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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 2024

FINANCIAL HIGHLIGHTS

- Revenue was approximately HK\$783.6 million for the year ended 31 March 2024, representing an increase of approximately 11.6% as compared with the same for the year ended 31 March 2023.
- Gross profit was approximately HK\$66.5 million for the year ended 31 March 2024, representing an increase of approximately 1.3% as compared with the same for the year ended 31 March 2023.
- Gross profit margin decreased from approximately 9.3% for the year ended 31 March 2023 to approximately 8.5% for the year ended 31 March 2024.
- Profit attributable to the owners of the Company was approximately HK\$9.8 million for the year ended 31 March 2024, representing a decrease of approximately 54.4% as compared with the same for the year ended 31 March 2023.
- Basic earnings per share attributable to owners of the Company was approximately HK0.81 cents for the year ended 31 March 2024, and approximately HK1.78 cents for the year ended 31 March 2023.
- The Board does not recommend the payment of any final dividend for the year ended 31 March 2024.

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 2024, together with the comparative figures for the year ended 31 March 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2024

	<i>Notes</i>	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue from contracts with customers	3	783,575	702,112
Direct costs		(717,123)	(636,487)
Gross profit		66,452	65,625
Other income, other gains and losses, net	4	10,162	27,905
Administration and other operating expenses		(57,141)	(64,654)
(Provision)/reversal of loss allowance on trade and other receivables and contract assets		(2,082)	565
Impairment losses on property, plant and equipment		(2,807)	–
Finance costs	5	(1,185)	(2,772)
Profit before tax	6	13,399	26,669
Income tax expense	7	(3,629)	(5,257)
Profit and total comprehensive income for the year		<u>9,770</u>	<u>21,412</u>
Profit and total comprehensive income for the year attributable to:			
– Owners of the Company		9,770	21,403
– Non-controlling interests		–	9
		<u>9,770</u>	<u>21,412</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share attributable to owners of the Company			
– Basic and diluted	9	<u>0.81</u>	<u>1.78</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

		2024	2023
	Notes	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment		30,642	40,036
Right-of-use assets		34,827	35,729
Club membership		1,188	1,188
Deferred tax assets		1,237	156
		<u>67,894</u>	<u>77,109</u>
Current assets			
Inventories		6,397	17,411
Trade and other receivables	10	120,867	43,034
Contract assets		195,276	198,470
Bank balances and cash		88,217	68,964
Current tax recoverable		1,346	378
		<u>412,103</u>	<u>328,257</u>
Current liabilities			
Trade and other payables	11	111,736	76,331
Contract liabilities		45,801	2,843
Lease liabilities		236	–
Borrowings		–	16,166
Current tax liabilities		4,479	2,251
		<u>162,252</u>	<u>97,591</u>

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Net current assets	<u>249,851</u>	<u>230,666</u>
Total assets less current liabilities	<u>317,745</u>	<u>307,775</u>
Non-current liabilities		
Deferred tax liabilities	722	918
Lease liabilities	<u>396</u>	<u>–</u>
	<u>1,118</u>	<u>918</u>
Net assets	<u><u>316,627</u></u>	<u><u>306,857</u></u>
Capital and reserves		
Share capital	12,000	12,000
Reserves	<u>304,627</u>	<u>294,857</u>
Equity attributable to owners of the Company	316,627	306,857
Non-controlling interests	<u>–</u>	<u>–</u>
	<u><u>316,627</u></u>	<u><u>306,857</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

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

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

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

Items included in the financial statements of each entity in the Group 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. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the Group’s current accounting period for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	<i>Insurance Contracts</i>
Amendments to Hong Kong Accounting Standards (“HKAS”) 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax Related to Assets and Liabilities Arising From a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform-Pillar Two model Rules</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting policies</i>

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

Impacts on application of Amendments to HKAS 8 Definition of Accounting Estimates

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year has no material impact on the consolidated financial statements.

Impacts on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The application of the amendments in the current year has no material impact on the consolidated financial statements.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements 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 in the current year has no material impact on the consolidated financial statements.

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund (“MPF”) - Long Service Payment (“LSP”) offsetting mechanism in Hong Kong

The Company and its several subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee’s accrued retirement benefits derived from employers’ MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Hong Kong Government gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “**Amendment Ordinance**”) which abolishes the use of the accrued benefits derived from employers’ mandatory MPF contributions to offset severance payment and LSP (the “**Abolition**”). The Abolition will officially take effect on 1 May 2025 (the “**Transition Date**”). In addition, under the Amendment Ordinance, the last month’s salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The application of the HKICPA guidance has had no material impact on the Group’s consolidated financial statements.

Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Related Amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

The Directors anticipate that the application of all these amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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.

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Revenue from contracts with customers		
– Provision of formwork erection and related ancillary services	781,007	698,730
– Provision of fit-out services	2,568	3,382
	<u>783,575</u>	<u>702,112</u>
Timing of revenue recognition		
– Over time	<u>783,575</u>	<u>702,112</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 2024 and 2023 are as follows:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Customer A	328,726	400,050
Customer B	157,668	103,219
Customer C	98,920	N/A ¹
Customer D	85,672	N/A ¹
Customer E	<u>–</u>	<u>86,233</u>

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

4. OTHER INCOME, OTHER GAINS AND LOSSES, NET

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Other income		
Bank interest income	1,097	205
Income from sale of scrap materials	801	2,173
Government grants (<i>Note</i>)	–	17,738
Sundry income	8,783	7,814
	<u>10,681</u>	<u>27,930</u>
Other gains and losses, net		
Loss on disposal of property, plant and equipment	(519)	(25)
	<u>(519)</u>	<u>(25)</u>
	<u>10,162</u>	<u>27,905</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 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

	2024 HK\$'000	2023 HK\$'000
Interest on bank borrowings	1,183	2,768
Interest on lease liabilities	<u>2</u>	<u>4</u>
	<u>1,185</u>	<u>2,772</u>

6. PROFIT BEFORE TAX

	2024 HK\$'000	2023 HK\$'000
Profit before tax has been arrived at after charging /(crediting):		
Employee benefits expense (<i>Note (i)</i>):		
Salaries and other benefits in kind	79,278	78,658
Discretionary bonuses	7,069	8,481
Contributions to retirement benefit scheme	<u>2,029</u>	<u>2,064</u>
Total employee benefits expense, including directors' emoluments	<u>88,376</u>	<u>89,203</u>
Auditors' remuneration	910	860
Depreciation of property, plant and equipment (<i>Note (ii)</i>)	10,798	9,613
Depreciation of right-of-use assets (<i>Note (iii)</i>)	1,624	1,661
Loss on disposal of property, plant and equipment	519	25
Provision/(reversal) of loss allowance on trade and other receivable and contract assets	2,082	(565)
Impairment loss on property, plant and equipment	2,807	–
Short-term lease expenses in respect of:		
– Land and buildings	5,150	3,073
– Plant and equipment	<u>22,379</u>	<u>12,512</u>

Notes:

- (i) During the year ended 31 March 2024, total employee benefits expense amounting to approximately HK\$51,545,000 (2023: approximately HK\$49,070,000), was included in direct costs and amounting to approximately HK\$36,831,000 (2023: approximately HK\$40,133,000) was included in administration and other operating expenses.
- (ii) During the year ended 31 March 2024, depreciation of property, plant and equipment of approximately HK\$7,998,000 (2023: approximately HK\$7,004,000), was charged to direct costs and approximately HK\$2,800,000 (2023: approximately HK\$2,609,000), was charged to administration and other operating expenses.
- (iii) During the year ended 31 March 2024, depreciation of right-of-use assets of approximately HK\$1,624,000 (2023: approximately HK\$1,661,000), was charged to administration and other operating expenses.

7. INCOME TAX EXPENSE

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Current income tax:		
– Hong Kong Profits Tax	<u>4,906</u>	<u>4,283</u>
Total current income tax	4,906	4,283
Deferred tax	<u>(1,277)</u>	<u>974</u>
Total income tax expense recognised in profit or loss	<u><u>3,629</u></u>	<u><u>5,257</u></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 2024 and 2023.

8. DIVIDEND

No dividend was proposed by the Board for the year ended 31 March 2024 (2023: Nil).

9. EARNINGS PER SHARE

	2024 HK\$'000	2023 HK\$'000
Earnings		
Profit for the year attributable to owners of the Company		
for the purpose of basic earnings per share	<u>9,770</u>	<u>21,403</u>
	2024 '000	2023 '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 2024 and 2023.

10. TRADE AND OTHER RECEIVABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables	68,177	41,620
Less: loss allowance for trade receivables	<u>(1,229)</u>	<u>(280)</u>
	66,948	41,340
Deposits, other receivables and prepayments	54,324	1,713
Less: loss allowance for deposits and other receivables	<u>(405)</u>	<u>(19)</u>
	<u><u>120,867</u></u>	<u><u>43,034</u></u>

The Group allows a credit period ranging from 7 to 45 days (2023: 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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0 – 30 days	46,947	13,640
31 – 60 days	15,120	27,980
91 – 180 days	<u>6,110</u>	<u>–</u>
	<u><u>68,177</u></u>	<u><u>41,620</u></u>

11. TRADE AND OTHER PAYABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade payables	35,463	24,066
Retention payables	16,077	8,757
Other payables and accruals	<u>60,196</u>	<u>43,508</u>
	<u>111,736</u>	<u>76,331</u>

The credit period on trade payables is generally 30 to 60 days (2023: 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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0 – 30 days	29,785	18,243
31 – 60 days	3,479	3,593
61 – 90 days	1,642	1,253
91 – 180 days	557	145
Over 180 days	<u>–</u>	<u>832</u>
	<u>35,463</u>	<u>24,066</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The Group is a major subcontractor specialising in providing formwork works as well as related ancillary services in Hong Kong. In addition, the Group is also specialised in erection of concrete precast component works and scaffolding works on the basis of selected contractors' projects. The Group started its formwork business since 1994 and has accumulated more than 29 years experience in the provision of its services in Hong Kong. The Group actively undertakes large-scale formwork erection projects for building construction and civil engineering works. The direct customers of the Group are main contractors of building construction and civil engineering projects while the ultimate customers are owners of the projects, which include the Hong Kong Government (the **"Government"**), Housing Authority, Airport Authority and property developers.

The subsidiaries of the Group have been renewed registration as group 2 Registered Specialist Trade Contractors (the **"RSTCs"**) under "S02-Concreting Formwork" and "S05-Erection of Concrete Precast Component" 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 respectively.

Business Review

The Group's overall revenue for the year ended 31 March 2024 (**"Financial Year 2024"**) amounted to approximately HK\$783.6 million, representing an increase of approximately 11.6% or HK\$81.5 million as compared with that of approximately HK\$702.1 million for the year ended 31 March 2023 (**"Financial Year 2023"**). For the Financial Year 2024, the Group recorded profit and total comprehensive income of approximately HK\$9.8 million as compared to approximately HK\$21.4 million for the Financial Year 2023.

During the Financial Year 2024, the Group has been awarded a major formwork contract for the automatic people mover (APM) and baggage handling system (BHS) tunnels and related works at Hong Kong International Airport, and won bids for two public housing development projects and another two building projects from public sector and hospital authority, and successively secured a large residential development and a residential re-development formwork projects from reputable property developers located in Tai Po and North Point respectively. The Group secured eight (Financial Year 2023: five) new contracts with total contract value of approximately HK\$1,067.4 million in the Financial Year 2024, representing an increase of approximately 480.7% compared to that of approximately HK\$183.8 million in the Financial Year 2023. All of these projects have been commenced during the Financial Year 2024. As at 31 March 2024, the Group had a total of twelve (31 March 2023: ten) projects on hand with the estimated total outstanding value of approximately HK\$1,072.1 million for the Financial Year 2024, representing an increase of approximately 140.7% as compared with approximately HK\$445.4 million for the Financial Year 2023. 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
AA3405-CRBC-SC-008 3rd Runway Concourse at Hong Kong International Airport	Sub-contractor	Formwork and concrete	Work-in-progress
Year 2021-2022			
C21104-0036 Tai Wai Station residential development (Tower T1 & T8)	Sub-contractor	Formwork	Work-in-progress
Year 2022-2023			
Kai Tak Area 1E 1 Public Housing Development	Sub-contractor	Formwork	Work-in-progress
HY2019/13 Central Kowloon Route Ventilation Building Yau Ma Tei	Sub-contractor	Formwork	Work-in-progress

Year of award/project	Role	Nature of contract	Status
Year 2023-2024			
HY2019/13 Central Kowloon Route Ventilation Building Ho Man Tin	Sub-contractor	Formwork	Work-in-progress
KTH13 Kai Tak Area 1E Site 1 Public Housing Development Tower 1 to Tower 3	Sub-contractor	Formwork	Work-in-progress
J3880/C3802 APM & PHS Tunnels and Related works at Hong Kong International Airport	Sub-contractor	Formwork, scaffold and tableform works	Work-in-progress
20105 Re-development of former State Theatre and State Theatre building site	Sub-contractor	Formwork	Work-in-progress
23203 Tung Chung Public Housing at Tung Chung Area 103	Sub-contractor	Formwork and installation of precast facade	Work-in-progress
23204 Residential Development at TPTL no.243 Ma Wo Road, Tai Po	Sub-contractor	System, traditional formwork and installation of precast facade	Work-in-progress
C23205 LKB in Princess Margaret Hospital	Sub-contractor	Formwork	Work-in-progress

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately HK\$81.5 million, or 11.6%, from approximately HK\$702.1 million for the Financial Year 2023 to approximately HK\$783.6 million for the Financial Year 2024. The increase in revenue was mainly due to the satisfactory progresses of the Group's major subcontract for formwork and concrete works at Third Runway Concourse Foundation and Substructure works at the Hong Kong International Airport and certain building formwork projects, including Kai Tak Area IE Phase 1 Public housing development and construction of Ventilation Buildings for Central Kowloon Route for the Financial Year 2024 as compared to those for the previous year.

Direct costs

Direct costs for the Financial Year 2024 was approximately HK\$717.1 million, representing an increase of approximately HK\$80.6 million or approximately 12.7%, from approximately HK\$636.5 million for the Financial Year 2023. The increase was mainly driven by the increase in construction work performed which is in line with the increase in revenue.

Gross profit and gross profit margin

The Group's gross profit representing a slightly increase by approximately HK\$0.9 million, or 1.3%, from approximately HK\$65.6 million for the Financial Year 2023 to approximately HK\$66.5 million for the Financial Year 2024. The Group's gross profit margin decreased from approximately 9.3% for the Financial Year 2023 to approximately 8.5% for the Financial Year 2024.

The increase in gross profit was mainly driven by more construction projects engaged for the Financial Year 2024 as compared to those for the previous year. Despite an increase in gross profit, the decrease in gross profit margin was caused by additional subcontracting fees and site expenses for the satisfaction of site instructions for projects which were close to completion or were practically completed during the Financial Year 2024.

Administration and other operating expenses

The Group's administration and other operating expenses primarily comprise of staff costs (including Directors' remuneration), depreciation, office expenses and professional charges. The Group's administration and other operating expenses decreased by approximately HK\$7.6 million or 11.6%, from approximately HK\$64.7 million for the Financial Year 2023 to approximately HK\$57.1 million for the Financial Year 2024, which was primarily due to the decrease in legal and professional fees.

Finance costs

The Group's finance costs decreased by approximately HK\$1.6 million from approximately HK\$2.8 million for the Financial Year 2023 to approximately HK\$1.2 million for the Financial Year 2024. The decrease was mainly due to the lower average borrowings during the Financial Year 2024.

Income tax expense

The Group's income tax expense decreased by approximately HK\$1.7 million from approximately HK\$5.3 million for the Financial Year 2023 to approximately HK\$3.6 million for the Financial Year 2024. The effective tax rate for the Financial Year 2024 was approximately 27.1% compared to that of approximately 19.7% for the Financial Year 2023. The increase of the effective tax rate was mainly attributable to the absence of 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 decreased by approximately HK\$11.6 million from approximately HK\$21.4 million for the Financial Year 2023 to approximately HK\$9.8 million for the Financial Year 2024. The net profit margin also decreased by approximately 1.8 percentage points from approximately 3.0% for the Financial Year 2023 to approximately 1.2% for the Financial Year 2024.

Such decrease was mainly attributable to a decrease in other income for the Financial Year 2024 resulting from the absence of non-recurring government subsidies of approximately HK\$17.7 million received under the ESS in the Financial Year 2023. 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 1.2% for the Financial Year 2024.

Other payables and accruals

The following table sets forth the breakdown of the Group's other payables and accruals as at 31 March 2023 and 2024:

	As at 31 March 2024 HK\$'000	As at 31 March 2023 HK\$'000
Accrued construction costs	46,028	27,234
Accrued staff costs and benefits expenses	12,263	13,743
Accrued legal and professional fees	322	303
Other payables	1,583	2,228
	<u>60,196</u>	<u>43,508</u>

The Group's other payables and accruals mainly comprise of (i) accrued contraction costs; (ii) accrued staff costs and benefit expenses; (iii) accrued legal and professional fees and (iv) other payables. The Group's other payables and accruals increased from approximately HK\$43.5 million as at 31 March 2023 to approximately HK\$60.2 million as at 31 March 2024. Such increase was mainly due to the increase in accrued construction costs as a result of the increase in construction works performed.

FUTURE PROSPECTS

The economic outlook for Hong Kong Special Administrative Region (the "Hong Kong") in 2025 appears cautiously optimistic. Our continued success in securing new contracts and winning contract tenders provides a good foundation for us to remain competitive in the industry and expand our revenue, customer base and market reach. The Hong Kong Government's policy in increasing land supply and commitment to infrastructure investments, particularly in housing and hospitals present significant opportunities for us. While labour shortage in the construction sector has been contributing to the cost pressures of construction players in Hong Kong, the Hong Kong Government has launched the Sector-specific Labour Importation Schemes (the "Scheme") to import specific sectors workers to alleviate the manpower shortfall in the construction industry.

The Group pursued contracts with more balanced risks and rewards, constrained by inflation, rising interest rates and workforce shortage, the businesses grown shall only be achieved by sustainable margins. With a solid level of contracts on hand, we should be a bit more selective in bidding in next year.

During the Financial Year 2024, the Group further optimized its gearing level and reduce its borrowings to maintain its financing costs at the lowest level.

Looking ahead, the Group will adhere to its strategies of providing high qualitative and flexible formwork solutions to its customers and construction technology innovation and sustainable development, by enhancing its patent Tableform and BIM technologies and expanding its capability in formwork design and build management to capture more business opportunities.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

	2024	2023
Current ratio ¹	2.5	3.4
Gearing ratio ²	0.2%	5.3%
Debt to equity ratio ³	N/A	N/A
Interest coverage ⁴	12.3 times	10.6 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 2024, the Group's current ratio was approximately 2.5 (31 March 2023: approximately 3.4). Debt to equity ratio figures as at 31 March 2024 and 2023 represented that the Group was in a net cash position. Interest coverage increased from approximately 10.6 times for the Financial Year 2023 to approximately 12.3 times for the Financial Year 2024.

As at 31 March 2024, the Group had total assets of approximately HK\$480.0 million (31 March 2023: approximately HK\$405.4 million), which is financed by total liabilities of approximately HK\$163.4 million (31 March 2023: approximately HK\$98.5 million) and total equity of approximately HK\$316.6 million (31 March 2023: approximately HK\$306.9 million).

As at 31 March 2024, the capital of the Group comprises of ordinary shares and the capital structure of the Company comprised mainly issued share capital and reserves of approximately HK\$316.6 million (31 March 2023: approximately HK\$306.9 million).

As at 31 March 2024, the indebtedness of the Group comprised bank borrowings and lease liabilities of HK\$0.6 million (31 March 2023: approximately HK\$16.2 million).

The Group adopts a prudent approach to cash management. As at 31 March 2024, the Group had bank balance and cash of approximately HK\$88.2 million (31 March 2023: approximately HK\$69.0 million). The Group maintains its bank 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 2024, the Group has available banking facilities of approximately HK\$50.0 million (31 March 2023: approximately HK\$101.7 million), of which the unutilised and unrestricted banking facilities amounted to approximately HK\$20.0 million (31 March 2023: approximately HK\$85.5 million).

Total bank borrowings decreased from approximately HK\$16.2 million as at 31 March 2023 to nil as at 31 March 2024 with the maturity profile summarised as follows:

	2024 HK\$'000	2023 HK\$'000
Within one year	–	3,201
In the second year	–	698
In the third to fifth year inclusive	–	2,324
Over five years	–	9,943
	<hr/>	<hr/>
Classified under:		
Current liabilities	–	16,166
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 have been classified as current liabilities together with bank borrowings balances with maturity repayable within one year.

During the Financial Year 2024, the Group had no financial instruments for hedging purpose. As at 31 March 2024, the Group had no fixed-rate bank borrowings (31 March 2023: Nil).

GEARING RATIO

As at 31 March 2024, the gearing ratio is calculated based on the total interest-bearing borrowings and lease liabilities divided by total equity, was approximately 0.2% (31 March 2023: approximately 5.3%). Such decrease was mainly due to the full repayment of interest-bearing bank borrowings during the Financial Year 2024. The unutilised bank facilities was amounted to approximately HK\$20.0 million as at 31 March 2024.

CAPITAL COMMITMENTS

As at 31 March 2024, the Group had capital commitments of approximately HK\$0.1 million (31 March 2023: 5.1 million) contracted but not provided for the acquisition of property, plant and equipment.

PLEDGE OF ASSETS

As at 31 March 2024, no bank borrowings and general banking facilities of the Group were secured by the office premise (31 March 2023: net carrying value of approximately HK\$38.7 million).

As at 31 March 2024 and 31 March 2023, the Group had pledged to bank an assignment of project proceeds from construction contract of the Group as security of the Group banking facilities respectively, and the assignment of project proceeds as at 31 March 2023 had been discharged during the Financial Year 2024.

As at 31 March 2024 and 31 March 2023, the Group had restricted time deposits of approximately HK\$10.0 million and HK\$3.0 million respectively which charging to bank to secure trade facilities and guarantee line granted to the Group. During the Financial Year 2024, the Group had already released and discharged the restricted time deposit as at 31 March 2023.

As at 31 March 2024, the Group had charge over account with a bank for general banking facilities of approximately HK\$0.3 million (31 March 2023: approximately HK\$41.2 million).

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 2024. Save as disclosed herein, there were no other plan for material investments or capital assets as at 31 March 2024.

CONTINGENT LIABILITIES

Save as disclosed below, the Group had no material contingent liability as at 31 March 2024 (31 March 2023: Nil).

- (a) 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 2024, 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.
- (b) **Advance payment bond**

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Advance payment bond for contract in favour of customer	<u>30,000</u>	<u>—</u>

The above advance payment bond was given by a bank in favour of one of the Group's customer as security for the due performance and observance of the Group's obligations under the subcontract entered into between the Group and the customer. If the Group is in default of its obligation under the subcontract, such customer may demand the bank to pay to him the sum stipulated in such demand not exceeding the sum of the advance payment bond. The Group will then become liable to compensate such banks accordingly. The advance payment bond will be released upon the following events first occurs: (i) the payment in full by the Group to the bank of the bonded sum; or (ii) the Bond will be returned by the customer to the Group; or (iii) the total amount of advance payment will be fully reimbursed to the customer by the Group from the accumulated interim payments certified by the customer.

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.

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.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2024, the Group had 93 full-time employees (31 March 2023: 84 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 2024 amounted to approximately HK\$36.8 million (Financial Year 2023: approximately HK\$40.1 million).

EVENT AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, there is no other important event affecting the Group since 31 March 2024 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 2024 and for the Financial Year 2024.

RESULTS AND DIVIDEND

The results of the Group for the Financial Year 2024 and the state of affairs of the Group as at 31 March 2024 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 2024.

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 2024.

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 C1 to the Listing Rules.

In the opinion of the Board, during the Financial Year 2024, the Company has fully complied with all the applicable code provisions set out in the CG Code.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the “**Model Code**”) set out in Appendix C3 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 2024.

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 2024.

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 2024 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 2024. 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.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.royal-deluxe.com. The annual report of the Company for the Financial Year 2024 will be dispatched to the shareholders of the Company and will be published on the above websites. Should the shareholders of the Company have any difficulties in accessing the corporate communications electronically, please request the printed annual report, free of charge, at any time by writing to the Company or the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited.

APPRECIATION

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

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

Hong Kong, 24 June 2024

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.