



御佳控股有限公司

**Royal Deluxe Holdings Limited**

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

Stock code: 3789

INTERIM REPORT **2022**

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# CORPORATE INFORMATION

## **BOARD OF DIRECTORS**

### **Executive Directors**

Mr. Wang Kei Ming (*Chairman*)

Mr. Wang Yu Hin

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

Mr. Lai Ah Ming Leon

Mr. Kwong Ping Man

Mr. Sio Kam Seng

## **BOARD COMMITTEES**

### **Audit Committee**

Mr. Kwong Ping Man (*Chairman*)

Mr. Lai Ah Ming Leon

Mr. Sio Kam Seng

### **Remuneration Committee**

Mr. Lai Ah Ming Leon (*Chairman*)

Mr. Kwong Ping Man

Mr. Sio Kam Seng

Mr. Wang Kei Ming

### **Nomination Committee**

Mr. Sio Kam Seng (*Chairman*)

Mr. Lai Ah Ming Leon

Mr. Kwong Ping Man

Mr. Wang Kei Ming

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

Mr. Kwong Ping Man (*Chairman*)

Mr. Lai Ah Ming Leon

Mr. Sio Kam Seng

Mr. Wang Kei Ming

Mr. Wang Yu Hin

## **Risk Committee**

Mr. Lai Ah Ming Leon (*Chairman*)

Mr. Wang Yu Hin

Mr. Sio Kam Seng

Mr. Kwong Ping Man

## **COMPANY SECRETARY**

Ms. Yim Sau Ping (*FCPA*)

## **AUTHORISED REPRESENTATIVES**

Mr. Wang Kei Ming

Ms. Yim Sau Ping (*FCPA*)

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

Windward 3, Regatta Office Park,

PO Box 1350,

Grand Cayman KY1-1108,

Cayman Islands

## **COMPLIANCE ADVISER**

Frontpage Capital Limited

26th Floor, Siu On Centre,

188 Lockhart Road,

Wanchai, Hong Kong

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

CFN Lawyers in association with Broad and Bright

Units 4101-04, 41st Floor,

Sun Hung Kai Centre,

30 Harbour Road,

Wanchai, Hong Kong

# CORPORATE INFORMATION

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

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

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

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

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

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

## **PRINCIPAL BANKS**

DBS Bank (Hong Kong) Limited  
Dah Sing Bank, Limited

## **STOCK CODE**

3789

## **WEBSITE**

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

# HIGHLIGHTS

## For the six months ended 30 September

	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	Change %
<b>Financial Highlights</b>			
Revenue	331,466	274,260	20.9%
Gross profit	28,274	44,365	(36.3%)
Gross profit margin	8.5%	16.2%	(47.5%)
Profit attributable to owners of the Company	18,651	10,214	82.6%

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)	Change %
<b>Financial Position</b>			
Bank balances and cash	49,776	70,532	(29.4%)
Bank borrowings	31,157	34,513	(9.7%)
<b>Financial Ratios</b>			
Current ratio	2.4	2.6	(7.7%)
Quick ratio	2.3	2.6	(11.5%)
Gearing ratio	10.3%	12.2%	(15.6%)
Return on equity	12.3%	2.4%	412.5%
Return on total assets	7.9%	1.6%	393.8%

## For the six months ended 30 September

	2022 HK cents (Unaudited)	2021 HK cents (Unaudited)	Change %
<b>Financial Information per share</b>			
Earnings per share – Basic and diluted	1.55	0.85	82.4%

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

For the six months ended 30 September 2022

		Six months ended 30 September	
	Notes	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	3	331,466	274,260
Direct costs		(303,192)	(229,895)
Gross profit		28,274	44,365
Other income, other gains and losses, net	4	20,853	3,544
Administration and other operating expenses		(28,634)	(33,198)
Reversal/(provision) of loss allowance on trade and other receivables and contract assets, net		692	(109)
Finance costs	5	(763)	(524)
Profit before tax	6	20,422	14,078
Income tax expense	7	(1,773)	(3,873)
<b>Profit and total comprehensive income for the period</b>		<b>18,649</b>	10,205
<b>Profit and total comprehensive income for the period attributable to:</b>			
Owners of the Company		18,651	10,214
Non-controlling interests		(2)	(9)
		<b>18,649</b>	10,205
<b>Earnings per share attributable to owners of the Company</b>		<b>HK cents</b>	HK cents
– Basic and diluted	9	1.55	0.85

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

	Notes	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	37,753	41,187
Right-of-use assets		36,512	37,390
Club membership		1,188	1,188
Deferred tax assets		199	344
		<b>75,652</b>	80,109
<b>Current assets</b>			
Inventories	11	7,127	2,034
Trade and other receivables	12	135,722	52,062
Contract assets	13	205,184	210,479
Bank balances and cash		49,776	70,532
Current tax recoverable		–	497
		<b>397,809</b>	335,604
<b>Total assets</b>		<b>473,461</b>	415,713
<b>Current liabilities</b>			
Trade and other payables	14	133,537	91,731
Lease liabilities		50	196
Borrowings		31,157	34,513
Current tax liabilities		4,486	3,696
		<b>169,230</b>	130,136
<b>Net current assets</b>		<b>228,579</b>	205,468
<b>Total assets less current liabilities</b>		<b>304,231</b>	285,577
<b>Non-current liabilities</b>			
Deferred tax liabilities		137	132
<b>Net assets</b>		<b>304,094</b>	285,445
<b>Capital and reserves</b>			
Share capital	15	12,000	12,000
Reserves		292,151	273,500
Equity attributable to owners of the Company		<b>304,151</b>	285,500
Non-controlling interests		(57)	(55)
		<b>304,094</b>	285,445

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2022

	Attributable to owners of the Company				Total	Non-controlling interests	Total equity
	Share capital	Share premium	Special reserve	Retained profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 31 March 2021 (audited)	12,000	94,956	1,020	170,746	278,722	(43)	278,679
Profit and total comprehensive income for the period	-	-	-	10,214	10,214	(9)	10,205
Balance at 30 September 2021 (unaudited)	12,000	94,956	1,020	180,960	288,936	(52)	288,884
Balance at 31 March 2022 (audited)	<b>12,000</b>	<b>94,956</b>	<b>1,020</b>	<b>177,524</b>	<b>285,500</b>	<b>(55)</b>	<b>285,445</b>
Profit and total comprehensive income for the period	-	-	-	<b>18,651</b>	<b>18,651</b>	<b>(2)</b>	<b>18,649</b>
Balance at 30 September 2022 (unaudited)	<b>12,000</b>	<b>94,956</b>	<b>1,020</b>	<b>196,175</b>	<b>304,151</b>	<b>(57)</b>	<b>304,094</b>



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2022

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>Cash flows from operating activities</b>		
Cash used in operations	(15,042)	(29,533)
Interest received	8	5
Interest paid	(760)	(501)
Hong Kong Profits Tax refunded	–	609
Hong Kong Profits Tax paid	(336)	(9,074)
<b>Net cash used in operating activities</b>	<b>(16,130)</b>	<b>(38,494)</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(1,231)	(473)
Increase in restricted bank deposits	–	(1)
Proceeds from disposal of items of property, plant and equipment	110	–
<b>Net cash used in investing activities</b>	<b>(1,121)</b>	<b>(474)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	23,500	63,500
Repayment of borrowings	(26,856)	(78,016)
Repayment of lease liabilities	(149)	(150)
<b>Net cash used in financing activities</b>	<b>(3,505)</b>	<b>(14,666)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(20,756)</b>	<b>(53,634)</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>67,514</b>	<b>82,858</b>
<b>Cash and cash equivalents at the end of period</b>	<b>46,758</b>	<b>29,224</b>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2022

## 1. GENERAL INFORMATION AND BASIS OF PREPARATION

Royal Deluxe Holdings Limited (the “**Company**”) is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the provision of formwork erection and related ancillary services in Hong Kong. The Company was incorporated in the Cayman Islands as an exempted company with limited liability under The Companies Act (as revised) of the Cayman Islands. The addresses of the registered office and the principal place of business of the Company are Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and Unit A, 22nd Floor, T G Place, 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong, respectively.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 8 February 2017 (the “**Listing**”). Its parent company and ultimate holding company is Wang K M Limited (“**Wang K M**”), a company incorporated in the British Virgin Islands and is owned to 50% by Mr. Wang Kei Ming (“**Mr. Joseph Wang**”), an executive director of the Company (the “**Director(s)**”), and 50% by Ms. Chao Lai Heng (“**Ms. Chao**”), spouse of Mr. Joseph Wang.

These unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2022 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). These unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements of the Group for the year ended 31 March 2022 (the “**2022 Annual Financial Statements**”), which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”).

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

Other than changes in accounting policies resulting from application of new and amendments to HKFRSs, the accounting policies and methods of computation used in the unaudited condensed consolidated interim financial statements for the six months ended 30 September 2022 are the same as those followed in the preparation of the 2022 Annual Financial Statements.

These unaudited condensed consolidated interim financial statements have been approved for issue by the board of Directors (the “**Board**”) on 28 November 2022.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2022

## 2. CHANGE IN ACCOUNTING POLICIES

### Application of new and amendments to HKFRSs

In the current interim period, 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 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated interim financial statements.

The Group has not early applied any new or amendments to HKFRSs that have been issued by the HKICPA but are not yet effective for the current interim period.

## 3. REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue for the period is as follows:

### Disaggregation of revenue from contracts with customers

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Types of goods and services		
– Provision of formwork erection and related ancillary services	329,350	262,811
– Provision of fit-out services	2,116	11,449
	<b>331,466</b>	<b>274,260</b>
Timing of revenue recognition		
– Over time	<b>331,466</b>	<b>274,260</b>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2022

## 3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

### Segment information

For the purpose of the Group's resources allocation and performance assessment, the chief operating decision maker (i.e. the Directors) reviews the overall results and financial position of the Group as a whole. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

### Geographical information

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

### Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group is as follows:

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Customer A	191,057	–
Customer B	58,474	N/A <sup>1</sup>
Customer C	N/A <sup>1</sup>	118,603
Customer D	N/A <sup>1</sup>	65,102
Customer E	N/A <sup>1</sup>	35,319

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

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2022

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

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>Other income</b>		
Bank interest income	8	5
Income from sale of scrap materials	450	2,376
Government grants ( <i>Note</i> )	15,592	–
Sundry income	4,832	1,163
	<b>20,882</b>	<b>3,544</b>
<b>Other gains and losses, net</b>		
Loss on written off or disposal of property, plant and equipment	(29)	–
	<b>(29)</b>	<b>–</b>
	<b>20,853</b>	<b>3,544</b>

*Note:*

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

## 5. FINANCE COSTS

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Interest on bank borrowings and overdrafts	760	512
Interest on lease liabilities	3	12
	<b>763</b>	<b>524</b>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2022

## 6. PROFIT BEFORE TAX

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Profit before tax has been arrived at after charging:		
Employee benefits expense ( <i>Note (i)</i> ):		
Salaries and other benefits in kind	37,946	40,660
Discretionary bonuses	650	5,390
Contributions to retirement benefit scheme	983	1,132
Total employee benefits expense, including Directors' emoluments	39,579	47,182
Depreciation of property, plant and equipment ( <i>Note (ii)</i> )	4,526	4,664
Depreciation of right-of-use assets ( <i>Note (iii)</i> )	878	816
Short-term lease expenses in respect of:		
– Land and buildings	804	61
– Plant and equipment	5,111	6,524

### Notes:

- (i) During the six months ended 30 September 2022 and 2021, total employee benefits expense amounting to approximately HK\$20,029,000 and HK\$23,615,000, respectively, was included in direct costs and amounting to approximately HK\$19,550,000 and HK\$23,567,000 respectively was included in administration and other operating expenses.
- (ii) During the six months ended 30 September 2022 and 2021, depreciation of property, plant and equipment of approximately HK\$3,259,000 and HK\$3,047,000, respectively, was charged to direct costs and approximately HK\$1,267,000 and HK\$1,617,000, respectively, was charged to administration and other operating expenses.
- (iii) During the six months ended 30 September 2022 and 2021, depreciation of right-of-use assets of approximately HK\$878,000 and HK\$816,000, respectively, was charged to administration and other operating expenses.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2022

## 7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Current income tax:		
– Hong Kong Profits Tax	1,623	3,864
Deferred tax	150	9
Total income tax expenses recognised in profit or loss	1,773	3,873

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

For the six month ended 30 September 2022 and 2021, the Hong Kong Profits Tax for one of the subsidiaries of the Company is calculated at 8.25% on the first HK\$2,000,000 of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2,000,000. Hong Kong Profits Tax for other subsidiaries is calculated at 16.5% of the estimated assessable profits arising in or derived from Hong Kong.

## 8. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2022 (six months ended 30 September 2021: Nil).

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2022

## 9. EARNINGS PER SHARE

For the purpose of these unaudited condensed consolidated interim financial statements, the calculation of the basic earnings per share attributable to owners of the Company is based on:

- (i) the profit attributable to owners of the Company for the respective periods; and
- (ii) the weighted average number of ordinary shares issued during the six months ended 30 September 2022 and the six months ended 30 September 2021 respectively.

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>Earnings</b>		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	18,651	10,214

	Six months ended 30 September	
	2022 '000 (Unaudited)	2021 '000 (Unaudited)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,200,000	1,200,000

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

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2022, the Group acquired items of property, plant and equipment of approximately HK\$1,231,000 (six months ended 30 September 2021: approximately HK\$473,000).

During the six months ended 30 September 2022, the Group disposed certain items of property, plant and equipment with a carrying amount of approximately HK\$139,000 and recognised a loss of approximately HK\$29,000 in the unaudited condensed consolidated statement of profit or loss and other comprehensive income. No property, plant and equipment of the Group were disposed during the six months ended 30 September 2021.



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2022

## 11. INVENTORIES

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Raw materials and consumables	7,127	2,034

## 12. TRADE AND OTHER RECEIVABLES

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
Trade receivables	100,240	38,825
Less: loss allowance for trade receivables	(276)	(89)
	99,964	38,736
Deposits and other receivables	813	1,504
Prepayments	34,962	11,857
Less: loss allowance for deposits and other receivables	(17)	(35)
	135,722	52,062

The Group allows a credit period ranging from 7 to 45 days (31 March 2022: 7 to 45 days) to its customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

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

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
0 – 30 days	83,092	30,368
31 – 60 days	13,963	6,929
61 – 90 days	173	1,528
Over 180 days	3,012	–
	100,240	38,825

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2022

## 13. CONTRACT ASSETS

	As at 30 September 2022 HK\$'000 (Unaudited)	As at 31 March 2022 HK\$'000 (Audited)
<b>Analysed as current:</b>		
Retention receivables of construction contracts (Note (a))	63,424	61,155
Unbilled revenue of construction contracts (Note (b))	142,278	150,703
Less: loss allowance for contract assets	(518)	(1,379)
	<b>205,184</b>	<b>210,479</b>

Notes:

- (a) Retention receivables included in contract assets represent the Group's right to receive consideration for work performed and conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed by the Group. The due dates for retention receivables are usually one to two years after the completion of construction work.
- (b) Unbilled revenue included in contract assets represents the Group's right to receive consideration for work completed but not yet billed because the rights are conditional upon the satisfaction by the customers on the construction work completed by the Group and the work is pending for the certification by the customers. The contract assets are transferred to trade receivables when the rights become unconditional, which is typically at the time when the Group obtains the certification of the completed construction work from the customers.

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2022

## 14. TRADE AND OTHER PAYABLES

	<b>As at 30 September 2022 HK\$'000 (Unaudited)</b>	As at 31 March 2022 HK\$'000 (Audited)
Trade payables	<b>39,355</b>	28,299
Bills payables	<b>46,020</b>	23,046
Retention payables	<b>9,369</b>	7,856
Other payables and accruals	<b>38,793</b>	32,530
	<b>133,537</b>	91,731

The credit period on trade payables is generally 30 to 60 days (31 March 2022: 30 to 60 days).

As at 30 September 2022, included in trade payables was approximately HK\$2,256,000 (31 March 2022: approximately HK\$1,427,000) payable to a related company, Genuine Treasure Construction Material Limited. Mr. Joseph Wang's close family member is the substantial shareholder and director of Genuine Treasure Construction Material Limited.

As at 30 September 2022, included in trade payables was approximately HK\$5,445,000 (31 March 2022: approximately HK\$3,906,000) payable to a related company, Genuine Treasure Access and Scaffolding Limited. Mr. Joseph Wang's close family member is the substantial shareholder and director of Genuine Treasure Access and Scaffolding Limited.

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

	<b>As at 30 September 2022 HK\$'000 (Unaudited)</b>	As at 31 March 2022 HK\$'000 (Audited)
0 – 30 days	<b>23,428</b>	17,766
31 – 60 days	<b>10,882</b>	5,870
61 – 90 days	<b>3,866</b>	4,036
91 – 180 days	<b>1,179</b>	599
Over 180 days	<b>–</b>	28
	<b>39,355</b>	28,299

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2022

## 14. TRADE AND OTHER PAYABLES (CONTINUED)

As at 30 September 2022, bills payables have original maturities of ranging from 113 days to 123 days (31 March 2022: 111 days to 120 days).

Except for retention payables of approximately HK\$4,871,000 as at 30 September 2022 (31 March 2022: approximately HK\$2,253,000) which are expected to be settled after one year, all of the remaining retention payables are expected to be settled within one year.

## 15. SHARE CAPITAL

	As at 30 September 2022		As at 31 March 2022	
	Number of shares	HK\$'000 (Unaudited)	Number of shares	HK\$'000 (Audited)
<b>Authorised:</b>				
Ordinary shares of HK\$0.01 each	2,000,000,000	20,000	2,000,000,000	20,000
<b>Issued and fully paid:</b>				
Ordinary shares of HK\$0.01 each	1,200,000,000	12,000	1,200,000,000	12,000

## 16. COMMITMENTS

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

	As at 30 September 2022	As at 31 March 2022
	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Contracted but not provided for: Property, plant and equipment	3,815	–

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2022

## 17. RELATED PARTY TRANSACTIONS

### (a) Outstanding balances with related parties

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

### (b) Material related party transactions

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

Name of related parties	Nature	Six months ended 30 September	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Genuine Treasure Construction Material Limited (Note (iii))	Transportation, logistic and plant hiring charge	2,593	3,087
Genuine Treasure Access and Scaffolding Limited (Note (i))	Scaffolding & equipment rental charge	4,734	6,823

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2022

## 17. RELATED PARTY TRANSACTIONS (Continued)

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

Notes:

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

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

### (c) Compensation of key management personnel

The remuneration of Directors and other members of key management of the Group during the six months ended 30 September 2022 and 2021 are as follows:

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Short-term employee benefits	12,258	12,043
Post-employment benefits	54	54
	<b>12,312</b>	<b>12,097</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS AND FINANCIAL REVIEW

The Group is an industry-leading sub-contractor of formwork erection as well as related ancillary services in Hong Kong. The Group started its formwork business since 1994 and its core expertise lies in traditional timber formwork, metallic (usually steel and aluminium) formworks as well as engineered formwork systems for every type of project. Through growth in recent decades, the Group has developed and become one of Hong Kong's largest sub-contractor of formwork businesses.

## BUSINESS REVIEW

During the six months ended 30 September 2022, the operating environment has remained challenging amidst the fifth wave of the novel coronavirus (the “COVID-19”) pandemic. Its ongoing impact on the construction industry, coupled with the uncertainty in the macroeconomic environment, the chronic labour shortage in Hong Kong and the rise in interest rate, have resulted in a significant increase in the costs of key construction materials and labour costs.

However, despite the aforesaid unfavourable external factors, the Group's steadfast approach towards delivering professional and quality formwork engineering services in Hong Kong, has enabled the Group to overcome these challenges with confidence and optimism.

As at 30 September 2022, the Group has a total of 7 projects on hand with the estimated total outstanding value of approximately HK\$609.6 million, representing a decrease of approximately 22.8% as compared with the estimated total outstanding value of approximately HK\$789.5 million as at 31 March 2022. With the projects on hand, it is expected that the number of the subcontract works undertaken by the Group will remain steady for the coming year. The pressure this year is to maintain same level of new contract works.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

The Group's revenue increased by approximately HK\$57.2 million, or 20.9%, from approximately HK\$274.3 million for the six months ended 30 September 2021 to approximately HK\$331.5 million for the six months ended 30 September 2022.

The increase in revenue was attributable to the increase in revenue between periods in accordance with the work progress of the Group's major subcontract for formwork and concrete works at Third Runway Concourse Foundation and Substructure works at the Third Runway System (the "3RS") at Hong Kong International Airport ("HKIA").

### Gross profit and gross profit margin

The Group's gross profit decreased by approximately HK\$16.1 million, or 36.3%, from approximately HK\$44.4 million for the six months ended 30 September 2021 to approximately HK\$28.3 million for the six months ended 30 September 2022. The Group's gross profit margin decreased from approximately 16.2% for the six months ended 30 September 2021 to approximately 8.5% for the six months ended 30 September 2022.

The decrease in overall gross profit margin for the six months ended 30 September 2022 was mainly attributable to the low gross profit margin formwork subcontract relating to the Lyric Theatre Complex as well as the additional costs for satisfying main-contractor's site instruction during the post contract stage at Tai Wai Station property development (Zone A T1-3 and Zone B T5-6) which overlay.

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

Other income mainly consisted of government grants, insurance claim proceeds, interest income and other sundry income. The relatively high balance of other income for the six month ended 30 September 2022 was explained by the inclusion of approximately HK\$15.6 million government subsidies relating to the 2022 Employment Support Scheme (the "ESS") under the Anti-epidemic Fund to provide wage subsidies to employees for the period from May to July 2022.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Administration and other operating expenses

The Group's administration and other operating expenses primarily comprise staff costs (including Directors' remuneration), depreciation, office expenses and professional charges. The Group's administration and other operating expenses decreased by approximately HK\$4.6 million or 13.7%, from approximately HK\$33.2 million for the six months ended 30 September 2021 to approximately HK\$28.6 million for the six months ended 30 September 2022.

## Finance costs

The Group's finance costs increased by approximately HK\$0.3 million or 45.6% from approximately HK\$0.5 million for the six months ended 30 September 2021 to approximately HK\$0.8 million for the six months ended 30 September 2022, primarily due to the increase in average amount of bank borrowings as well as the increase in average interest rate of bank borrowings.

## Income tax expenses

The Group's income tax expenses decreased by approximately HK\$2.1 million or 54.2% from approximately HK\$3.9 million for the six months ended 30 September 2021 to approximately HK\$1.8 million for the six months ended 30 September 2022 primarily due to the tax exemption on other incomes in respect of the subsidies received by the Group from the ESS for the six months ended 30 September 2022. The effective tax rate for the six months ended 30 September 2022 was approximately 8.7% compared to that of approximately 27.5% for the six months ended 30 September 2021.

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

As a result of the foregoing, profit attributable to owners of the Company increased by approximately HK\$8.5 million or 82.6% from approximately HK\$10.2 million for the six months ended 30 September 2021 to approximately HK\$18.7 million for the six months ended 30 September 2022. Such increase was mainly due to the subsidies of approximately HK\$15.6 million received from the ESS for employers in the construction sector during the six months ended 30 September 2022. The net profit margin increased by approximately 1.9 percentage points from approximately 3.7% for the six months ended 30 September 2021 to approximately 5.6% for the six months ended 30 September 2022.

# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

As at 30 September 2022, the Group's total bank balances and cash were approximately HK\$49.8 million (31 March 2022: approximately HK\$70.5 million), all of which were denominated in Hong Kong dollars. The current ratio (defined as current assets divided by current liabilities) of the Group was approximately 2.4 (31 March 2022: approximately 2.6).

The Group had total bank borrowings of approximately HK\$31.2 million as at 30 September 2022 (31 March 2022: approximately HK\$34.5 million).

## TREASURY POLICIES

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

## GEARING RATIO

As at 30 September 2022, the gearing ratio is calculated based on the total interest-bearing borrowings and lease liabilities divided by total equity, was approximately 10.3% (31 March 2022: approximately 12.2%), representing total interest-bearing borrowings and lease liabilities as a percentage of total equity. Such decrease was mainly due to the decrease in bank borrowings for financing ongoing projects.

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## CAPITAL EXPENDITURES

The Group generally finances its capital expenditures with internal resources and bank borrowings. During the six months ended 30 September 2022, the Group invested an aggregate of approximately HK\$1.2 million (31 March 2022: approximately HK\$4.2 million) in machinery and equipment, leasehold improvements, office equipment, furniture and fixtures and motor vehicle.

## CAPITAL COMMITMENTS

As at 30 September 2022, the Group had capital commitments of approximately HK\$3.8 million (31 March 2022: Nil) in relation to purchase of property, plant and equipment.

## PLEDGE OF ASSETS

As at 30 September 2022, the Group's bank borrowings and general banking facilities were secured by the office premises with an aggregate net carrying amount of approximately HK\$39.5 million (31 March 2022: approximately HK\$40.3 million).

As at 30 September 2022, the Group had pledged to the bank an assignment of project proceeds from one construction contract of the Group as security of the Group banking facilities.

As at 30 September 2022, the Group had charged a restricted time-deposit of approximately HK\$3.0 million (31 March 2022: approximately HK\$3.0 million) to a bank to secure general banking facilities granted to the Group.

As at 30 September 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 30 September 2022, the Group had charge over accounts with certain banks for general banking facilities.

## FOREIGN CURRENCY RISK

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

# MANAGEMENT DISCUSSION AND ANALYSIS

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

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

There were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 September 2022. Save as disclosed herein, there was no other plans for material investments or capital assets as at 30 September 2022.

## **CONTINGENT LIABILITIES**

Save as disclosed in the paragraph headed "Arbitration" in this report, the Group had no material contingent liabilities as at 30 September 2022 and 31 March 2022.

## **ARBITRATION**

As reported in the annual reports for the year ended 31 March 2022 and 2021 and the interim report for the six months ended 30 September 2021, Ming Tai Construction Engineering Company Limited ("**Ming Tai Construction**"), 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.

The latest update has been published in the announcement of the Company dated 18 October 2022, the Applicant and the Respondent reached a full and final settlement of the disputes in the Arbitration. Pursuant to a deed of settlement executed between the Applicant and Respondent on the said date, the parties agreed, among other things, the following:

1. The Respondent would pay a settlement sum to the Applicant in full and final settlement of the Applicant's claims, inclusive of retention monies, interest and legal costs involved in the Arbitration.

# MANAGEMENT DISCUSSION AND ANALYSIS

2. The parties would discharge and release all of its claims and counterclaims in connection with the disputes in the Arbitration (save that the parties' existing rights and obligations in connection with the Subcontracts shall remain in effect). The Respondent would also forego and release its claims for legal costs of the Arbitration.
3. The parties agreed to pay, in equal shares, the fees of the arbitrator.

As at the date of this report, the Respondent has paid the settlement sum on 8 November 2022 to the Applicant in accordance with the terms of the deed of settlement.

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2022 (six months ended 30 September 2021: Nil).

## EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this report, the Board is not aware of any other significant events requiring disclosure that have taken place subsequent to 30 September 2022 and up to the date of this report.

## EMPLOYEES AND REMUNERATION POLICIES

The Group had 87 full-time employees as at 30 September 2022 (30 September 2021: 97 full-time employees). The Group offers competitive remuneration package that is based on overall market rates and employees' performance, as well as the performance of the Group. Remuneration package comprised of salary, a performance-based bonus, and other benefits including training and mandatory provident funds. Employee bonus is distributable based on the performance of the respective employees concerned. Moreover, the Group also provides internal and external training programmes which are complementary to certain job functions. The total staff costs included in administration and other operating expenses (including the remuneration of Directors and the mandatory provident funds contributions) for the six months ended 30 September 2022 amounted to approximately HK\$19.6 million (six months ended 30 September 2021: approximately HK\$23.6 million). All employees of the Group were under direct employment.

## SEGMENT INFORMATION

Save as disclosed in note 3 to the unaudited condensed consolidated interim financial statements in this report, the Group's business was regarded as a single operating segment and the Group had no geographical segment information presented as at 30 September 2022 and for the six months ended 30 September 2022.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FUTURE PROSPECTS

The COVID-19 pandemic has caused significant adverse impact on the Hong Kong economy for over two long years. The unexpected outbreak of the fifth wave of COVID-19 delays the recovery of the economy.

Nevertheless, 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 in the long term. More tenders are available and contract prices have increased as compared to previous years. Directors consider that the Hong Kong construction industry has already moved past its bottom. The Group expects a better utilization of equipment, timber material inventories and labour in coming years when new subcontracts are secured.

Despite the challenges, the Group will continue to apply innovative and cost, time-effective construction methods and technologies in our operations to strengthen our business foundation and to drive efficiency, with an aim to attain profitability so as to enhance value to the shareholders of the Group.

## OTHER INFORMATION

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

As at 30 September 2022, the interests or short positions of each of the Directors and the chief executive of the Company (the "Chief Executive") in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

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

Name of director/ Chief Executive	Capacity/ Nature of interest	Number of underlying shares of the Company held	Approximate percentage of shareholding
Mr. Joseph Wang ( <i>Note1</i> )	Interested in controlled corporations/Interest of spouse	850,800,000	70.9%
Ms. Chao ( <i>Note1</i> )	Interested in controlled corporations/Interest of spouse	850,800,000	70.9%
Mr. Wang Yu Hin ( <i>Note2</i> )	Beneficial owners	9,880,000	0.8%
Ms. Hon Hui Yi ( <i>Note2</i> )	Interest of spouse	9,880,000	0.8%

Notes:

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

## OTHER INFORMATION

Save as disclosed above, as at 30 September 2022, none of the Directors or Chief Executive had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under provision of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

So far as known to the Directors or Chief Executive, as at 30 September 2022, the following persons/entities (other than the Directors or Chief Executive) had or were deemed to have an interest or a short position in the shares, the underlying shares and debentures of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company or any other member of the Group:

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

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

Save as disclosed above, as at 30 September 2022, there was no person or corporation, other than the Directors and Chief Executive whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, had or were deemed to have an interest or a short position in the shares, the underlying shares and debentures of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.



# OTHER INFORMATION

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2022.

## COMPETING BUSINESS

During the six months ended 30 September 2022, none of the Directors or the controlling shareholders of the Company (the "**Controlling Shareholders**") and their respective associates had any interests in a business, apart from the business of the Group, which competes or may compete with the business of the Group or has any other conflict of interest with the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

## NON-COMPETITION UNDERTAKING

In order to avoid any possible future competition between the Group and the Controlling Shareholders, Mr. Joseph Wang and Wang K M (each a "**Covenantor**" and collectively the "**Covenantors**") have entered into the deed of non-competition (the "**Deed of Non-competition**") with the Company (for itself and for the benefit of each other member of the Group) on 17 January 2017. Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and as trustee for its subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its close associates (other than any member of the Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group.

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

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

## OTHER INFORMATION

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

Each of the Covenantors also gave certain non-competition undertakings under the Deed of Non-competition as set out in the paragraph headed “Relationship with our controlling shareholders – Non-competition undertaking” in the prospectus of the Company dated 25 January 2017 (the “Prospectus”).

During the six months ended 30 September 2022, the Company had not received any information in writing from any of the Controlling Shareholders in respect of any new business opportunity which competed or might compete with the existing and future business of the Group which were offered to or came to be the knowledge of the controlling shareholders of the Company or their associates (other than any member of the Group).

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry, all Directors have fully complied with the required standards set out in the Model Code during the six months ended 30 September 2022.

### SHARE OPTION SCHEME

The Company’s share option scheme (the “**Share Option Scheme**”) was conditionally adopted on 17 January 2017. The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to it. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions. This will be in accordance with Chapter 17 of the Listing Rules and other relevant rules and regulations. Further details of the Share Option Scheme are set forth in the section headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to the Prospectus and note 26 of the 2022 Annual Financial Statements.

For the six months ended 30 September 2022, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

# OTHER INFORMATION

## CORPORATE GOVERNANCE PRACTICE

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

To the best knowledge of the Board, the Company has complied with the code provisions in the CG Code during the six months ended 30 September 2022 and up to the date of this report.

## AUDIT COMMITTEE

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

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

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

The Group’s condensed consolidated interim financial statements for the six months ended 30 September 2022 are unaudited, but have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2022 comply with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

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

Hong Kong, 28 November 2022