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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 2022

FINANCIAL HIGHLIGHTS

- Revenue was approximately HK\$470.4 million for the year ended 31 March 2022, representing a decrease of approximately 45.9% as compared with the same for the year ended 31 March 2021.
- Gross profit was approximately HK\$69.7 million for the year ended 31 March 2022, representing an increase of approximately 5.4% as compared with the same for the year ended 31 March 2021.
- Gross profit margin increased from approximately 7.6% for the year ended 31 March 2021 to approximately 14.8% for the year ended 31 March 2022.
- Profit attributable to the owners of the Company was approximately HK\$6.8 million for the year ended 31 March 2022, representing a decrease of approximately 81.7% as compared with the same for the year ended 31 March 2021.
- Basic earnings per share attributable to owners of the Company was approximately HK0.56 cents for the year ended 31 March 2022, and approximately HK3.09 cents for the year ended 31 March 2021.
- The Board does not recommend the payment of any final dividend for the year ended 31 March 2022.

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 2022, together with the comparative figures for the year ended 31 March 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	4	470,420	870,204
Direct costs		(400,672)	(804,055)
Gross profit		69,748	66,149
Other income, other gains and losses, net	5	7,580	49,649
Administration and other operating expenses		(65,385)	(75,584)
(Provision)/reversal of loss allowance on trade and other receivables and contract assets, net		(468)	468
Finance costs	6	(1,221)	(2,040)
Profit before tax	7	10,254	38,642
Income tax expense	8	(3,488)	(1,535)
Profit and total comprehensive income for the year		<u>6,766</u>	<u>37,107</u>
Profit and total comprehensive income for the year attributable to:			
– Owners of the Company		6,778	37,113
– Non-controlling interests		(12)	(6)
		<u>6,766</u>	<u>37,107</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share attributable to owners of the Company			
– Basic and diluted	10	<u>0.56</u>	<u>3.09</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		41,187	46,301
Right-of-use assets		37,390	35,898
Club membership		1,188	1,188
Deferred tax assets		344	284
		<hr/> 80,109	<hr/> 83,671
 Current assets			
Inventories		2,034	–
Trade and other receivables	<i>11</i>	52,062	80,407
Contract assets		210,479	195,285
Bank balances and cash		70,532	85,873
Current tax recoverable		497	4
		<hr/> 335,604	<hr/> 361,569
 Total assets		<hr/> 415,713	<hr/> 445,240
 Current liabilities			
Trade and other payables	<i>12</i>	91,731	118,447
Lease liabilities		196	280
Borrowings		34,513	42,734
Current tax liabilities		3,696	4,801
		<hr/> 130,136	<hr/> 166,262

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net current assets	<u>205,468</u>	<u>195,307</u>
Total assets less current liabilities	<u>285,577</u>	<u>278,978</u>
Non-current liabilities		
Deferred tax liabilities	132	103
Lease liabilities	<u>–</u>	<u>196</u>
	<u>132</u>	<u>299</u>
Net assets	<u><u>285,445</u></u>	<u><u>278,679</u></u>
Capital and reserves		
Share capital	12,000	12,000
Reserves	<u>273,500</u>	<u>266,722</u>
Equity attributable to owners of the Company	285,500	278,722
Non-controlling interests	<u>(55)</u>	<u>(43)</u>
	<u><u>285,445</u></u>	<u><u>278,679</u></u>

NOTES:

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands on 12 April 2016 as an exempted company with limited liability under the companies law of the Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 8 February 2017 (the “**Listing**”). Its parent company and ultimate holding company is Wang K M Limited, a company incorporated in the British Virgin Islands and is owned as to 50% by Mr. Wang Kei Ming, an executive Director, and 50% by Ms. Chao Lai Heng, spouse of Mr. Wang Kei Ming.

The addresses of the registered office and the principal place of business of the Company are Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and Unit A, 22nd Floor, T G Place, 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong, respectively.

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

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

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

2. CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform-Phase 2</i>
Amendments to HKFRS 16	<i>Covid-19 Related Rent Concessions beyond 30 June 2021</i>

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

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

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

HKFRS 17	Insurance Contracts and the related Amendments ²
Amendments to HKFRS 3	Reference to the Conceptual Framework 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	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ¹

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

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

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

4. REVENUE AND SEGMENT INFORMATION

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers		
– Provision of formwork erection and related ancillary services	451,420	828,938
– Provision of fit-out services	19,000	41,266
	<u>470,420</u>	<u>870,204</u>

Geographical information

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

Information about major customers

Revenue from customers contributing over 10% of the Group's total revenue during the years ended 31 March 2022 and 2021 are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A	167,494	377,885
Customer B	85,630	110,503
Customer C	64,850	N/A ¹
Customer D	N/A ¹	225,501

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

5. OTHER INCOME, OTHER GAINS AND LOSSES, NET

	2022	2021
	HK\$'000	HK\$'000
Other income		
Bank interest income	9	53
Interest income on deposits and prepayments for life insurance policy	–	120
Income from sale of scrap materials	4,008	4,514
Government grants (<i>Note</i>)	–	36,520
Sundry income	<u>3,563</u>	<u>8,944</u>
	<u>7,580</u>	<u>50,151</u>
Other gains and losses, net		
Net foreign exchange gain	–	8
Loss on written off or disposal of property, plant and equipment	–	(305)
Loss on surrender of life insurance policy	–	(188)
Loss on early termination of lease	<u>–</u>	<u>(17)</u>
	<u>–</u>	<u>(502)</u>
	<u>7,580</u>	<u>49,649</u>

Note:

During the year ended 31 March 2021, government grants received from Government's Anti-epidemic Fund (the "AEF") subsidies for employer in construction sector, Employment Support Scheme (the "ESS") and a one-off non-accountable subsidy of each goods vehicle of approximately HK\$31,164,000, HK\$5,286,000 and HK\$70,000 respectively.

6. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on bank borrowings	1,201	1,907
Interest on lease liabilities	<u>20</u>	<u>133</u>
	<u>1,221</u>	<u>2,040</u>

7. PROFIT BEFORE TAX

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit before tax has been arrived at after charging:		
Employee benefits expense (<i>Note (i)</i>):		
Salaries and other benefits in kind	77,789	106,820
Discretionary bonuses	6,543	7,023
Contributions to retirement benefit scheme	<u>2,133</u>	<u>3,307</u>
Total employee benefits expense, including Directors' emoluments	<u>86,465</u>	<u>117,150</u>
Amortisation of premium and other expenses charged on		
life insurance policy	–	63
Auditors' remuneration	822	1,200
Depreciation of property, plant and equipment (<i>Note (ii)</i>)	9,344	8,901
Depreciation of right-of-use assets (<i>Note (iii)</i>)	1,674	2,944
Short-term lease expenses in respect of:		
– Land and buildings	4,465	94
– Plant and equipment	<u>12,803</u>	<u>27,319</u>

Notes:

- (i) During the year ended 31 March 2022, total employee benefits expense amounting to approximately HK\$43,793,000 (2021: approximately HK\$69,699,000), was included in direct costs and amounting to approximately HK\$42,672,000 (2021: approximately HK\$47,451,000), was included in administration and other operating expenses.
- (ii) During the year ended 31 March 2022, depreciation of property, plant and equipment of approximately HK\$6,135,000 (2021: approximately HK\$5,145,000), was charged to direct costs and approximately HK\$3,209,000 (2021: approximately HK\$3,756,000), was charged to administration and other operating expenses.
- (iii) During the year ended 31 March 2022, depreciation of right-of-use assets of approximately HK\$Nil (2021: approximately HK\$1,500,000), was charged to direct costs and approximately HK\$1,674,000 (2021: approximately HK\$1,444,000), was charged to administration and other operating expenses.

8. INCOME TAX EXPENSE

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax:		
– Hong Kong Profits Tax	3,442	1,514
Adjustment in respect of prior years	<u>–</u>	<u>(5)</u>
Total current income tax	3,442	1,509
Deferred tax	<u>46</u>	<u>26</u>
Total income tax expense recognised in profit or loss	<u>3,488</u>	<u>1,535</u>

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

Accordingly, the Hong Kong Profits Tax for one of the subsidiaries of the Company is calculated at 8.25% on the first HK\$2,000,000 of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2,000,000. Hong Kong Profits Tax for other subsidiaries is calculated at 16.5% of the estimated assessable profits arising in or derived from Hong Kong for the years ended 31 March 2022 and 2021.

9. DIVIDEND

No dividend was proposed by the Board for the year ended 31 March 2022 (2021: Nil).

10. EARNINGS PER SHARE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Earnings		
Profit for the year attributable to owners of the Company		
for the purpose of basic earnings per share	<u>6,778</u>	<u>37,113</u>
	2022	2021
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of		
basic earnings per share	<u>1,200,000</u>	<u>1,200,000</u>

The diluted earnings per share is equal to the basic earnings per share as there is no potential ordinary share in issue during the years ended 31 March 2022 and 2021.

11. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	38,825	78,100
Less: loss allowance for trade receivables	<u>(89)</u>	<u>(126)</u>
	38,736	77,974
Deposits and other receivables	1,504	1,212
Prepayments	11,857	1,235
Less: loss allowance for deposits and other receivables	<u>(35)</u>	<u>(14)</u>
	<u>52,062</u>	<u>80,407</u>

The Group allows a credit period ranging from 7 to 45 days (2021: 7 to 45 days) to its customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management of the Group.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 – 30 days	30,368	43,685
31 – 60 days	6,929	18,507
61 – 90 days	1,528	15,750
Over 180 days	<u>–</u>	<u>158</u>
	<u>38,825</u>	<u>78,100</u>

12. TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	28,299	33,236
Bills payables	23,046	18,840
Retention payables	7,856	9,784
Other payables and accruals	32,530	56,587
	<u>91,731</u>	<u>118,447</u>

The credit period on trade payables is generally 30 to 60 days (2021: 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 – 30 days	17,766	23,452
31 – 60 days	5,870	7,084
61 – 90 days	4,036	556
91 – 180 days	599	1,293
Over 180 days	28	851
	<u>28,299</u>	<u>33,236</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The Group is a major subcontractor specialising in providing formwork works as well as related ancillary services in Hong Kong. In addition, the Group is also specialised in erection of concrete precast component works and scaffolding works on the basis of selected contractors' projects. The Group started its formwork business since 1994 and has accumulated more than 27 years experience in the provision of its services in Hong Kong. The Group actively undertakes large-scale formwork erection projects for building construction and civil engineering works. The direct customers of the Group are main contractors of building construction and civil engineering projects while the ultimate customers are owners of the projects, which include the Hong Kong Government (the “**Government**”), public transport operators, Airport Authority and property developers.

The subsidiary company of the Group has been registered as group 2 Registered Specialist Trade Contractors (the “**RSTCs**”) under “S02-Concreting Formwork” and “S05-Erection of Concrete Precast Component” and “S06-Scaffolding” categories with confirmed status and are qualified to tender for the contracts/subcontracts of the designated trades under public works of unlimited value since 1 October 2020.

Business Review

The outbreak of the COVID-19 pandemic has brought upon unprecedented challenges to the construction industry, and with it, challenges to the Group's business performance during the year. During the year ended 31 March 2022 (the “**Financial Year 2022**”), due to coronavirus restrictions, the logistics of moving goods between Hong Kong and China become increasingly time consuming and expensive, resulting in a significant increase in the cost of key construction materials (such as steel, metal and aluminum profiles).

The fifth wave of the COVID-19 pandemic brought about a fresh wave of challenges. The Group has responded by fully implementing compulsory testing and precautionary measures as well as encouraging all employees and construction site workers to get vaccinated according to the Vaccine Pass requirement since February 2022 to protect the health and safety of our employees against the infection of COVID-19 as well as to ensure on-going projects of the Group were progressing as planned. After Hong Kong's third dose vaccination rate reached 50% in May 2022, the epidemic situation in Hong Kong has stabilised and remained under control. In the meantime, the Government has introduced a new round of the Employment Support Scheme under the AEF, which enabled the Hong Kong construction industry to become more resilient during the fifth wave pandemic.

The Group's overall revenue for the Financial Year 2022 amounted to approximately HK\$470.4 million, representing a decrease of approximately 45.9% or HK\$399.8 million as compared with that of approximately HK\$870.2 million for the year ended 31 March 2021 (the "**Financial Year 2021**"). For the Financial Year 2022, the Group recorded profit and total comprehensive income of approximately HK\$6.8 million as compared to approximately HK\$37.1 million for the Financial Year 2021.

The decrease in revenue was primarily attributable to the implementation of preventive measures in our construction sites as a result of the COVID-19 pandemic which negatively affected the efficiency and productivity rate of our ongoing projects. Additionally, the COVID-19 pandemic has continued to pose challenges to the construction of the Third Runway System (the "**3RS**") at Hong Kong International Airport ("**HKIA**"). As a result, the Group's major subcontract for formwork and concrete works at Third Runway Concourse Foundation and Substructure works at HKIA has delayed its commencement for over a year to the fourth quarter of the Financial Year 2022. Notwithstanding these ongoing challenges, the Airport Authority Hong Kong has been maintaining the construction progress of the 3RS, while continuing to implement plans to meet its target to complete the construction of the 3RS in 2024 as planned.

The decrease in profit was primarily attributable to a decrease in other income for the Financial Year 2022 as a result of the absence of non-recurring government subsidies of approximately HK\$36.5 million received for the Financial Year 2021 under the ESS and AEF subsidies for employer in the construction sector.

During the Financial Year 2022, the Group secured ten new contracts with total contract value of approximately HK\$153.5 million, representing a decrease of approximately 80.6% compared to that of approximately HK\$791.1 million in the Financial Year 2021. Eight of these projects have started contributing revenue to the Group during the Financial Year 2022. As at 31 March 2022, we had a total of ten projects on hand with the estimated total outstanding value of approximately HK\$789.5 million for the Financial Year 2022, representing a decrease of approximately 8.4% as compared with approximately HK\$861.5 million for the Financial Year 2021. These contracts are expected to be completed in around one to three years.

Year of award/project	Role	Nature of contract	Status
Year 2019-2020			
18102 Skycity Commercial Development, site A3(B3-L1)	Sub-contractor	Formwork	Work-in-progress
Year 2020-2021			
J13788-1089 L2 Lyric Theatre Complex	Sub-contractor	Formwork	Work-in-progress
C40232-1104923 KTIL240, 98 How Ming Street	Sub-contractor	Formwork	Work-in-progress
C2-227 YW20296 Po Shan Road 23	Sub-contractor	Formwork	Substantially completed
C17101 King Lam Street Commercial Development	Sub-contractor	Formwork	Work-in-progress
AA3405-CRBC-SC-008 3rd Runway Concourse at Hong Kong International Airport	Sub-contractor	Formwork and concrete	Work-in-progress
Year 2021-2022			
Improvement works of residential development at TMTL 542	Sub-contractor	Formwork	Work-in-progress
BC01-3rd Runway 3408 Formwork	Sub-contractor	Formwork	Work-in-progress
BC02-3rd Runway 3408 Scaffolding	Sub-contractor	Scaffolding	Work-in-progress
C21104-0036 Tai Wai Station property development project (Tower T1-8)	Sub-contractor	Formwork	In preparation

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately HK\$399.8 million, or 45.9%, from approximately HK\$870.2 million for the Financial Year 2021 to approximately HK\$470.4 million for the Financial Year 2022. Such decrease was primarily due to the outbreak of COVID-19 which led to the delay in the commencement of the Group's major subcontract of 3RS at HKIA.

Gross profit and gross profit margin

The Group's gross profit increased by approximately HK\$3.6 million, or 5.4%, from approximately HK\$66.1 million for the Financial Year 2021 to approximately HK\$69.7 million for the Financial Year 2022. The Group's gross profit margin also increased from approximately 7.6% for the Financial Year 2021 to approximately 14.8% for the Financial Year 2022.

Such increase was mainly attributable to certain completed formwork building projects with averagely lower gross profit margins for the Financial Year 2021 when compared with the new projects commenced for the Financial Year 2022.

Administration and other operating expenses

The Group's administration and other operating expenses primarily comprise of staff costs (including Directors' remuneration), depreciation, office expenses and professional charges. The Group's administration and other operating expenses decreased by approximately HK\$10.2 million or 13.5%, from approximately HK\$75.6 million for the Financial Year 2021 to approximately HK\$65.4 million for the Financial Year 2022, primarily due to the decrease in legal and professional fees and Director's remuneration.

Finance costs

The Group's finance costs decreased by approximately HK\$0.8 million or 40.1% from approximately HK\$2.0 million for the Financial Year 2021 to approximately HK\$1.2 million for the Financial Year 2022, primarily due to the decrease in average amount of bank and other borrowings.

Income tax expense

The Group's income tax expense increased by approximately HK\$2.0 million from approximately HK\$1.5 million for the Financial Year 2021 to approximately HK\$3.5 million for the Financial Year 2022 primarily due to the non-recurring tax exemption on other income in respect of ESS and AEF subsidies for the Financial Year 2021. The effective tax rate for the Financial Year 2022 was approximately 34.0% compared to that of approximately 4.0% for the Financial Year 2021.

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\$30.3 million or 81.7% from approximately HK\$37.1 million for the Financial Year 2021 to approximately HK\$6.8 million for the Financial Year 2022. The net profit margin also decreased by approximately 2.9% from approximately 4.3% for the Financial Year 2021 to approximately 1.4% for the Financial Year 2022.

Such decrease was primarily attributable to a decrease in other income for the Financial Year 2022 as a result of the absence of non-recurring government subsidies of approximately HK\$36.5 million received under the ESS and AEF. If the effect of the ESS and AEF subsidies is excluded, the adjusted net profit margin for the Financial Year 2022 would be 1.4% as compared to 0.1% for the Financial Year 2021.

COVID-19 IMPACT ON OPERATIONS

During the Financial Year 2022, the ongoing COVID-19 pandemic in Hong Kong caused delays in the commencement of the Group's major subcontracts. As demonstrated by the recent outbreak of the Omicron variant, which severely disrupted normal daily activities in Hong Kong, the Group considers the COVID-19 pandemic will continue to pose challenge to the progress of works for the foreseeable future. However, the Group has fully implement compulsory testing and precautionary measures such as vaccination requirements as well as the wide adoption of virtual communication tools in order to minimise the impact of COVID-19 pandemic to the Group. Fortunately, during Financial Year 2022, relatively few employees of the Group were infected and all have since recovered.

FUTURE PROSPECTS

Over the past two years, the COVID-19 pandemic has negatively affected the Hong Kong economy and the Group's projects completion schedules. Looking ahead, the Government has shifted its focus from mitigating the impact of the COVID-19 pandemic to restructuring the economy and continuing to provide support to both businesses, employees and citizens. The Hong Kong 2022-23 Budget (2022-23 Budget) includes substantial government spending plans to boost the economy and investments for the future. At present, COVID-19 vaccinations remain readily available in Hong Kong. As the COVID-19 pandemic is gradually controlled and economic activities are revived, the Group expects that its projects progress will ramp up and performance will be recovered steadily after.

The Group remains cautious on the impact of interest rate hikes and the persisting Sino-U.S. tensions that may cause further volatility and uncertainty in the construction industry. Looking ahead, the business environment will remain challenging due to the uncertainty of the private properties market and continued intense competition for new project tenders.

The Group remains optimistic in the Government's land and housing policies and its continuing commitment to investment in infrastructure, such as the Northern Metropolis Development Strategy, will provide sustainable growth opportunities for the construction market for the long term. The management believes that the Hong Kong construction segment can seize these opportunities to enhance the profitability and business growth in the long run.

In view of the aforesaid, the Group will continue to apply innovative and cost and time-effective construction methods and technologies to our operations to strengthen our business foundation and to drive efficiency. The Group has accumulated ample experience and know-how, in order to maintain the competitiveness edge, such as safety, cost control and quality. The Group will continue to uphold a prudent and pragmatic business approach, so as to proactively seek opportunities to expand the Group's market share and customer base as well as expand its businesses into different areas which will enhance value to the shareholders of the Company.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

	2022	2021
Current ratio ¹	2.6	2.2
Gearing ratio ²	12.2%	15.5%
Debt to equity ratio ³	N/A	N/A
Interest coverage ⁴	9.4 times	19.9 times

Notes:

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

As at 31 March 2022, the Group's current ratio was approximately 2.6 (31 March 2021: approximately 2.2). Debt to equity ratio figures as at 31 March 2022 and 2021 represented that the Group was in a net cash position. Interest coverage decreased from approximately 19.9 times for the Financial Year 2021 to approximately 9.4 times for the Financial Year 2022, mainly due to the decrease in profit before interest and taxation.

As at 31 March 2022, the Group had total assets of approximately HK\$415.7 million (31 March 2021: approximately HK\$445.2 million), which is financed by total liabilities of approximately HK\$130.3 million (31 March 2021: approximately HK\$166.6 million) and total equity of approximately HK\$285.4 million (31 March 2021: approximately HK\$278.7 million).

As at 31 March 2022, the capital structure of the Group consisted of total equity of approximately HK\$285.4 million (31 March 2021: approximately HK\$278.7 million) and debts of approximately HK\$34.7 million (31 March 2021: approximately HK\$43.2 million), which included bank borrowings and lease liabilities.

The Group adopts a prudent approach to cash management. As at 31 March 2022, the Group had bank balance and cash of approximately HK\$70.5 million (31 March 2021: approximately HK\$85.9 million). Apart from certain debts including bank loans, the Group did not have any material outstanding debts as at 31 March 2022. The Group maintains a variety of credit facilities to meet requirements for working capital. Payment to settle trade payables and wages represented the significant part of the cash outflow of the Group. As of 31 March 2022, the Group has available banking facilities of approximately HK\$114.5 million (31 March 2021: approximately HK\$108.2 million), of which the unutilised and unrestricted banking facilities amounted to approximately HK\$57.0 million (31 March 2021: approximately HK\$46.7 million).

Total bank borrowings decreased from approximately HK\$42.7 million as at 31 March 2021 to approximately HK\$34.5 million as at 31 March 2022 with the maturity profile summarised as follows:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	20,991	28,413
In the second year	816	803
In the third to fifth year inclusive	2,562	2,514
Over five years	10,144	11,004
Classified under:		
Current liabilities	34,513	42,734
Non-current liabilities	—	—

Note: As at 31 March 2022, 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\$13.5 million (31 March 2021: approximately HK\$14.3 million) have been classified as current liabilities together with bank loans balances with maturity repayable within one year.

During the Financial Year 2022, the Group had no financial instruments for hedging purpose. As at 31 March 2022, the Group had no fixed-rate bank borrowings (31 March 2021: Nil).

TREASURY POLICY

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

GEARING RATIO

As at 31 March 2022, the gearing ratio is calculated based on the total interest-bearing borrowings and lease liabilities divided by total equity, was approximately 12.2% (31 March 2021: approximately 15.5%). Such decrease was mainly due to the decrease in bank borrowings for financing on-going projects.

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

CAPITAL COMMITMENTS

The Group had no significant capital commitment as at 31 March 2022 (31 March 2021: Nil).

PLEDGE OF ASSETS

As at 31 March 2022, the Group's bank borrowings and general banking facilities were secured by the office premise with an aggregate net carrying value of approximately HK\$40.3 million (31 March 2021: approximately HK\$41.9 million).

As at 31 March 2022, 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 2022, the Group had a restricted time-deposit of approximately HK\$3.0 million (31 March 2021: approximately HK\$3.0 million) charging to a bank to secure general banking facilities granted to the Group.

As at 31 March 2022, 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 2022, the Group had charge over account with certain banks for general banking facilities.

FOREIGN CURRENCY EXPOSURE

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

The Group has no significant exposure to foreign currency risk because most of the Group's transactions are denominated in HK\$. Under the Linked Exchange Rate System in Hong Kong, HK\$ is pegged to United States dollars, the management considers that there is no significant foreign exchange risk with respect to HK\$. Therefore, the Group had not employed any financial instrument for hedging. The management monitors the exposure to foreign exchange risks and will consider hedging significant foreign currency exposure should and when appropriate.

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

There were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the Financial Year 2022. Save as disclosed herein, there was no other plan for material investments or capital assets as at 31 March 2022.

CONTINGENT LIABILITIES

Save as disclosed in the paragraph headed "Arbitration" in this announcement, the Group had no material contingent liability as at 31 March 2022 (2021: Nil).

ARBITRATION

As reported in the annual report for the Financial Year 2021 and the interim report for the six months ended 30 September 2021, Ming Tai Construction Engineering Company Limited, an indirect wholly-owned subsidiary of the Company (the “**Applicant**”), has submitted two applications for arbitration (the “**Applications**”) to the Hong Kong International Arbitration Centre against Laing O’Rourke-Hsin Chong-Paul Y. Joint Venture (the “**Joint Venture**”) in year 2019. Pursuant to the Applications, the Applicant initiated an arbitration against the Joint Venture (as the “**Respondent**”) in respect of disputes arising from the two subcontracts.

During the Financial Year 2022, as disclosed in the announcement of the Company dated 21 September 2021, the Respondent has filed a defence and counterclaim against the Applicant in September 2021. The Applicant has responded by filing a reply and defence to counterclaim in December 2021 and the Respondent has also filed a reply regarding the counterclaim in January 2022.

The Company noted from its legal advisers that the Applicant has a reasonable chance of proving its case and has an arguable case to defend against the Respondent’s counterclaim. Even after setting-off certain counterclaims of the Respondent if they may be successful, the outcome still lies in favour of the Applicant.

As at the date of this announcement, the hearing of the aforementioned arbitration has not yet commenced, thus the effects on the Group cannot be assessed at this moment. Further announcement will be made by the Company in the event of any material development regarding the arbitration if appropriate in due course.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2022, the Group had 100 full-time employees (31 March 2021: 99 full-time employees). The Group offers a competitive remuneration package that is mainly based on industry practices and individual performance and experience. Remuneration package comprises of salary, a performance-based bonus and Mandatory Provident Fund contributions. Other forms of benefits such as staff medical and training programs are also provided. Employee bonus is distributed based on the performance of the respective employees concerned. Moreover, the Group also provides internal and external training programs which are complementary to certain job functions. The total staff cost included in administration and other operating expenses (including remuneration of Directors and Mandatory Provident Fund contributions) for the Financial Year 2021 amounted to approximately HK\$42.7 million (2021: approximately HK\$47.5 million).

EVENT AFTER THE REPORTING PERIOD

On 3 May 2022, the Group renewed the agreement between the Company and Genuine Treasure Construction Material Limited (“**GT Material**”) for a fixed term from 3 May 2022 to 31 March 2025 (the “**GTM Framework Agreement**”), pursuant to which GT Material agreed to provide and transport construction materials for the Group from time to time upon the Group’s request. The Group also renewed the agreement between the Company and Genuine Treasure Access and Scaffolding Limited (“**GT Scaffolding**”) for a fixed term from 3 May 2022 to 31 March 2025 (the “**GTS Framework Agreement**”), pursuant to which GT Scaffolding agreed to provide rental of metal scaffolds, supporting equipment, technical support and transport services to the Group from time to time upon the Group’s request.

As the highest of the applicable percentage ratios (as defined under the Listing Rules) for the proposed annual caps under the GTM Framework Agreement and the GTS Framework Agreement exceeds 5%, the transactions contemplated under the GTM Framework Agreement and the GTS Framework Agreement are subject to the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. An extraordinary general meeting will be convened and held on 27 July 2022 for, among other things, the independent shareholders of the Company to consider and, if thought fit, to approve the GTM Framework Agreement, the GTS Framework Agreement and the transactions contemplated thereunder.

Save as disclosed in this announcement, there is no other important event affecting the Group since 31 March 2022 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 2022 and for the Financial Year 2022.

RESULTS AND DIVIDEND

The results of the Group for the Financial Year 2022 and the state of affairs of the Group as at 31 March 2022 are set out in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position in this announcement.

The Board does not recommend the payment of any final dividend in respect of the Financial Year 2022.

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 2022.

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 2022 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 2022, 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 2022.

AUDIT COMMITTEE

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

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

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

REVIEW OF THIS ANNUAL RESULTS ANNOUNCEMENT

The Audit Committee has reviewed the accounting principles adopted by the Group and the consolidated financial statements as the final results announcement of the Group for the Financial Year 2022.

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 2022 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 2022. 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, 24 June 2022

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.