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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 2023

FINANCIAL HIGHLIGHTS

- Revenue was approximately HK\$702.1 million for the year ended 31 March 2023, representing an increase of approximately 49.3% as compared with the same for the year ended 31 March 2022.
- Gross profit was approximately HK\$65.6 million for the year ended 31 March 2023, representing a decrease of approximately 5.9% as compared with the same for the year ended 31 March 2022.
- Gross profit margin decreased from approximately 14.8% for the year ended 31 March 2022 to approximately 9.3% for the year ended 31 March 2023.
- Profit attributable to the owners of the Company was approximately HK\$21.4 million for the year ended 31 March 2023, representing an increase of approximately 215.8% as compared with the same for the year ended 31 March 2022.
- Basic earnings per share attributable to owners of the Company was approximately HK1.78 cents for the year ended 31 March 2023, and approximately HK0.56 cents for the year ended 31 March 2022.
- The Board does not recommend the payment of any final dividend for the year ended 31 March 2023.

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 2023, together with the comparative figures for the year ended 31 March 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	3	702,112	470,420
Direct costs		(636,487)	(400,672)
Gross profit		65,625	69,748
Other income, other gains and losses, net	4	27,905	7,580
Administration and other operating expenses		(64,654)	(65,385)
Reversal/(provision) of loss allowance on trade and other receivables and contract assets		565	(468)
Finance costs	5	(2,772)	(1,221)
Profit before tax	6	26,669	10,254
Income tax expense	7	(5,257)	(3,488)
Profit and total comprehensive income for the year		21,412	6,766
Profit and total comprehensive income for the year attributable to:			
– Owners of the Company		21,403	6,778
– Non-controlling interests		9	(12)
		21,412	6,766
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share attributable to owners of the Company			
– Basic and diluted	9	1.78	0.56

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		40,036	41,187
Right-of-use assets		35,729	37,390
Club membership		1,188	1,188
Deferred tax assets		156	344
		<hr/> 77,109	<hr/> 80,109
 Current assets			
Inventories		17,411	2,034
Trade and other receivables	<i>10</i>	43,034	52,062
Contract assets		198,470	210,479
Bank balances and cash		68,964	70,532
Current tax recoverable		378	497
		<hr/> 328,257	<hr/> 335,604
 Current liabilities			
Trade and other payables	<i>11</i>	76,331	91,731
Contract liabilities		2,843	–
Lease liabilities		–	196
Borrowings		16,166	34,513
Current tax liabilities		2,251	3,696
		<hr/> 97,591	<hr/> 130,136

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net current assets	<u>230,666</u>	<u>205,468</u>
Total assets less current liabilities	<u>307,775</u>	<u>285,577</u>
Non-current liability		
Deferred tax liabilities	<u>918</u>	<u>132</u>
Net assets	<u><u>306,857</u></u>	<u><u>285,445</u></u>
Capital and reserves		
Share capital	12,000	12,000
Reserves	<u>294,857</u>	<u>273,500</u>
Equity attributable to owners of the Company	306,857	285,500
Non-controlling interests	<u>–</u>	<u>(55)</u>
	<u><u>306,857</u></u>	<u><u>285,445</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 Company and its subsidiaries (collectively referred to as the “**Group**”) is principally engaged in the provision of formwork erection and related ancillary services in Hong Kong.

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “**functional currency**”). The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), rounded to the nearest thousand, unless otherwise stated, which is the same as the functional currency of the Company.

2. NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) to these financial statements for the current accounting period for the first time:

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendment to HKFRS 16	<i>COVID-19-Related Rent Concessions beyond 30 June 2021</i>
Amendments to Hong Kong Accounting Standards (“HKAS”) 16	<i>Property, Plant and Equipment – Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2018-2020</i>

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The application of the amendments to HKFRSs in the current year has 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 financial statements.

New and amendments to HKFRSs that are not yet effective for the current year

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard which are not yet effective for the year ended 31 March 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Related Amendments to Hong Kong Interpretation 5 and Non-current Liabilities with Covenants ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities Arising from a Single Transaction ¹

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

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after 1 January 2024

Except for new and amendments to HKFRSs mentioned below, the Directors 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.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
 - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
 - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date.

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 March 2023, the application of the amendments will not result in reclassification of the Group's liabilities.

Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies*

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the “**Practice Statement**”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

3. 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.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue from contracts with customers		
– Provision of formwork erection and related ancillary services	698,730	451,420
– Provision of fit-out services	<u>3,382</u>	<u>19,000</u>
	<u><u>702,112</u></u>	<u><u>470,420</u></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 2023 and 2022 are as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A	400,050	N/A ¹
Customer B	103,219	167,494
Customer C	86,233	64,850
Customer D	<u><u>N/A¹</u></u>	<u><u>85,630</u></u>

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

4. OTHER INCOME, OTHER GAINS AND LOSSES, NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Other income		
Bank interest income	205	9
Income from sale of scrap materials	2,173	4,008
Government grants (<i>Note</i>)	17,738	–
Sundry income	<u>7,814</u>	<u>3,563</u>
	<u>27,930</u>	<u>7,580</u>
Other gains and losses, net		
Loss on disposal of property, plant and equipment	<u>(25)</u>	–
	<u>27,905</u>	<u>7,580</u>

Note:

During the year ended 31 March 2023, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong SAR Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

5. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on bank borrowings	2,768	1,201
Interest on lease liabilities	<u>4</u>	<u>20</u>
	<u>2,772</u>	<u>1,221</u>

6. PROFIT BEFORE TAX

	2023 <i>HK\$'000</i>	2022 <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	78,658	77,789
Discretionary bonuses	8,481	6,543
Contributions to retirement benefit scheme	<u>2,064</u>	<u>2,133</u>
Total employee benefits expense, including Directors' emoluments	<u>89,203</u>	<u>86,465</u>
Auditors' remuneration	860	822
Depreciation of property, plant and equipment (<i>Note (ii)</i>)	9,613	9,344
Depreciation of right-of-use assets (<i>Note (iii)</i>)	1,661	1,674
Short-term lease expenses in respect of:		
– Land and buildings	3,073	4,465
– Plant and equipment	<u>12,512</u>	<u>12,803</u>

Notes:

- (i) During the year ended 31 March 2023, total employee benefits expense amounting to approximately HK\$49,070,000 (2022: approximately HK\$43,793,000), was included in direct costs and amounting to approximately HK\$40,133,000 (2022: approximately HK\$42,672,000) was included in administration and other operating expenses.
- (ii) During the year ended 31 March 2023, depreciation of property, plant and equipment of approximately HK\$7,004,000 (2022: approximately HK\$6,135,000), was charged to direct costs and approximately HK\$2,609,000 (2022: approximately HK\$3,209,000), was charged to administration and other operating expenses.
- (iii) During the year ended 31 March 2023, depreciation of right-of-use assets of approximately HK\$1,661,000 (2022: approximately HK\$1,674,000), was charged to administration and other operating expenses.

7. INCOME TAX EXPENSE

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax:		
– Hong Kong Profits Tax	4,283	3,519
Deferred tax	974	(31)
	<hr/>	<hr/>
Total income tax expense recognised in profit or loss	<u>5,257</u>	<u>3,488</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 2023 and 2022.

8. DIVIDEND

No dividend was proposed by the Board for the year ended 31 March 2023 (2022: Nil).

9. EARNINGS PER SHARE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Earnings		
Profit for the year attributable to owners of the Company		
for the purpose of basic earnings per share	<u>21,403</u>	<u>6,778</u>
	2023	2022
	'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 2023 and 2022.

10. TRADE AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	41,620	38,825
Less: loss allowance for trade receivables	<u>(280)</u>	<u>(89)</u>
	41,340	38,736
Deposits and other receivables	682	1,504
Prepayments	1,031	11,857
Less: loss allowance for deposits and other receivables	<u>(19)</u>	<u>(35)</u>
	<u>43,034</u>	<u>52,062</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 – 30 days	13,640	30,368
31 – 60 days	27,980	6,929
61 – 90 days	<u>–</u>	<u>1,528</u>
	<u>41,620</u>	<u>38,825</u>

11. TRADE AND OTHER PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	24,066	28,299
Bills payables	–	23,046
Retention payables	8,757	7,856
Other payables and accruals	43,508	32,530
	<u>76,331</u>	<u>91,731</u>

The credit period on trade payables is generally 30 to 60 days (2022: 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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 – 30 days	18,243	17,766
31 – 60 days	3,593	5,870
61 – 90 days	1,253	4,036
91 – 180 days	145	599
Over 180 days	832	28
	<u>24,066</u>	<u>28,299</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 has started its formwork business since 1994 and has accumulated more than 28 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 SAR Government (the “**Government**”), public transport operators, Airport Authority and property developers.

The subsidiary companies of the Group have been renewed the registration as group 2 Registered Specialist Trade Contractors (the “**RSTCs**”) under “S02-Concreting Formwork” and “S07-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 18 January 2023 and 2 June 2023.

Business Review

The Group's overall revenue for the year ended 31 March 2023 (“**Financial Year 2023**”) amounted to approximately HK\$702.1 million, representing an increase of approximately 49.3% or HK\$231.7 million as compared with that of approximately HK\$470.4 million for the year ended 31 March 2022 (the “**Financial Year 2022**”). For the Financial Year 2023, the Group recorded profit and total comprehensive income of approximately HK\$21.4 million as compared to approximately HK\$6.8 million for the Financial Year 2022.

During the Financial Year 2023, the Group secured five (Financial Year 2022: ten) new contracts with total contract value of approximately HK\$183.8 million, representing an increase of approximately 21.3% compared to that of approximately HK\$151.5 million in the Financial Year 2022. Four of these projects have started contributing revenue to the Group during the Financial Year 2023. As at 31 March 2023, we had a total of ten (31 March 2022: ten) projects on hand with the estimated total outstanding value of approximately HK\$445.4 million for the Financial Year 2023, representing a decrease of approximately 43.6% as compared with approximately HK\$789.5 million for the Financial Year 2022. These contracts are expected to be completed in around one to three years.

Year of award/project	Role	Nature of contract	Status
Year 2020-2021			
J13788-1089 L2 Lyric Theatre Complex	Sub-contractor	Formwork	Work-in-progress
C17101 King Lam Street Commercial Development	Sub-contractor	Formwork	Work-in-progress
AA3405-CRBC-SC-008 3rd Runway Concourse at Hong Kong International Airport (“ 3RS at HKIA ”)	Sub-contractor	Formwork and concrete	Work-in-progress
Year 2021-2022			
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	Work-in-progress
Year 2022-2023			
CZ01 Kai Tak Area 1E 1 Public Housing Development Formwork	Sub-contractor	Formwork	Work-in-progress
HB01 HL793 ASD Construction classrooms of Primary School at Tsuen Wan West Station MIC	Sub-contractor	Formwork	Work-in-progress
GM16 HY2019/13 Central Kowloon Route YV Building Formwork	Sub-contractor	Formwork	Work-in-progress
GB01 83-85 Baker Street Formwork	Sub-contractor	Formwork	In preparation

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately HK\$231.7 million, or 49.3%, from approximately HK\$470.4 million for the Financial Year 2022 to approximately HK\$702.1 million for the Financial Year 2023. The increase was mainly attributable to the Group's major subcontracts of 3RS at HKIA which had substantial work progresses during the Financial Year 2023.

Gross profit and gross profit margin

The Group's gross profit representing a slightly decreased by approximately HK\$4.1 million, or 5.9%, from approximately HK\$69.7 million for the Financial Year 2022 to approximately HK\$65.6 million for the Financial Year 2023. The Group's gross profit margin also decreased from approximately 14.8% for the Financial Year 2022 to approximately 9.3% for the Financial Year 2023.

Such decrease in gross profit and gross profit margin was mainly attributable to the loss incurred by a civil engineering project, which was caused by cost overruns from sub-subcontractors and increased site expenses for the satisfaction of site instructions during the completion stage.

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 slightly decreased by approximately HK\$0.7 million or 1.1%, from approximately HK\$65.4 million for the Financial Year 2022 to approximately HK\$64.7 million for the Financial Year 2023.

Finance costs

The Group's finance costs increased by approximately HK\$1.6 million from approximately HK\$1.2 million for the Financial Year 2022 to approximately HK\$2.8 million for the Financial Year 2023. The increase was mainly attributable to the increase in bank borrowings interest rates of the Group during the Financial Year 2023.

Income tax expense

The Group's income tax expense increased by approximately HK\$1.8 million from approximately HK\$3.5 million for the Financial Year 2022 to approximately HK\$5.3 million for the Financial Year 2023. The effective tax rate for the Financial Year 2023 was approximately 19.7% compared to that of approximately 34.0% for the Financial Year 2022. The decrease of the effective tax rate was mainly due to the non-recurring tax exemption on other income in respect of Employment Support Scheme (“ESS”) subsidies for the Financial Year 2023.

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 increased by approximately HK\$14.6 million from approximately HK\$6.8 million for the Financial Year 2022 to approximately HK\$21.4 million for the Financial Year 2023. The net profit margin also increased by approximately 1.6% from approximately 1.4% for the Financial Year 2022 to approximately 3.0% for the Financial Year 2023.

Such increase was mainly attributable to an increase in other income for the Financial Year 2023 as a result of the receipt of non-recurring government subsidies of approximately HK\$17.7 million received under the ESS. If the effect of the ESS subsidies is excluded, the adjusted net profit margin for the Financial Year 2023 would be 0.5% as compared to 1.4% for the Financial Year 2022.

FUTURE PROSPECTS

The reopening of the Hong Kong economy makes the Group cautiously optimistic of the Group's prospects in coming years. Nevertheless, the construction industry has been experiencing a tight labor market and is still subject to various challenges. The Group's cautious attitude is reinforced by global inflationary pressures and the high-interest-rate environment. The Group will closely monitor the market conditions and adapt its business strategy to capitalise on opportunities arising from the reopening of Hong Kong's economy.

In face of the challenging and opportunistic industry environment, the Group adopts a defensive business approach and aims at prioritizing stability to ensure the progress and completion of its ongoing projects. The Group will continue to enhance its innovative construction technologies related to more sustainable and waste reduction in order to establish a distinctive competitive edge as well as strengthen its position in the industry.

Looking ahead, the overall business environment for construction industry will resume back to normal and pick up the rebound momentum. The Group expects a better utilisation of equipment, material inventories and labour in coming years when new subcontracts are secured. Meanwhile, the Group will also explore suitable business opportunities so as to capture the rebound opportunities under the gradual recovery of the market.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

	2023	2022
Current ratio ¹	3.4	2.6
Gearing ratio ²	5.3%	12.2%
Debt to equity ratio ³	N/A	N/A
Interest coverage ⁴	10.6 times	9.4 times

Notes:

- 1 Current ratio based on the total current assets divided by the total current liabilities.
- 2 Gearing ratio based on the total debt (summation of bank borrowings 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 2023, the Group's current ratio was approximately 3.4 (31 March 2022: approximately 2.6). Debt to equity ratio figures as at 31 March 2023 and 2022 represented that the Group was in a net cash position. Interest coverage increased from approximately 9.4 times for the Financial Year 2022 to approximately 10.6 times for the Financial Year 2023.

As at 31 March 2023, the Group had total assets of approximately HK\$405.4 million (31 March 2022: approximately HK\$415.7 million), which is financed by total liabilities of approximately HK\$98.5 million (31 March 2022: approximately HK\$130.3 million) and total equity of approximately HK\$306.9 million (31 March 2022: approximately HK\$285.4 million).

As at 31 March 2023, the capital structure of the Group consisted of total equity of approximately HK\$306.9 million (31 March 2022: approximately HK\$285.4 million) and debts of approximately HK\$16.2 million (31 March 2022: approximately HK\$34.7 million), which included bank borrowings and lease liabilities.

The Group adopts a prudent approach to cash management. As at 31 March 2023, the Group had bank balance and cash of approximately HK\$69.0 million (31 March 2022: approximately HK\$70.5 million). Apart from certain debts including bank borrowings, the Group did not have any material outstanding debts as at 31 March 2023. The Group maintains a variety of credit facilities to meet requirements for working capital. Payments to settle trade payables and wages represented the significant part of the cash outflow of the Group. As of 31 March 2023, the Group has available banking facilities of approximately HK\$101.7 million (31 March 2022: approximately HK\$114.5 million), of which the unutilised and unrestricted banking facilities amounted to approximately HK\$85.5 million (31 March 2022: approximately HK\$57.0 million).

Total bank borrowings decreased from approximately HK\$34.5 million as at 31 March 2022 to approximately HK\$16.2 million as at 31 March 2023 with the maturity profile summarised as follows:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	3,201	20,991
In the second year	698	816
In the third to fifth year inclusive	2,324	2,562
Over five years	9,943	10,144
	<hr/>	<hr/>
Classified under:		
Current liabilities	16,166	34,513
Non-current liabilities	–	–
	<hr/> <hr/>	<hr/> <hr/>

Note: As at 31 March 2023, 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\$13.0 million (31 March 2022: approximately HK\$13.5 million) have been classified as current liabilities together with bank borrowings balances with maturity repayable within one year.

During the Financial Year 2023, the Group had no financial instruments for hedging purpose. As at 31 March 2023, the Group had no fixed-rate bank borrowings (31 March 2022: Nil).

TREASURY POLICY

The Group continues to follow a prudent policy in managing the Group's bank balances and cash and maintain a healthy liquidity position. The Group 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 2023, the gearing ratio is calculated based on the total interest-bearing borrowings and lease liabilities divided by total equity, was approximately 5.3% (31 March 2022: approximately 12.2%). Such decrease was mainly due to the decrease in bank borrowings for financing on-going projects. The unutilised bank facilities was amounted to approximately HK\$85.5 million as at 31 March 2023.

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. However, despite positive operating outlook benefiting from border reopening, due to the risk of prolonged high interest rate, management is committed to the reduction of leverage level.

CAPITAL COMMITMENTS

As at 31 March 2023, the Group had capital commitments of approximately HK\$5.1 million (31 March 2022: Nil) contracted but not provided for the acquisition of property, plant and equipment.

PLEDGE OF ASSETS

As at 31 March 2023, the Group's bank borrowings and general banking facilities were secured by the office premise with an aggregate net carrying value of approximately HK\$38.7 million (31 March 2022: approximately HK\$40.3 million).

As at 31 March 2023 and 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 2023, the Group had a restricted time-deposit of approximately HK\$3.0 million (31 March 2022: approximately HK\$3.0 million) charging to a bank to secure general banking facilities granted to the Group.

As at 31 March 2023 and 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 2023 and 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 Hong Kong dollars. Under the Linked Exchange Rate System in Hong Kong, Hong Kong dollars is pegged to United States dollars, the management considers that there is no significant foreign exchange risk with respect to Hong Kong dollars. 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 2023. Save as disclosed herein, there were no other plan for material investments or capital assets as at 31 March 2023.

CONTINGENT LIABILITIES

Save as disclosed below, the Group had no material contingent liability as at 31 March 2023 (2022: Nil).

The ordinary course business activities of the Group in the construction industry, the Group has been subject to a number of claims due to personal injuries suffered by employees of the Group or of the Group's sub-subcontractors in accidents arising out of and in the course of their employment. As at 31 March 2023, the Directors are of the opinion that such claims are covered by insurance or otherwise, would not result in any material adverse impact on the financial position or results and operations of the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2023, the Group had 84 full-time employees (31 March 2022: 100 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 2023 amounted to approximately HK\$40.1 million (Financial Year 2022: approximately HK\$42.7 million).

EVENT AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, there is no other important event affecting the Group since 31 March 2023 and up to the date of this announcement.

SEGMENT INFORMATION

Save as disclosed in note 3 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 2023 and for the Financial Year 2023.

RESULTS AND DIVIDEND

The results of the Group for the Financial Year 2023 and the state of affairs of the Group as at 31 March 2023 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 2023.

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 2023.

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 2023 containing all the information required by the Rules Governing the Listing of Securities on the Stock Exchange (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 Listing Rules.

In the opinion of the Board, during the Financial Year 2023, 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 2023.

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, oversee the financial reporting system, internal control systems and risk management and relationship with external auditors and review arrangements employees of the Company can use in confidence to raise 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 2023.

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 2023 as set out in the preliminary announcement have been agreed by the Group's auditors, Crowe (HK) CPA Limited, to the amounts set out in the Group's consolidated financial statements for the Financial Year 2023. The work performed by Crowe (HK) CPA 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 Crowe (HK) CPA 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, 29 June 2023

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.