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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)

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024**

FINANCIAL HIGHLIGHTS

	For the six months ended 30 September		Change %
	2024 <i>HK\$'000</i> (Unaudited)	2023 <i>HK\$'000</i> (Unaudited)	
Financial Highlights			
Revenue	335,631	361,001	(7.0%)
Gross profit	19,326	34,249	(43.6%)
Gross profit margin	5.8%	9.5%	(38.9%)
(Loss)/profit attributable to owners of the Company	(2,920)	7,563	(138.6%)
Earnings per share (HK cents) – Basic and diluted	(0.24)	0.63	(138.1%)
	As at 30 September 2024 <i>HK\$'000</i> (Unaudited)	As at 31 March 2024 <i>HK\$'000</i> (Audited)	Change %
Financial Position			
Bank balances and cash	61,684	88,217	(30.1%)
Financial Ratios			
Current ratio	2.7	2.5	8.0%
Quick ratio	2.7	2.5	8.0%
Gearing ratio	0.2%	0.2%	–
Return on equity	(1.9%)	3.1%	(161.3%)
Return on total assets	(1.3%)	2.0%	(165.0%)

INTERIM CONSOLIDATED RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Royal Deluxe Holdings Limited (the “**Company**”) hereby announces the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2024, together with the comparative figures for the corresponding period in 2023 as follows:

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

For the six months ended 30 September 2024

		Six months ended	
		30 September	
		2024	2023
	<i>Notes</i>	HK\$’000	<i>HK\$’000</i>
		(Unaudited)	(Unaudited)
Revenue	3	335,631	361,001
Direct costs		<u>(316,305)</u>	<u>(326,752)</u>
Gross profit		19,326	34,249
Other income, other gains and losses, net	4	8,654	5,330
Administration and other operating expenses		(29,308)	(28,339)
Provision for loss allowance on trade and other receivables and contract assets		(1,686)	(111)
Finance costs	5	<u>(6)</u>	<u>(472)</u>
(Loss)/profit before tax	6	(3,020)	10,657
Income tax credit/(expense)	7	<u>100</u>	<u>(3,094)</u>
(Loss)/profit and total comprehensive income for the period		<u>(2,920)</u>	<u>7,563</u>
		HK cents	<i>HK cents</i>
(Loss)/earnings per share attributable to owners of the Company			
– Basic and diluted	9	<u>(0.24)</u>	<u>0.63</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2024

		As at 30 September 2024	As at 31 March 2024
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		30,109	30,642
Right-of-use assets		31,219	34,827
Club membership		1,188	1,188
Deferred tax assets		932	1,237
		<u>63,448</u>	<u>67,894</u>
Current assets			
Inventories		–	6,397
Trade and other receivables	10	112,442	120,867
Contract assets	11	219,310	195,276
Bank balances and cash		61,684	88,217
Current tax recoverable		1,346	1,346
		<u>394,782</u>	<u>412,103</u>
Current liabilities			
Trade and other payables	12	89,923	111,736
Contract liabilities		49,382	45,801
Lease liabilities		273	236
Current tax liabilities		4,322	4,479
		<u>143,900</u>	<u>162,252</u>
Net current assets		<u>250,882</u>	249,851
Total assets less current liabilities		<u>314,330</u>	317,745

	As at 30 September 2024 <i>HK\$'000</i> (Unaudited)	As at 31 March 2024 <i>HK\$'000</i> (Audited)
Non-current liabilities		
Deferred tax liabilities	366	722
Lease liabilities	<u>257</u>	<u>396</u>
	<u>623</u>	<u>1,118</u>
Net assets	<u><u>313,707</u></u>	<u><u>316,627</u></u>
Capital and reserves		
Share capital	12,000	12,000
Reserves	<u>301,707</u>	<u>304,627</u>
Equity attributable to owners of the Company	<u><u>313,707</u></u>	<u><u>316,627</u></u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2024

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company is an investment holding company. The Group is principally engaged in the provision of formwork erection and related ancillary services in Hong Kong. The 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 as to 50% by Mr. Wang Kei Ming (“**Mr. Joseph Wang**”), an executive Director, and 50% by Ms. Chao Lai Heng (“**Ms. Chao**”), an executive Director and spouse of Mr. Joseph Wang.

These unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2024 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 2024 (the “**2024 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 2024 are the same as those followed in the preparation of the 2024 Annual Financial Statements.

These unaudited condensed consolidated interim financial statements have been approved for issue by the Board on 28 November 2024.

2. CHANGE IN ACCOUNTING POLICIES

Application of 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 2024 for the preparation of the Group's unaudited condensed consolidated financial statements:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
HK Interpretation 5 (Revised)	Classification of Liabilities as Current or Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback

The application of the amendments to HKFRSs in the current 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 financial statements.

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	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Types of goods and services		
– Provision of formwork erection and related ancillary services	<u>335,631</u>	<u>361,001</u>
Timing of revenue recognition		
– Over time	<u>335,631</u>	<u>361,001</u>

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	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Customer A	89,048	61,681
Customer B	80,992	–
Customer C	67,629	42,574
Customer D	41,012	–
Customer E	N/A ¹	46,454
Customer F	–	197,798
	<u> </u>	<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

	Six months ended 30 September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Other income		
Bank interest income	493	575
Income from sale of scrap materials	715	133
Sundry income	<u>7,461</u>	<u>5,096</u>
	<u>8,669</u>	<u>5,804</u>
Other gains and losses, net		
Loss on written off or disposal of property, plant and equipment	<u>(15)</u>	<u>(474)</u>
	<u>(15)</u>	<u>(474)</u>
	<u>8,654</u>	<u>5,330</u>

5. FINANCE COSTS

	Six months ended 30 September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on bank borrowings and overdrafts	–	472
Interest on lease liabilities	<u>6</u>	<u>–</u>
	<u>6</u>	<u>472</u>

6. (LOSS)/PROFIT BEFORE TAX

	Six months ended 30 September	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
(Loss)/profit before tax has been arrived at after charging:		
Employee benefits expense (<i>Note (i)</i>):		
Salaries and other benefits in kind	40,617	36,214
Discretionary bonuses	1,950	1,590
Contributions to retirement benefit scheme	995	906
	<u>43,562</u>	<u>38,710</u>
Total employee benefits expense, including Directors' emoluments	<u>43,562</u>	<u>38,710</u>
Depreciation of property, plant and equipment (<i>Note (ii)</i>)	4,895	5,354
Depreciation of right-of-use assets (<i>Note (iii)</i>)	857	767
Provision for loss allowance on trade and other receivables and contract assets	1,686	111
Short-term lease expenses in respect of:		
– Land and buildings	2,854	2,614
– Plant and equipment	15,545	9,475
	<u><u>15,545</u></u>	<u><u>9,475</u></u>

Notes:

- (i) During the six months ended 30 September 2024 and 2023, total employee benefits expense amounting to approximately HK\$23,872,000 and HK\$19,903,000, respectively, was included in direct costs and amounting to approximately HK\$19,690,000 and HK\$18,807,000 respectively was included in administration and other operating expenses.
- (ii) During the six months ended 30 September 2024 and 2023, depreciation of property, plant and equipment of approximately HK\$3,100,000 and HK\$3,982,000, respectively, was charged to direct costs and approximately HK\$1,795,000 and HK\$1,372,000, respectively, was charged to administration and other operating expenses.
- (iii) During the six months ended 30 September 2024 and 2023, depreciation of right-of-use assets of approximately HK\$857,000 and HK\$767,000, respectively, was charged to administration and other operating expenses.

7. INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax:		
– Hong Kong Profits Tax	(47)	3,468
Deferred tax	<u>(53)</u>	<u>(374)</u>
Total income tax (credit)/expenses recognised in profit or loss	<u><u>(100)</u></u>	<u><u>3,094</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%.

For the six months ended 30 September 2024 and 2023, 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 2024 (six months ended 30 September 2023: Nil).

9. (LOSS)/EARNINGS PER SHARE

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

- (i) the (loss)/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 2024 and the six months ended 30 September 2023 respectively.

	Six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss)/earnings		
(Loss)/profit for the period attributable to owners of the Company		
for the purpose of basic and diluted (loss)/earnings per share	<u><u>(2,920)</u></u>	<u><u>7,563</u></u>
	Six months ended 30 September	
	2024	2023
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of		
basic and diluted (loss)/earnings per share	<u><u>1,200,000</u></u>	<u><u>1,200,000</u></u>

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

10. TRADE AND OTHER RECEIVABLES

	As at 30 September 2024 <i>HK\$'000</i> (Unaudited)	As at 31 March 2024 <i>HK\$'000</i> (Audited)
Trade receivables	65,308	68,177
Less: loss allowance for trade receivables	<u>(1,559)</u>	<u>(1,229)</u>
	63,749	66,948
Deposits, other receivables and prepayments	49,000	54,324
Less: loss allowance for deposits and other receivables	<u>(307)</u>	<u>(405)</u>
	<u>112,442</u>	<u>120,867</u>

The Group allows a credit period ranging from 7 to 45 days (31 March 2024: 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 before loss allowance presented based on dates of progress certificates issued by customers, at the end of reporting period, are as follows:

	As at 30 September 2024 <i>HK\$'000</i> (Unaudited)	As at 31 March 2024 <i>HK\$'000</i> (Audited)
0 – 30 days	32,687	46,947
31 – 60 days	15,676	15,120
61 – 90 days	3,915	–
91 – 180 days	6,920	6,110
Over 180 days	<u>6,110</u>	<u>–</u>
	<u>65,308</u>	<u>68,177</u>

11. CONTRACT ASSETS

	As at 30 September 2024 <i>HK\$'000</i> (Unaudited)	As at 31 March 2024 <i>HK\$'000</i> (Audited)
Analysed as current:		
Retention receivables of construction contracts (<i>Note (a)</i>)	85,722	78,711
Unbilled revenue of construction contracts (<i>Note (b)</i>)	136,428	117,951
Less: loss allowance for contract assets	<u>(2,840)</u>	<u>(1,386)</u>
	<u>219,310</u>	<u>195,276</u>

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.

12. TRADE AND OTHER PAYABLES

	As at 30 September 2024 <i>HK\$'000</i> (Unaudited)	As at 31 March 2024 <i>HK\$'000</i> (Audited)
Trade payables	24,609	35,463
Retention payables	13,888	16,077
Other payables and accruals	51,426	60,196
	89,923	111,736

The credit period on trade payables is generally 30 to 60 days (31 March 2024: 30 to 60 days).

As at 30 September 2024, included in trade payables was approximately HK\$1,606,000 (31 March 2024: approximately HK\$1,717,000) 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 2024, included in trade payables was approximately HK\$3,125,000 (31 March 2024: approximately HK\$4,042,000) 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:

	As at 30 September 2024 <i>HK\$'000</i> (Unaudited)	As at 31 March 2024 <i>HK\$'000</i> (Audited)
0 – 30 days	16,066	29,785
31 – 60 days	5,442	3,479
61 – 90 days	1,470	1,642
91 – 180 days	1,631	557
	24,609	35,463

Except for retention payables of approximately HK\$2,629,000 as at 30 September 2024 (31 March 2024: approximately HK\$5,858,000) which are expected to be settled after one year, all of the remaining retention payables are expected to be settled within one year.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The Group is a major subcontractor specialising in providing construction formwork works as well as related ancillary services in Hong Kong. The Group has started its construction formwork business since 1994 and has accumulated more than 30 years experience in the provision of its services in Hong Kong. The Group actively undertakes large-scale construction 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**”), Airport Authority, Hospital Authority, property developers and public transport operators.

Two subsidiaries of the Group have renewed their registration as Group 2 Registered Trade Specialist Trade Contractors under the categories of “S02-Concreting Formwork”, “S05-Erection of Concrete Precast Component” and “S07-Scaffolding” with confirmed status. Both subsidiaries are qualified to tender for public works contracts/ subcontracts of unlimited value in these designated trades, with the registration of one subsidiary effective from 18 January 2023, and the other from 2 June 2023.

BUSINESS REVIEW

During the six months ended 30 September 2024, the Group secured two new contracts with total contract value of approximately HK\$70.5 million, all of these projects have been commenced during the six months ended 30 September 2024.

As at 30 September 2024, the Group has a total of eleven projects on hand with the estimated total outstanding value of approximately HK\$763.3 million, representing a decrease of approximately HK\$250.8 million or approximately 24.7% as compared with the estimated total outstanding value of approximately HK\$1,014.1 million as at 31 March 2024.

It is therefore expected the performance of the subcontract works will remain sustainable and stable in the coming years. These contracts are expected to be completed in around one to three years.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately HK\$25.4 million, or approximately 7.0%, from approximately HK\$361.0 million for the six months ended 30 September 2023 to approximately HK\$335.6 million for the six months ended 30 September 2024.

The decrease in revenue was mainly due to the delay of site instructions and variations assessments for a major subcontract for formwork at L2 Lyric Theatre Complex and the postponement of subcontracts for public housing building formwork at Tung Chun Area 103 for the six months ended 30 September 2024.

Direct costs

The Group's direct costs primarily includes cost of raw materials, labour costs, subcontracting fees, equipment and warehouse charges, depreciation and amortization, site expenses and other overhead costs.

During the six months ended 30 September 2024, the direct costs decreased by approximately HK\$10.5 million, or 3.2%, from approximately HK\$326.8 million for the six months ended 30 September 2023 to approximately HK\$316.3 million for the six months ended 30 September 2024. The decrease was mainly driven by the decrease in construction work performed which is in line with the decrease in revenue.

Gross profit and gross profit margin

During the six months ended 30 September 2024, the Group's gross profit decreased by approximately HK\$14.9 million, or 43.6%, from approximately HK\$34.2 million for the six months ended 30 September 2023 to approximately HK\$19.3 million for the six months ended 30 September 2024. Such decrease was mainly due to the decrease in revenue during the six month ended 30 September 2024. The Group's gross profit margin decreased from approximately 9.5% for the six months ended 30 September 2023 to approximately 5.8% for the six months ended 30 September 2024. The decrease in gross profit margin was mainly due to additional costs incurred from the delay in progress of certain projects due to changes in subcontract agreements and the delay of site instructions and variations assessments for a major subcontract.

Other income, other gains and losses, net

Other income, other gains and losses mainly consisted of insurance claim proceeds, interest income, table-form equipment rental income and other sundry income. The increase in other income, other gains and losses for the six months ended 30 September 2024 was attributable to an increase of approximately HK\$2.0 million in recurring table-form equipment rental income.

Provision for loss allowance on trade and other receivables and contract assets

The provision for loss allowance on trade and other receivables and contract assets represents the expected credit losses on our trade receivables, deposits and other receivables and contract assets. The management of the Group conducted impairment analysis at the end of each reporting period using a provision matrix to measure expected credit losses.

The Group recorded an increase in provision of loss allowance on trade and other receivables and contract assets from approximately HK\$0.1 million for the six months ended 30 September 2023 to approximately HK\$1.7 million for the six month ended 30 September 2024. Such increase was mainly due to the increase in contract assets, trade receivables, deposits and other receivables as at 30 September 2024 and reassessment of expected recoverable values in light of current market conditions. In particular, the gross amounts of contract assets increased from approximately HK\$196.7 million as at 31 March 2024 to approximately HK\$222.2 million as at 30 September 2024 mainly due to the increase in contract assets due from customers, leading to the increase in the loss allowance on contract assets from approximately HK\$1.4 million as at 31 March 2024 to approximately HK\$2.8 million as at 30 September 2024.

Up to the date of this announcement, approximately HK\$53.5 million and approximately HK\$9.6 million of the Group's trade receivables and contract assets as at 30 September 2024 have been subsequently settled, respectively. Having considered the good repayment records, the credit profiles and on-going business relationship with the customers, the Directors assessed that there had not been a significant change in credit quality of trade receivables and contract assets as at 30 September 2024. As such, the balance of the trade receivables and contract assets as at 30 September 2024 were considered fully recoverable and no further impairment loss was recognised.

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 remained stable at approximately HK\$28.3 million for the six months ended 30 September 2023 and approximately HK\$29.3 million for the six months ended 30 September 2024.

Finance costs

The Group's finance costs decreased from approximately HK\$0.5 million for the six months ended 30 September 2023 to approximately HK\$6,000 for the six months ended 30 September 2024, as the Group has no borrowing during the six months ended 30 September 2024.

Income tax credit/(expense)

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax expenses in the Cayman Islands and the BVI. Hong Kong profits tax has been provided at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The Group recorded an income tax expenses of approximately HK\$3.1 million for the six months ended 30 September 2023 to an income tax credit of approximately HK\$0.1 million for the six months ended 30 September 2024, which was primarily due to the decrease in taxable profit for the six months ended 30 September 2024.

(Loss)/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 decreased by approximately HK\$10.5 million or 138.6%, from approximately HK\$7.6 million for the six months ended 30 September 2023 to loss attributable to owners of the Company of approximately HK\$2.9 million for the six months ended 30 September 2024, which was mainly due to the decrease in gross profit as a result of the delay in progress of certain projects due to changes in subcontract agreement and the delay of site instructions and variations assessments for a major subcontract.

Other payables and accruals

The following table sets forth the breakdown of the Group's other payables and accruals as at 30 September 2024 and 31 March 2024:

	As at 30 September 2024 <i>HK\$'000</i>	As at 31 March 2024 <i>HK\$'000</i>
Accrued construction costs	39,640	46,028
Accrued staff costs and benefits expenses	11,503	12,263
Accrued legal and professional fees	140	322
Other payables	143	1,583
	<u>51,426</u>	<u>60,196</u>

The Group's other payables and accruals decreased from approximately HK\$60.2 million as at 31 March 2024 to approximately HK\$51.4 million as at 30 September 2024. Such decrease was mainly due to the decrease in accrued construction costs as a result of the decrease in construction work performed.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group financed its operations and capital expenditure with internal resources and bank borrowings. The Group adopts a prudent approach to cash management. As at 30 September 2024, the Group did not have any outstanding debts.

As at 30 September 2024, the Group had total bank balances and cash of approximately HK\$61.7 million (31 March 2024: approximately HK\$88.2 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 2.7 (31 March 2024: approximately 2.5).

As at 30 September 2024, the Group had total assets of approximately HK\$458.2 million (31 March 2024: approximately HK\$480.0 million), which was financed by total liabilities of approximately HK\$144.5 million (31 March 2024: approximately HK\$163.4 million) and total equity of approximately HK\$313.7 million (31 March 2024: approximately HK\$316.6 million).

As at 30 September 2024, the indebtedness of the Group comprised lease liabilities of approximately HK\$0.5 million (31 March 2024: approximately HK\$0.6 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. Meanwhile, in order to mitigate the impact of the continued increase in Hong Kong dollar borrowing interest rates on financial costs, the Group continues to repay interest-bearing bank borrowings while also striving to maintain various credit facilities and bank balances as financial reserve for meeting the new awarded tenders working capital requirement. As of 30 September 2024, the Group has available banking facilities of approximately HK\$50.0 million (31 March 2024: approximately HK\$50.0 million), of which the unutilised banking facilities amounted to approximately HK\$20.0 million (31 March 2024: approximately HK\$20.0 million).

GEARING RATIO

As at 30 September 2024, the gearing ratio, calculated based on the lease liabilities divided by total equity, was 0.2% (31 March 2024: approximately 0.2%).

CAPITAL EXPENDITURES

The Group generally finances its capital expenditures with internal resources and bank borrowings. During the six months ended 30 September 2024, the Group invested an aggregate of approximately HK\$0.6 million (31 March 2024: approximately HK\$4.8 million) in machinery and equipment, leasehold improvements, office equipment, furniture and fixtures.

CAPITAL COMMITMENTS

The Group had no significant capital commitments as at 30 September 2024 (31 March 2024: approximately HK\$0.1 million).

PLEDGE OF ASSETS

As at 30 September 2024 and 31 March 2024, the Group had restricted time deposits of approximately HK\$10.0 million which were charged to bank to secure trade facilities and guarantee line granted to the Group.

As at 30 September 2024, the Group had charge over account with a bank for general banking facilities of approximately HK\$0.3 million (31 March 2024: approximately HK\$0.3 million).

FOREIGN CURRENCY RISK

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

The Group has no significant exposure to foreign currency risk because most of the Group's transactions are denominated in HK\$. Under the Linked Exchange Rate System in Hong Kong, HK\$ is pegged to United States dollars, and the management considers that there is no significant foreign exchange risk with respect to HK\$. Therefore, the Group has 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 2024. Save as disclosed herein, there were no other plans for material investments or capital assets as at 30 September 2024.

CONTINGENT LIABILITIES

Save as disclosed below, the Group had no material contingent liability as at 30 September 2024 (31 March 2024: Nil).

- (a) In the ordinary course of business activities 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 contractors in accidents arising out of and in the course of their employment. As at 30 September 2024, the Directors were 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

As at 30 September 2024 and 31 March 2024, the Group had an advance payment bond of approximately HK\$30.0 million for a contract, which 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 obligations under the subcontract, such customer may demand the bank to pay to them 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 return of the advance payment bond by the customer to the Group; or (iii) the full reimbursement of the total advance payment amount to the customer by the Group from the accumulated interim payments certified by the customer.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2024 (six months ended 30 September 2024: Nil).

EVENTS AFTER THE REPORTING PERIOD

BDO Limited was appointed as the auditors of the Company on 4 November 2024 to fill the casual vacancy following the resignation of Crowe (HK) CPA Limited on 18 October 2024. Details of the change of auditors were set out in the announcements of the Company dated 18 October 2024 and 4 November 2024. Save as disclosed in this announcement, there is no other important event affecting the Group since 30 September 2024 and up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2024, the Group had 89 full-time employees (30 September 2023: 85 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 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 six months ended 30 September 2024 amounted to approximately HK\$19.7 million (six months ended 30 September 2023: approximately HK\$18.8 million).

SEGMENT INFORMATION

Save as disclosed in note 3 to the unaudited condensed consolidated interim financial statements 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 30 September 2024 and for the six months ended 30 September 2024.

RISK MANAGEMENT

The Risk Committee is responsible for monitoring and overseeing the risk policies and strategies of the Group, and also support the Board in overseeing the management of climate risks and providing directions to address the impact of climate change and consider climate-related risks and opportunities in a holistic manner.

Construction industry remains a complex and challenging market, we still have to deal with various issues, including labour shortages in various industries in Hong Kong, soaring inflation and interest costs, and geopolitical tensions, and ongoing threats such as cybersecurity risks. At the same time, recent serious accidents in the construction industry and climate change risks such as rising sea levels have also become the focus of our attention. Our risk committee will continue to strive to strengthen internal controls to manage the Group's strategic risks. We will also focus on strengthening communication, improving risk monitoring awareness and responsibility throughout the Group, and continuously improving risk management methods.

FUTURE PROSPECTS

During the six months ended 30 September 2024, despite the gradual recovery of economic environment in China and Hong Kong, the construction industry continued to face challenges including labour shortages, soaring inflation and interest costs. Management's strict control over the progress of the projects has been a significant factor in maintaining performance.

On the global front, market uncertainties persist around the world as interest rates remain high and geopolitical tensions pervade headlines, together with the anticipation of decelerating economic growth.

In the second quarter of 2024, the Hong Kong economy continued to exhibit moderate growth while real estate investment market quietened progressively. The construction industry demonstrated growth with 16.0% increase in building and construction expenditure. This growth was predominantly driven by the public sector, contributing to a substantial 35.8% increase as compared to the last quarter 2023. The Government has also rolled out one large industrial site in Hung Shui Kiu, in line with the proposals in the Northern Metropolis Development Strategy, to support the development of multi-storey industrial buildings and logistics centres, as well as the hospital development and improvement projects. Our patented Smart Formwork Aluminum Tableform system will be very suitable and advantageous in the construction of such large-scale development projects.

The Group maintains its existing strategy to optimize its gearing level and maintain its financial costs at the lowest level, while adhering to its strategies of providing high-quality and flexible formwork solutions to its customers. In recent years, the Group has focused on continuously developing and enhancing its patent formwork solutions and digital transformation. For instance, the Group has successfully implemented the Design for Manufacture and Assembly technologies, as well as Building Information Modelling technologies applications. In the long run, expanding its capabilities in formwork design and build will capture more business and new market opportunities for the development of the Group.

REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any of the Company's listed securities (including any sale of treasury shares as defined under the Listing Rules) during the six months ended 30 September 2024. As at 30 September 2024, there was no treasury shares held by the Company.

COMPETING BUSINESS

During the six months ended 30 September 2024, none of the Directors or the controlling shareholders of the Company (the "**Controlling Shareholders**") and their respective associates (as defined under the Listing Rules) 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 when 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 or not the Group will exercise the right of first refusal.

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 2024, 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 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 C3 to 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 2024.

SHARE SCHEMES

The Company conditionally adopted a share option scheme on 17 January 2017 (the “**2017 Share Option Scheme**”). The Company terminated the 2017 Share Option Scheme and adopted the new share option scheme (the “**2023 Share Option Scheme**”) and the share award scheme (the “**2023 Share Award Scheme**”) (together, the “**Share Schemes**”) pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 19 September 2023 (the “**Adoption Date**”). Unless otherwise altered or terminated, the Share Schemes will be valid and effective for a period of 10 years commencing on the Adoption Date.

The purpose of the 2023 Share Option Scheme is to recognise and acknowledge the contributions that eligible participants have made or may make to the Group, and to enable the Group to grant options to the eligible participants as incentives or rewards for their contributions with the view of achieving the principal objectives of (i) recruiting and retaining high-calibre personnel and key staff members that are valuable to the Group and whose contributions are important to the long-term growth and profitability of the Group; and (ii) motivate the eligible participants whose contributions are, will or expected to be beneficial to the Group. The eligible participant(s) under the 2023 Share Option Scheme include directors and employees of the Group and individuals or entities that provide services to the Group on a continuing or recurring basis in its ordinary and usual course of business (the “**Service Providers**”).

The purpose of the 2023 Share Award Scheme is to recognise the contribution or future contribution of the eligible participants for their contribution to the Group by granting awards to them as incentives or rewards and to attract, retain and motivate high-calibre eligible participants in line with the performance goals of the Group. The 2023 Share Award Scheme is intended to strengthen the long-term relationships that the eligible participants may have with the Group. The eligible participant(s) under the 2023 Share Award Scheme include the directors and employees of the Group (including persons who are granted awards as inducement to enter into employment contracts with the Group).

Pursuant to the terms of the Share Schemes and in compliance with Chapter 17 of the Listing Rules, the total number of shares which may be issued upon exercise of all share options and awards to be granted under the Share Schemes and all other share schemes of the Company shall not exceed 10% of the total number of the Company's issued shares as at the Adoption Date of the Share Schemes (i.e. 120,000,000 shares) (the “**Scheme Mandate Limit**”). The total number of shares which may be issued in respect of all options and awards to be granted to the Service Providers under the 2023 Share Option Scheme and any other share schemes of the Company shall not exceed 1% of the total number of shares in issue on the Adoption Date (i.e. 12,000,000 shares) (the “**Service Provider Sublimit**”).

The principal terms of the Share Schemes are set out in the circular of the Company dated 24 August 2023. During the six months ended 30 September 2024, no share options or awards were granted, exercised, canceled or lapsed and there is no outstanding share option and award under the Share Schemes. As at the date of this announcement, the Share Scheme has a remaining life of approximately 9 years. As at 1 April 2024 and 30 September 2024, the number of options and awards available for grant under the Scheme Mandate Limit and the Service Provider Sublimit is 120,000,000 and 12,000,000, respectively. Further details of the Share Schemes are set out in note 25 to the consolidated financial statements of 2024 Annual Financial Statements.

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 C1 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 2024 and up to the date of this announcement.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) was established on 17 January 2017. The chairman of the Audit Committee is Mr. Kwong Ping Man, an independent non-executive Director, and other members 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, oversee the financial controls, internal control procedures and risk management system, audit plan and relationship with external auditors and review 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 unaudited condensed consolidated interim financial statements for the six months ended 30 September 2024 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 2024 comply with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim 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 interim report for the six months ended 30 September 2024 will be despatched 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 interim 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.

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

Hong Kong, 28 November 2024

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