(ii) During the years ended 31 March 2020 and 2019, depreciation of approximately HK$1,416,000 and Nil, respectively, was charged to direct costs and approximately HK$3,796,000 and HK$3,755,000, respectively, was charged to administration and other operating expenses.

8. INCOME TAX EXPENSE

	2020	2019
	HK$'000	*HK$'000*
Current income tax:		
– Hong Kong Profits Tax	**6,100**	10,218
Adjustment in respect of prior years	**(72)**	248
Total current income tax	**6,028**	10,466
Deferred tax	**4**	500
Total income tax expense recognised in profit or loss	**6,032**	10,966

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

Accordingly, the Hong Kong Profits Tax for one of the subsidiaries of the Company is calculated at 8.25% on the first HK$2,000,000 of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2,000,000. Hong Kong Profits Tax for other subsidiaries is calculated at 16.5% of the estimated assessable profits arising in or derived from Hong Kong for the years ended 31 March 2020 and 2019.

9. DIVIDEND

On 26 June 2020, a final dividend of HK0.449 cents per ordinary share in respect of the year ended 31 March 2020, amounting to approximately HK$5.4 million has been proposed by the Board. The final dividend is subject to approval by the shareholders of the Company in the forthcoming annual general meeting (2019: Nil).

10. EARNINGS PER SHARE

	2020	2019
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**26,967**	43,376

	2020	2019
	'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 2020 and 2019.

11. TRADE AND OTHER RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**110,565**	81,976
Less: loss allowance for trade receivables	**(578)**	(407)
	109,987	81,569
Deposits and other receivables	**1,271**	841
Prepayments	**24,825**	3,884
Less: loss allowance for deposits and other receivables	**(27)**	(9)
	136,056	86,285

The Group allows a credit period ranging from 7 to 45 days (2019: 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:

	2020	2019
	HK$'000	*HK$'000*
0 – 30 days	**81,354**	44,769
31 – 60 days	**26,187**	30,024
61 – 90 days	**3,004**	7,011
91 – 180 days	**–**	–
Over 180 days	**20**	172
	110,565	81,976

12. TRADE AND OTHER PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade payables	**39,486**	33,470
Bills payables	**16,518**	18,748
Retention payables	**11,564**	7,413
Other payables and accruals	**54,251**	31,222
	121,819	90,853

The credit period on trade payables is generally 30 to 60 days (2019: 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:

	2020	2019
	HK$'000	*HK$'000*
0 – 30 days	**19,109**	17,460
31 – 60 days	**10,505**	3,626
61 – 90 days	**4,568**	7,572
91 – 180 days	**4,329**	4,172
Over 180 days	**975**	640
	39,486	33,470

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 25 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.

Business Review

The Group's overall revenue for the year ended 31 March 2020 (the "**Financial Year 2020**") amounted to approximately HK$706.7 million, representing an increase of approximately 17.2% or HK$103.9 million as compared with that of approximately HK$602.8 million for the year ended 31 March 2019 (the "**Financial Year 2019**"). For the Financial Year 2020, the Group recorded profit and total comprehensive income of approximately HK$26.9 million as compared to approximately HK$43.4 million for the Financial Year 2019.

(i) The increase in revenue was mainly attributable to several formwork building projects completed during the Financial Year 2020. Meanwhile the Group's major formwork civil engineering project for the construction of the Exhibition Station & Western Approach Tunnel (the "**SCL1123 Project**") and the Group's major formwork building projects for the construction of Tai Wai Station property development (the "**Tai Wai Projects**") were in full swing during the Financial Year 2020;

(ii) Despite the increase in revenue, the gross profit has declined due to increase in the proportion of revenue recognised during the year from formwork building projects, which generally yield lower gross profit margin as compared with formwork civil engineering project. The average lower gross profit margins of certain newly awarded formwork building projects during the Financial Year 2020 was a result of the increase in competition in the construction market.

During the Financial Year 2020, the Group secured seven new contracts with total contract value of approximately HK$524.4 million, representing an increase of approximately 41.3% compared to that of approximately HK$371.1 million in the Financial Year 2019, all of these projects started contributing revenue to the Group during the Financial Year 2020, out of which one of the projects were completed. As at 31 March 2020, the Group has a total of eleven projects on hand with the estimated total outstanding value of approximately HK$629.8 million, representing an increase of approximately 2.3% as compared with the estimated total outstanding value of approximately HK$615.5 million for the Financial Year 2019. Subsequent to the Financial Year 2020 and as at the date of this announcement, the Group further secured a new formwork contract of L2 Contract for the Lyric Theatre Complex (LTC) and extended basement at West Kowloon Cultural District with total contract value of approximately HK$145.0 million, a lift interior fit-out work and durlum eggcrate ceilings system works in RDE Building at M+ Museum of approximately HK$1.5 million and approximately HK$2.0 million respectively. With these 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 2017-2018			
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 2018-2019			
M+ Museum project	Sub-contractor	ABWF Works in RDE Building of M+ Museum	Work-in-progress
J3699 The Fullerton Ocean Park Hotel Hong Kong (below Podium RC Structure – Pile Cap to 5/F.,)	Sub-contractor	System Formwork	Work-in-progress
14105-08 Tai Wai Station property development project (Zone A skirting, platform & tower T1-3)	Sub-contractor	Formwork	Work-in-progress
Year 2019-2020			
CC2017-3A-030/SC1128 L1 Works for Lyric Theatre Complex and the Extended Basement project for WKCDA	Sub-contractor	Formwork	Work-in-progress
Pak Tin Estate Phase 7 & 8	Sub-contractor	External walls grinding works & unplastered masonry wall	Work-in-progress
18102 Skycity Commercial Development, site A3(B3-L1)	Sub-contractor	Formwork	Work-in-progress
C17104-0018 Cheung Shun Street property development project (Pile Cap and B3 Slab Carcase Works)	Sub-contractor	Formwork	Work-in-progress
J3828 Development of IE 2.0 Project C Advance Manufacturing Centre (the "**AMC**") at Tseung Kwan O Industrial Estate	Sub-contractor	System Formwork	Work-in-progress
J3699 The Fullerton Ocean Park Hotel (6/F.,-TR/F.,)	Sub-contractor	System Formwork	Work-in-progress

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately HK$103.9 million, or 17.2%, from approximately HK$602.8 million for the Financial Year 2019 to approximately HK$706.7 million for the Financial Year 2020. Such increase was mainly attributable to higher revenue from the Group's major formwork civil engineering project for the construction of the SCL1123 Project and the Group's major formwork building projects for the construction of Tai Wai Projects which made significant progresses.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately HK$14.6 million, or 13.7%, from approximately HK$106.5 million for the Financial Year 2019 to approximately HK$91.9 million for the Financial Year 2020. The decrease in gross profit was mainly due to higher proportion of the Group's revenue was generated from formwork building projects, which generally yields average lower gross profit margin due to higher competition as compared with formwork civil engineering projects.

The Group's gross profit margin decreased from approximately 17.7% for the Financial Year 2019 to approximately 13.0% for the Financial Year 2020, the gross profit margin has declined due to decrease in the proportion of revenue recognised during the year from the completion of M+ Museum formwork building project which had relatively higher gross profit margin as compared with the Financial Year 2019, whereas the Tai Wai Projects and certain newly awarded formwork building projects yields a lower gross profit margins during the Financial Year 2020.

Administration and other operating expenses

The Group's administration and other operating expenses primarily comprise of staff costs (including directors' remuneration), depreciation, office expenses and professional charges. The Group's administration and other operating expenses increased by approximately HK$8.8 million or 15.0%, from approximately HK$58.4 million for the Financial Year 2019 to approximately HK$67.2 million for the Financial Year 2020, which was primarily attributable to the increase in legal and professional fees incurred for an arbitration.

Finance costs

The Group's finance costs decreased by approximately HK$0.9 million or 24.5% from approximately HK$3.6 million for the Financial Year 2019 to approximately HK$2.7 million for the Financial Year 2020, primarily due to the decrease in average amount of bank and other borrowings and the decrease in average interest rate of bank borrowings.

Income tax expense

Income tax expense decreased by approximately HK$5.0 million or 45.0% from approximately HK$11.0 million for the Financial Year 2019 to approximately HK$6.0 million for the Financial Year 2020 primarily due to the decrease in profit before tax for the Financial Year 2020.

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

Profit and total comprehensive income attributable to owners of the Company decreased by approximately HK$16.4 million or 37.8% from approximately HK$43.4 million for the Financial Year 2019 as compared to approximately HK$27.0 million for the Financial Year 2020. The net profit margin decreased by approximately 3.4 percentage points from approximately 7.2% for the Financial Year 2019 to approximately 3.8% for the Financial Year 2020.

USE OF PROCEEDS

The net proceeds from the Listing have been and will be utilised in accordance with the proposed applications set out in the section "Future Plans and Use of Proceeds" of the prospectus of the Company 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 2020

	Planned use of net proceeds as stated in the Prospectus *HK$'000*	Actual use of net proceeds up to 31 March 2020 *HK$'000*	Unutilised balance as at 31 March 2020 *HK$'000*
Funding the initial costs for an existing formworks project located in Yau Tsim Mong District	27,433	27,433	0
Used for acquisition of office premises	41,101	41,101	0
Used for the investment in the new information system	10,102	6,863	3,239
Used for repayment part of the outstanding bank borrowings and finance leases of the Group	10,399	10,399	0
Used as general working capital	9,607	9,607	0
	98,642	95,403	3,239

For information systems, the Company have implemented its building information modelling ("**BIM**") adoption and the Group's human resources management system upgrading projects, however, as workflow and programing design and training were all time consuming, they require longer time to complete phase by phase. Due to lack of standards and common demands from client in relation to BIM adoption in Hong Kong, the Company has used extended time to identify the suitable BIM platform for subcontractors and system vendors. The Company is currently in the progress of negotiation with BIM system vendors and seeking for a proposal which can satisfy the Company's needs. Therefore, the Company expects the unutilised amount of net proceeds shall be used during the year ended 31 March 2021.

The unutilised amount of the net proceeds from the Listing of approximately HK$3.2 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 downturn in Hong Kong economy caused by the uncertainties due to the continuing US-China trade frictions, the social unrest in Hong Kong since mid of 2019 and the COVID-19 pandemic since early 2020.

Upon taking into account the expansionary fiscal policy adopted by HKSAR Government which has committed to launch infrastructure projects to counteract economic downturn, the prospects for the construction industry will remain stable in the medium to long term. The Group's management observed there has been increasingly severe competitions in tendering for construction projects. However, as a reputable longstanding subcontractor in the formwork erection industry in Hong Kong with 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, allocate internal resources in a reasonable manner 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 2020	As at 31 March 2019
Current ratio[1]	**1.9**	2.1
Gearing ratio[2]	**19.1%**	24.8%
Debt to equity ratio[3]	**N/A**	N/A
Interest coverage[4]	**13.1 times**	16.1 times

Notes:

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

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

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

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

Current ratio was 1.9 and 2.1 as at 31 March 2020 and 31 March 2019 respectively. Debt to equity ratio figures as at 31 March 2020 and 31 March 2019 represents that the Company was in a net cash position. Interest coverage decreased from 16.1 times for the Financial Year 2019 to 13.1 times for the Financial Year 2020, mainly due to the decrease in profit before interest and taxation.

As at 31 March 2020, the capital structure of the Group consisted of total equity attributable to owners of the Company of approximately HK$247.0 million (31 March 2019: approximately HK$220.0 million) and interest-bearing debts of approximately HK$47.2 million (31 March 2019: approximately HK$54.7 million).

The Group adopts a prudent approach to cash management. Apart from certain debts including bank loans, the Group did not have any material outstanding debts as at 31 March 2020. The Group maintains a variety of credit facilities to meet requirements for working capital. Payment to settle trade payables and wages represented the significant part of the cash outflow of the Group. As at 31 March 2020, the Group has available banking facilities of approximately HK$153.5 million (31 March 2019: approximately HK$143.2 million), of which the unutilised and unrestricted banking facilities amounted to approximately HK$103.5 million (31 March 2019: approximately HK$69.8 million).

As at 31 March 2020, total borrowings decreased from approximately HK$54.7 million to approximately HK$43.5 million with the maturity profile summarised as follows:

	2020	2019
	HK$'000	*HK$'000*
Within one year	**28,258**	34,744
in the second year	**676**	4,775
In the third to fifth year inclusive	**2,198**	2,160
Over five years	**12,325**	12,997
Classified under:		
Current liabilities	**43,457**	54,676
Non-current liabilities	**–**	–

Notes:

As at 31 March 2020, 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$15.2 million (31 March 2019: approximately HK$19.9 million) have been classified as current liabilities together with bank loans balances with maturity repayable within one year.

RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Commencing from 1 April 2019, the Group adopted a new accounting standard for leases (HKFRS 16), resulting in the recognition of lease liabilities of approximately HK$4.9 million at inception of a lease contract. The corresponding assets are shown as right-of-use assets on the consolidated statement of financial position.

The adoption of HKFRS 16 has resulted in increased depreciation and finance costs, offset by a reduction in operating lease rental. During the Financial Year 2020, the Group's depreciation of right-of-use assets amounted to approximately HK$1.1 million and interest on lease liabilities amounted to approximately HK$0.2 million.

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.

GEARING RATIO

As at 31 March 2020, the gearing ratio, calculated based on the total interest bearing borrowings and lease liabilities divided by total equity attributable to owners of the Company, was approximately 19.1% (31 March 2019: approximately 24.8%). Such decrease was mainly due to the decrease in bank borrowings for financing on-going projects.

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

CAPITAL COMMITMENTS

As at 31 March 2020, the Group had capital commitments of approximately HK$Nil (31 March 2019: approximately HK$130,000 contracted but not provided for the acquisition of property, plant and equipment).

PLEDGE OF ASSETS

As at 31 March 2020, the Group's bank borrowings and general banking facilities were secured by the office premise with an aggregate net carrying value of approximately HK$44.0 million (31 March 2019: HK$45.4 million).

As at 31 March 2020, the Group had pledged to bank an assignment of project proceeds from one construction contracts of the Group as security of the Group banking facilities.

As at 31 March 2020, the Group had a restricted time-deposit of approximately HK$3.0 million (31 March 2019: HK$3.0 million) charging to a bank to secure general banking facilities granted to the Group.

As at 31 March 2020, the Group had a deed of charge for unlimited amount securing moneys due in respect of a factoring agreement with a bank for one construction contract.

As at 31 March 2020, the Group had charge over account with certain banks for general banking facilities.

THE RISK ON THE OPERATION AFFECTED BY THE COVID-19 PANDEMIC

Since early 2020, the outbreak of the COVID-19 pandemic has affected Hong Kong and countries worldwide and as of the date of this announcement, and the battle for the prevention and control of the COVID-19 pandemic is still on-going. The World Health Organization declared that the COVID-19 pandemic has become a public emergency of international concern. In the event that the COVID-19 pandemic continues, there exists an uncertainty of its impacts on the operation of the Group.

At present, the Group's business operations have restored to normal. The Group's management will continue to closely monitor the situation of the COVID-19 pandemic, assess its impacts on the Group in areas such as financial position and operating results, and will continue to enforce strictly the prevention and control measures to protect the safety of employees in accordance with the HKSAR government and World Health Organisation's epidemic prevention and control requirements. In the meantime, we will continue our best efforts to ensure the smooth execution of operation and management procedures for the stable operation of the Group, and also to satisfy the needs of our customers, in order to minimize the impact of the COVID-19 pandemic on the Group.

FOREIGN CURRENCY EXPOSURE

The Group's borrowings, time deposits and bank balances are principally denominated in Hong Kong dollars ("**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 ("**US$**"), the management considers that there is no significant foreign exchange risk with respect to HK$. Therefore, the Group had not employed any financial instrument for hedging. The management monitors the exposure to foreign exchange risks and will consider hedging significant foreign currency exposure should and when appropriate.

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

There were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the Financial Year 2020. Save as disclosed herein, there was no other plan for material investments or capital assets as at 31 March 2020.

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 (2019: Nil).

ARBITRATION

As reported in the annual report for the Financial Year 2019 (the "**Annual Report 2019**"), Ming Tai Construction Engineering Company Limited, an indirect wholly-owned subsidiary of the Company (the "**Applicant**") has initiated an arbitration (the "**Arbitration**") on 5 March 2019 against Laing O'Rourke-Hsin Chong-Paul Y. Joint Venture (the "**Respondent**").

During the Financial Year 2020, the Applicant has filed its statement of claim in December 2019 and the Respondent has subsequently filed a request for further and better particulars of the statement of claims in February 2020. Due to the outbreak of COVID-19 pandemic, it has led to delay and complications in the work progress among the parties, and an extension for the statement of defence and counterclaim is required. Subsequent to the reporting period, a case management conference has been agreed to be held in July 2020 to ensure efficient conduct of the Arbitration proceedings.

Up to the date of this announcement, as the Arbitration proceeding has not been commenced, and the statement of defence and counterclaim from the Respondent has not been filed, the effects of the Arbitration on the Group cannot be fully assessed at this moment. Further announcement will be made by the Company in the event of any material development regarding the Arbitration if appropriate in due course.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2020, the Group had 88 full-time employees (31 March 2019: 90 full-time employees). The Group offers competitive remuneration package that is mainly based on industry practices and individual performance and experience. Remuneration package comprised salary, a performance-based bonus and Mandatory Provident Funds contributions. Other forms of benefits such as staff medical and training programs are also provided. Employee bonus is distributable 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 funds contributions) for the Financial Year 2020 amounted to approximately HK$44.3 million (2019: HK$38.9 million).

EVENT AFTER THE REPORTING PERIOD

New project awarded

The Board is pleased to announce that, subsequent to 31 March 2020, the Group has been awarded a formwork subcontract of L2 Contract for the Lyric Theatre Complex (LTC) and extended basement at West Kowloon Cultural District with total contract value of approximately HK$145.0 million, a lift interior fit-out work and the durlum eggcrate ceilings system works in RDE Building at M+ Museum of approximately HK$1.5 million and approximately HK$2.0 million respectively.

Since the outbreak of COVID-19 pandemic in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by the COVID-19 pandemic and will continue to evaluate its impact on the Group. Given the dynamic nature of the COVID-19 pandemic, it is not practicable to provide a quantitative estimate of the potential impact of this outbreak on the Group.

Save as disclosed above, the Board is not aware of any significant events requiring disclosure that have taken place subsequent to 31 March 2020 and up to the date of this announcement.

SEGMENT INFORMATION

Save as disclosed in note 4 in this announcement, the Group's business was regarded as a single operating segment and the Group had no geographical segment information presented as at 31 March 2020 and for the Financial Year 2020.

RESULTS AND DIVIDEND

The results of the Group for the Financial Year 2020 and the state of affairs of the Company and the Group as at 31 March 2020 are set out in the consolidated statement of profit or loss and other comprehensive income in this announcement.

The Board of Directors proposed of a final dividend of HK0.449 cents per ordinary share of the Company in respect of the Financial Year 2020, amounting to approximately HK$5.4 million. The final dividend is subject to approval by the shareholders of the Company in the forthcoming annual general meeting, being the first cash dividend payment since the listing of the Group.

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 2020.

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 2020 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and made available on the above websites in due course.

CORPORATE GOVERNANCE PRACTICE

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

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

In the opinion of the Board, during the Financial Year 2020, the Company has fully complied with all the applicable code provisions set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry with the Directors, all Directors have fully complied with the required standards set out in the Model Code and there was no event of non-compliance during the Financial Year 2020.

CLOSURE OF REGISTER OF MEMBER

The forthcoming annual general meeting is scheduled to be held on Friday, 18 September 2020 (the "**2020 AGM**"). For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 15 September 2020 to Friday, 18 September 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the share registrar of the company in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 14 September 2020.

In order to qualify for the entitlement to the proposed final dividend, the register of members of the Company will also be closed from Thursday, 24 September 2020 to Monday, 28 September 2020, both days inclusive, during which period no transfer of shares in the Company will be registered. All transfer of shares, accompanied by the relevant share certificates, must be lodged with the share registrar of the Company in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 23 September 2020. If the resolution of the proposed final dividend is passed at the 2020 AGM, the proposed final dividend will be payable to shareholders whose names appear on the register of members of the Company on Monday, 28 September 2020. The proposed final dividend is expected to be paid on or before Wednesday, 21 October 2020.

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

REVIEW OF THIS ANNUAL RESULTS ANNOUNCEMENT

The Audit Committee has reviewed the accounting principles adopted by the Group and the consolidated financial statements as the final results announcement of the Group for the Financial Year 2020.

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 2020 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 2020. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on the preliminary announcement.

APPRECIATION

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

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

Hong Kong, 26 June 2020

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