



御佳控股有限公司

Royal Deluxe Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 3789

2017

Interim Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Kei Ming (*Chairman and
Chief Executive Officer*)

Mr. Wang Yu Hin

Independent Non-executive Directors

Mr. Lai Ah Ming Leon

Mr. Lam Wai Ho

Mr. Kwong Ping Man

AUDIT COMMITTEE

Mr. Kwong Ping Man (*Chairman*)

Mr. Lai Ah Ming Leon

Mr. Lam Wai Ho

REMUNERATION COMMITTEE

Mr. Lai Ah Ming Leon (*Chairman*)

Mr. Lam Wai Ho

Mr. Kwong Ping Man

Mr. Wang Kei Ming

NOMINATION COMMITTEE

Mr. Lam Wai Ho (*Chairman*)

Mr. Lai Ah Ming Leon

Mr. Kwong Ping Man

Mr. Wang Kei Ming

COMPANY SECRETARY

Ms. Yim Sau Ping

AUTHORISED REPRESENTATIVES

Mr. Wang Kei Ming

Ms. Yim Sau Ping

REGISTERED OFFICE

P.O. Box 1350, Clifton House,
75 Fort Street, Grand Cayman KY1-1108,
Cayman Islands

COMPLIANCE ADVISER

Frontpage Capital Limited
26th Floor, Siu On Centre,
188 Lockhart Road,
Wanchai, Hong Kong

LEGAL ADVISER AS TO HONG KONG LAWS

CFN Lawyers in association with Broad and Bright
Room 4124, 41st Floor,
Sun Hung Kai Centre,
30 Harbour Road,
Wanchai, Hong Kong

CORPORATE INFORMATION

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Estera Trust (Cayman) Limited
P.O. Box 1350, Clifton House,
75 Fort Street,
Grand Cayman KY1-1108,
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre,
183 Queen's Road East,
Hong Kong

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Dah Sing Bank Limited

WEBSITE

www.royal-deluxe.com

STOCK CODE

3789

HIGHLIGHTS

	For the six months ended 30 September		
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	Change
Financial Highlights			
Revenue	359,359	237,158	51.5%
Gross profit	55,202	43,073	28.2%
Gross profit margin	15.4%	18.2%	(15.4%)
Profit attributable to the owners of the Company	25,776	22,175	16.2%
Profit attributable to the owners of the Company (without listing expenses)	25,776	26,973	(4.4%)

	As at 30 September 2017 HK\$'000 (Unaudited)	As at 31 March 2017 HK\$'000 (Audited)	Change
Financial Position			
Bank balances and cash	40,887	119,718	(65.8%)
Bank borrowings	29,907	20,746	44.2%
Financial Ratios			
Current ratio	2.0	2.1	(4.8%)
Quick ratio	2.0	2.1	(4.8%)
Gearing ratio	15.5%	12.4%	25.0%
Return on equity	26.7%	38.1%	(29.9%)
Return on total assets	16.1%	20.6%	(21.8%)

	For the six months ended 30 September		
	2017 HK cents (Unaudited)	2016 HK cents (Unaudited)	Change
Financial Information per share			
Earnings per share – Basic and diluted	2.15	2.25	(4.4%)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2017

		Six months ended 30 September	
		2017	2016
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
	Notes		
Revenue	3	359,359	237,158
Direct costs		(304,157)	(194,085)
Gross profit		55,202	43,073
Other income, other gains and losses, net	4	2,079	6,041
Administration and other operating expenses		(24,871)	(19,764)
Finance costs	5	(1,207)	(1,546)
Profit before tax	6	31,203	27,804
Income tax expense	7	(5,427)	(5,629)
Profit and total comprehensive income for the period attributable to owners of the Company		25,776	22,175
Earnings per share attributable to owners of the Company		HK cents	HK cents
– Basic and diluted	9	2.15	2.25

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	Notes	As at 30 September 2017 HK\$'000 (Unaudited)	As at 31 March 2017 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	61,145	3,875
Deposits and prepayments for life insurance policy		3,771	3,727
Golf club membership		1,188	–
		66,104	7,602
Current assets			
Trade and other receivables	11	117,021	129,096
Amounts due from customers for contract work	12	95,506	53,016
Bank balances and cash	13	40,887	119,718
		253,414	301,830
Total assets		319,518	309,432
Current liabilities			
Trade and other payables	14	78,307	99,617
Amounts due to customers for contract work	12	12,246	17,527
Bank borrowings		29,907	20,746
Current tax liabilities		5,865	4,134
		126,325	142,024
Net current assets		127,089	159,806
Total assets less current liabilities		193,193	167,408
Non-current liabilities			
Deferred tax liabilities		9	–
Net assets		193,184	167,408
Capital and reserves			
Share capital	15	12,000	12,000
Reserves		181,184	155,408
Equity attributable to owners of the Company		193,184	167,408

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
Balance at 1 April 2016 (audited)	1,020	–	–	118,261	119,281
Profit and total comprehensive income for the period	–	–	–	22,175	22,175
Reorganisation	(1,020)	–	1,020	–	–
Balance at 30 September 2016 (unaudited)	–	–	1,020	140,436	141,456
Balance at 1 April 2017 (audited)	12,000	100,344	1,020	54,044	167,408
Profit and total comprehensive income for the period	–	–	–	25,776	25,776
Balance at 30 September 2017 (unaudited)	12,000	100,344	1,020	79,820	193,184

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	Notes	Six months ended 30 September	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Cash flows from operating activities			
Cash (used in)/generated from operations		(23,293)	25,269
Interest received		66	–
Interest paid		(1,207)	(1,546)
Hong Kong Profits Tax paid		(3,687)	(1,494)
Net cash (used in)/generated from operating activities		(28,121)	22,229
Cash flows from investing activities			
Net cash outflow for derivatives financial instruments		–	(74)
Proceeds from disposal of property, plant and equipment		–	10
Purchases of property, plant and equipment		(58,683)	(1,932)
Purchase of golf club membership		(1,188)	–
Net cash used in investing activities		(59,871)	(1,996)
Cash flows from financing activities			
Proceeds from borrowings		26,610	24,000
Repayment of borrowings		(17,449)	(32,041)
Repayment of obligations under finance leases		–	(293)
Net cash generated from/(used in) financing activities		9,161	(8,334)
Net (decrease)/increase in cash and cash equivalents		(78,831)	11,899
Cash and cash equivalents at the beginning of period		116,718	21,043
Cash and cash equivalents at the end of period	13	37,887	32,942

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2017

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

Royal Deluxe Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 12 April 2016 as an exempted company with limited liability. The addresses of the registered office and the principal place of business of the Company are P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and Unit A, 22/F, T G Place, 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong, respectively.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) is principally engaged in the provision of formwork erection and related ancillary services in Hong Kong.

The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 8 February 2017 (the “**Listing**”).

Prior to the corporate reorganisation undertaken in preparation for the Listing of the Company’s shares on the Main Board of the Stock Exchange (the “**Reorganisation**”), the group entities were under the control by Mr. Wang Kei Ming. Through the Reorganisation, the Company became the holding company of the companies now comprising the Group on 28 June 2016. Accordingly, for the purpose of the preparation of the unaudited condensed consolidated interim financial statements of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the periods presented. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the control of Mr. Wang Kei Ming prior to and after the Reorganisation.

The unaudited condensed consolidated interim financial statements have been prepared as if the Company had been the holding company of the Group throughout the interim periods presented in accordance with Accounting Guideline 5 “*Merger Accounting for Common Control Combinations*” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The unaudited condensed consolidated statement of profit or loss and other comprehensive income, unaudited condensed consolidated statement of changes in equity and unaudited condensed consolidated statement of cash flows for the periods presented, which include the results, changes in equity and cash flows of the companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the periods presented, or since their respective dates of incorporation, where this is a shorter period.

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the HKICPA. These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 March 2017, which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2017

1. GENERAL INFORMATION AND BASIS OF PRESENTATION (CONTINUED)

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.

These unaudited condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 21 November 2017.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis. Except as described below, the accounting policies and methods of computation used in the unaudited condensed consolidated interim financial statements for the six months ended 30 September 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2017.

Amendments to HKFRSs that are mandatorily effective for the current period

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current period:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

The application of the amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle ⁴
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers ¹
Amendments to HKAS 40	Transfers of Investment Property ¹

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

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

⁴ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2017

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(a) Property, plant and equipment

Property, plant and equipment including building, leasehold land held for use in the production or supply of goods or services, or for administrative purpose are stated in the unaudited condensed consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

– Leasehold land	Over the remaining terms of the leases
– Building	Over the shorter of the terms of the leases or useful life
– Metal column, timber and scaffolds	50%
– Leasehold improvements	25%
– Office equipment	20%
– Furniture and fixtures	25%
– Motor vehicles	25%

(b) Golf club membership

Golf club membership with indefinite useful life is stated at cost less any impairment losses. Impairment is reviewed annually or when there is any indication that the club membership has suffered an impairment loss.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2017

3. REVENUE AND SEGMENT INFORMATION

Revenue represents amounts received and receivables from construction services in Hong Kong.

(a) Operating segment

For the purpose of the Group's resources allocation and performance assessment, the chief operating decision maker (i.e. the directors of the Company) reviews the overall results and financial position of the Group as a whole as the Group is primarily engaged in the provision of formwork erection and related ancillary services in Hong Kong. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

(b) 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.

(c) Information about major customers

Revenue from customers contributing over 10% of the Group's total revenue during the period are as follows:

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Customer A	114,347	32,911
Customer B	88,353	44,824
Customer C	39,218	N/A ¹
Customer D	N/A ¹	52,437
Customer E	N/A ¹	34,778
Customer F	N/A ¹	33,033

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2017

4. OTHER INCOME, OTHER GAINS AND LOSSES, NET

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Other income		
Bank interest income	66	–
Interest income on deposits and prepayments for life insurance policy	58	55
Income from sale of scrap materials	1,304	1,137
Government grants	–	250
Sundry income	650	4,593
	2,078	6,035
Other gains and losses, net		
Net foreign exchange gains/(losses)	1	(1)
Gain on disposal of property, plant and equipment	–	10
Loss arising on change in fair value of derivative financial instruments	–	(3)
	1	6
	2,079	6,041

5. FINANCE COSTS

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Interest on bank borrowings and overdrafts	1,207	1,517
Interest on obligations under finance leases	–	29
	1,207	1,546

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2017

6. PROFIT BEFORE TAX

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Profit before tax has been arrived at after charging:		
Employee benefits expense (<i>Note</i>):		
Salaries and other benefits in kind	243,419	142,280
Discretionary bonuses	3,288	–
Contributions to retirement benefit scheme	7,851	5,164
Total employee benefits expense, including directors' emoluments	254,558	147,444
Amortisation of premium and other expenses charged on life insurance policy	14	51
Auditors' remuneration	561	312
Depreciation of property, plant and equipment	1,413	1,156
Listing expenses	–	4,798
Operating lease rentals in respect of:		
– Land and buildings	711	826
– Plant and equipment	6,180	6,365

Note:

During the six months ended 30 September 2017 and 2016, total employee benefits expense amounting to approximately HK\$236,794,000 and HK\$138,169,000 respectively was included in direct costs and amounting to approximately HK\$17,764,000 and HK\$9,275,000 respectively was included in administration and other operating expenses.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2017

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Current income tax:		
Hong Kong Profits Tax	5,418	5,629
Deferred tax:		
Current period	9	–
Total income tax expenses recognised in profit or loss	5,427	5,629

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2016: 16.5%) of the estimated assessable profits arising in or derived from Hong Kong for the six months ended 30 September 2017.

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the current period (six months ended 30 September 2016: Nil).

9. EARNINGS PER SHARE

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

- (i) the profit attributable to owners of the Company for the respective periods;
- (ii) the weighted average number of ordinary shares issued during the six months ended 30 September 2017; and
- (iii) the weighted average number of 984,000,000 ordinary shares (comprising 10,000 ordinary shares in issue and 983,990,000 ordinary shares to be issued under the capitalisation issue), as if these 984,000,000 ordinary shares were outstanding throughout the six months ended 30 September 2016.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2017

9. EARNINGS PER SHARE (CONTINUED)

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	25,776	22,175
	Six months ended 30 September	
	2017 '000 (Unaudited)	2016 '000 (Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,200,000	984,000

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

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2017, the Group acquired certain items of property, plant and equipment of approximately HK\$58,683,000 (six months ended 30 September 2016: HK\$1,932,000).

No property, plant and equipment of the Group were disposed during six months ended 30 September 2017. During the six months ended 30 September 2016, the Group disposed certain items of property, plant and equipment with a carrying amount to nil and recognised a gain of approximately HK\$10,000 in the unaudited condensed consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2017

11. TRADE AND OTHER RECEIVABLES

	As at 30 September 2017 HK\$'000 (Unaudited)	As at 31 March 2017 HK\$'000 (Audited)
Trade receivables	66,420	81,595
Retention receivables	45,560	40,689
Deposits, prepayments and other receivables	5,041	6,812
	117,021	129,096

The Group allows a credit period ranging from 7 to 56 days to its customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

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

	As at 30 September 2017 HK\$'000 (Unaudited)	As at 31 March 2017 HK\$'000 (Audited)
0 - 30 days	44,312	61,403
31 - 60 days	13,622	19,310
61 - 90 days	987	882
91 - 180 days	7,499	-
	66,420	81,595

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2017

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables disclosed above include amounts which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	As at 30 September 2017 HK\$'000 (Unaudited)	As at 31 March 2017 HK\$'000 (Audited)
Overdue by:		
1 - 30 days	5,468	18,371
31 - 60 days	207	-
61 - 90 days	3,504	-
91 - 180 days	4,299	-
	13,478	18,371

The Group's policy for impairment loss on trade receivables is based on an evaluation of collectability and ageing analysis of the receivables which requires the use of judgement and estimates. Provisions are applied to the receivables when there are events or changes in circumstances indicate that the balances may not be collectible. The management closely reviews the trade receivables balances and any overdue balances on an ongoing basis and assessments are made by the management on the collectability of overdue balances.

Except for retention receivables of approximately HK\$39,613,000 (31 March 2017: HK\$34,391,000) as at 30 September 2017, which are expected to be recovered after one year, all of the remaining retention receivables are expected to be recovered within one year.

The other classes within trade and other receivables do not contain impaired assets. The Group does not hold any collateral as security.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2017

12. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	As at 30 September 2017 HK\$'000 (Unaudited)	As at 31 March 2017 HK\$'000 (Audited)
Contract costs incurred plus recognised profits less recognised losses	1,997,309	1,605,584
Less: Progress billings received and receivables	(1,914,049)	(1,570,095)
	83,260	35,489
Analysed for reporting purposes as:		
Amounts due from customers for contract work	95,506	53,016
Amounts due to customers for contract work	(12,246)	(17,527)
	83,260	35,489

As at 30 September 2017, retentions held by customers for contract work amounted to approximately HK\$45,560,000 (31 March 2017: HK\$40,689,000), as set out in Note 11 to the unaudited condensed consolidated interim financial statements. Retention monies withheld by customers for contract works are released after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2017

13. BANK BALANCES AND CASH

	As at 30 September 2017 HK\$'000 (Unaudited)	As at 31 March 2017 HK\$'000 (Audited)
Bank balances and cash in the unaudited condensed consolidated statement of financial position	40,887	119,718
Less: Restricted bank balances	(3,000)	(3,000)
Cash and cash equivalents in the unaudited condensed consolidated statement of cash flows	37,887	116,718

Restricted bank balances are deposits placed in bank to secure the issuance of performance bonds, as set out in Note 17 to the unaudited condensed consolidated interim financial statements.

Bank balances earn interests at floating rate based on daily bank deposit rates and is placed with creditworthy banks with no recent history of default.

14. TRADE AND OTHER PAYABLES

	As at 30 September 2017 HK\$'000 (Unaudited)	As at 31 March 2017 HK\$'000 (Audited)
Trade payables	20,120	25,700
Bills payables	16,256	20,621
Retention payables	1,192	1,689
Other payables and accruals	40,739	43,662
Deposits received	–	7,945
	78,307	99,617

The credit period on trade payables is generally 7 to 60 days.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2017

14. TRADE AND OTHER PAYABLES (CONTINUED)

As at 30 September 2017 and 31 March 2017, included in trade payables was approximately HK\$656,000 and Nil respectively payable to a related company, Genuine Treasure Construction Material Limited.

As at 30 September 2017 and 31 March 2017, included in trade payables was approximately HK\$1,378,000 and HK\$2,499,000 respectively payable to a related company, Genuine Treasure Access and Scaffolding Limited.

Mr. Wang Kei Ming's close family member was the substantial shareholder and director of Genuine Treasure Construction Material Limited and 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 2017 HK\$'000 (Unaudited)	As at 31 March 2017 HK\$'000 (Audited)
0 - 30 days	7,328	10,283
31 - 60 days	7,180	9,502
61 - 90 days	4,685	5,495
91 - 180 days	927	322
Over 180 days	–	98
	20,120	25,700

As at 30 September 2017 and 31 March 2017, bills payables have original maturities of ranging from 62 days to 122 days and 77 days to 122 days respectively.

Except for retention payables of approximately HK\$803,000 (31 March 2017: HK\$957,000) as at 30 September 2017 which are expected to be settled after one year, all of the remaining retention payables are expected to be settled within one year.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2017

15. SHARE CAPITAL

	As at 30 September 2017		As at 31 March 2017	
	Number of shares	HK\$'000 (Unaudited)	Number of shares	HK\$'000 (Audited)
Authorised:				
Ordinary shares of HK\$0.01 each	2,000,000,000	20,000	2,000,000,000	20,000
Issued and fully paid:				
Ordinary shares of HK\$0.01 each	1,200,000,000	12,000	1,200,000,000	12,000

16. COMMITMENTS

(a) Capital commitments

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

	As at 30 September 2017 HK\$'000 (Unaudited)	As at 31 March 2017 HK\$'000 (Audited)
Contracted but not provided for: Property, plant and equipment	766	169

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2017

16. COMMITMENTS (CONTINUED)

(b) Operating lease commitments – Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 30 September 2017 HK\$'000 (Unaudited)	As at 31 March 2017 HK\$'000 (Audited)
Within one year	717	987
In the second to fifth years inclusive	200	–
	917	987

Operating lease relates to office premises with lease term of between 4 months to 2 years (31 March 2017: 2 years) and the rentals are fixed throughout the lease period.

17. PERFORMANCE BONDS AND CONTINGENT LIABILITIES

A construction contract customer undertaken by the Group require Ming Tai Construction Engineering Company Limited ("**Ming Tai Construction**"), an indirect wholly-owned subsidiary of the Company, to issue guarantees for the performance of contract works in the form of performance bonds of HK\$12,000,000 (31 March 2017: HK\$12,000,000) as at 30 September 2017. The performance bonds will be released until Ming Tai Construction submits a copy of the notification of the completion of the sub-contract works which is accepted formally by the customer or until March 2019 whichever shall be first occurred.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2017

18. RELATED PARTY TRANSACTIONS

(a) Outstanding balances with related parties

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

(b) Material related party transactions

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

Name of related parties	Nature	Six months ended 30 September	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
First Land Enterprises Limited (Note (i))	Rental charge	171	171
Genuine Treasure Construction Material Limited (Note (iii))	Purchase of construction materials	5,616	5,054
	Transportation and plant hiring charge	116	316
Genuine Treasure Access and Scaffolding Limited (Note (ii))	Scaffolding & equipment rental paid	4,089	5,618
	Transportation and plant hiring charge	–	602
	Purchase of construction materials	–	467

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2017

18. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Material related party transactions (Continued)

Notes:

- (i) Mr. Wang Kei Ming and a close family member were shareholders and directors of First Land Enterprises Limited.
- (ii) Mr. Wang Kei Ming's close family member was the substantial shareholder and director of Genuine Treasure Access and Scaffolding Limited.
- (iii) Mr. Wang Kei Ming's close family member was the substantial shareholder and director of Genuine Treasure Construction Material Limited.
- (iv) The transactions were conducted on terms and conditions mutually agreed between the relevant parties. The directors of the Company are of the opinion that these related party transactions were conducted in the ordinary course of business of the Group.

The related party transactions in respect of items (i), (ii) and (iii) above also constitute connected transactions and/or continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

(c) Compensation of key management personnel

The remuneration of directors and other members of key management of the Group during the six months ended 30 September 2017 and 2016 are as follows:

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Short-term employee benefits	12,527	6,786
Post-employment benefits	53	54
	12,580	6,840

19. EVENT AFTER THE REPORTING PERIOD

Change of the principal place of business in Hong Kong

The principal place of business of the Company in Hong Kong has been changed to Unit A, 22/F, T G Place, 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong with effect from 16 November 2017. For further details, please refer to the announcement of the Company on 16 November 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The Group was principally engaged to undertake formwork erection and related ancillary services in the building construction and civil engineering sectors construction projects in Hong Kong.

BUSINESS REVIEW AND OUTLOOK

The Group's overall revenue for the six months ended 30 September 2017 amounted to approximately HK\$359.4 million, representing an increase of approximately 51.5% or HK\$122.2 million over approximately HK\$237.2 million for the six months ended 30 September 2016. For the six months ended 30 September 2017, the Group recorded net profit of approximately HK\$25.8 million as compared to net profit for the six months ended 30 September 2016 of approximately HK\$22.2 million. The favourable result was mainly attributable to the increased number of building formworks projects and the revenue generated from the major building project in Yau Tsim Mong District.

During the six months ended 30 September 2017, the Group was awarded four formwork projects and one related ancillary services contract with an aggregate initial contract sum of approximately HK\$144.6 million, three of these projects started contributing revenue to the Group during the six months ended 30 September 2017 and one of them was completed. As at 30 September 2017, the Group had a total of sixteen projects on hand with outstanding contract sum amounting to approximately HK\$602.3 million as compared with a total of eleven projects on hand with outstanding contract sum as at 31 March 2017 of approximately HK\$701.4 million.

With the contracts on hand, it is expected that the performance of the subcontract works will maintain steady in the second half of the year.

FINANCIAL REVIEW

Revenue

The Group's total revenue increased by approximately HK\$122.2 million or 51.5%, from approximately HK\$237.2 million for the six months ended 30 September 2016 to approximately HK\$359.4 million for the six months ended 30 September 2017. The increase in revenue was mainly attributable to the major building project in Yau Tsim Mong District during the six months ended 30 September 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and gross profit margin

The Group's gross profit increased by approximately 28.2% or HK\$12.1 million, from approximately HK\$43.1 million for the six months ended 30 September 2016 to approximately HK\$55.2 million for the six months ended 30 September 2017. The increase in gross profit is mainly attributed to the recognition of contract works in accordance with progress and additional works in several formwork projects during the six months ended 30 September 2017.

The Group's gross profit margin decreased from approximately 18.2% for the six months ended 30 September 2016 to approximately 15.4% for the six months ended 30 September 2017.

Administration and other operating expenses

The Group's administration and other operating expenses mainly consisted of staff costs. Nevertheless there was no listing expenses incurred during the six months ended 30 September 2017, the Group's administration and other operating expenses still increased by approximately 25.8% or HK\$5.1 million, from approximately HK\$19.8 million for the six months ended 30 September 2016 to approximately HK\$24.9 million for the six months ended 30 September 2017. The increase was primarily due to increase in staffs salaries and benefit, including directors' emoluments, of approximately HK\$7.7 million.

Finance costs

The Group's finance costs for the six months ended 30 September 2017 amounted to approximately HK\$1.2 million, representing a decrease of approximately 21.9% or HK\$0.3 million under approximately HK\$1.5 million for the six months ended 30 September 2016 primarily due to the decrease in average amount of bank loan balances and the decrease in average interest rate of trade finance subsequent to Listing.

Income tax expenses

The Group's income tax expenses decreased by approximately 3.6% or HK\$0.2 million, from approximately HK\$5.6 million for the six months ended 30 September 2016, to approximately HK\$5.4 million for the six months ended 30 September 2017. The effective tax rate for the profit before tax for the six months ended 30 September 2017 was approximately 17.4%, which was approximately the same as that of approximately 17.3% for the profit before tax set aside the listing expenses of approximately HK\$32.6 million for the six months ended 30 September 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Based on the above factors, profit attributable to owners of the Company increased by approximately HK\$3.6 million or 16.2%, from approximately HK\$22.2 million for the six months ended 30 September 2016 to approximately HK\$25.8 million for the six months ended 30 September 2017. When compared to an adjusted profit attributable to owners of the Company excluding the listing expenses of approximately HK\$4.8 million incurred during the six months ended 30 September 2016, profit attributable to owners of the company decreased by approximately HK\$1.2 million or 4.4%, from approximately HK\$27.0 million for the six months ended 30 September 2016.

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the Listing of the shares of the Company on the Stock Exchange on 8 February 2017 amounted to approximately HK\$98.6 million.

The net proceeds from the Listing have been and will be utilised subsequent to the Listing in accordance with the proposed applications set out in the section "Future Plans and Use of Proceeds" of the Prospectus and the announcement of the Company dated 7 February 2017.

The below table sets out the utilisation of the net proceeds from the Listing as at 30 September 2017:

	Planned use of net proceeds as stated in the Prospectus HK\$'000	Actual use of net proceeds up to 30 September 2017 HK\$'000	Unutilised balance as at 30 September 2017 HK\$'000
Funding the initial costs for an existing formworks project located in Yau Tsim Mong District	27,433	27,433	–
Used for acquisition of office premises	41,101	41,101	–
Used for the investment in the new information system	10,102	1,411	8,691
Used for repayment part of our outstanding bank borrowings and finance leases	10,399	10,399	–
Used as general working capital	9,607	9,607	–
	<u>98,642</u>	<u>89,951</u>	<u>8,691</u>

The unused amounts of the net proceeds of approximately HK\$8.7 million were deposited into licensed banks in Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 September 2017, the Group's total bank balances and cash was approximately HK\$40.9 million (31 March 2017: approximately HK\$119.7 million), all of which was held in Hong Kong dollars. The current ratio (defined as current assets divided by current liabilities) of the Group was approximately 2.0 times (31 March 2017: approximately 2.1 times).

The Group had total bank borrowings of approximately HK\$29.9 million as at 30 September 2017 (31 March 2017: approximately HK\$20.7 million). The gearing ratio (defined as total interest-bearing borrowings divided by total equity) of the Group was approximately 15.5% as at 30 September 2017 (31 March 2017: approximately 12.4%). The increase in bank borrowings was mainly due to a drawdown of new mortgage loan of approximately HK\$17.6 million, which was used to partially finance the acquisition of the new office premises.

GEARING RATIO

As at 30 September 2017, the Group's gearing ratio was approximately 15.5% (31 March 2017: approximately 12.4%), calculated based on the interest-bearing liabilities divided by the total equity as at the respective period end. The increase in gearing ratio was attributed to the combined effect of increase in bank borrowings mainly used to finance part of the acquisition costs of the new office premises during the six months ended 30 September 2017.

CHARGE OVER ASSETS

As at 30 September 2017, bank loans of approximately HK\$17.4 million are mortgaged by a premise of the Group with an aggregate carrying amount of approximately HK\$47.6 million, and the Group also had restricted bank balances which were charged to bank to the issuance of performance bonds.

FOREIGN CURRENCY RISK

The Group has no significant exposure to foreign currency risk because almost all of the Group's transactions are denominated in Hong Kong dollars. The management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

MANAGEMENT DISCUSSION AND ANALYSIS

TREASURY POLICIES

The Directors will continue to follow a prudent policy in managing the Group's bank balances and cash and maintain a strong and healthy liquidity position to ensure that the Group is well placed to take advantage of future growth opportunities.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There were no material acquisitions or disposals of subsidiaries, associates or joint ventures during the six months ended 30 September 2017. There was no future plan for material investments or capital assets as at 30 September 2017.

CAPITAL COMMITMENTS

As at 30 September 2017, the Group had material capital commitment of approximately HK\$766,000 (31 March 2017: approximately HK\$169,000) contracted for but not provided for the acquisition of property, plant and equipment.

CONTINGENT LIABILITIES

As at 30 September 2017, the Group had outstanding performance bonds in favour of a customer in respect of one of the Group's formwork projects given by the bank amounting to approximately HK\$12.0 million (31 March 2017: approximately HK\$12.0 million). Save as disclosed for the outstanding performance bonds above, as at 30 September 2017, the Group did not have any material contingent liabilities.

EVENT AFTER THE REPORTING PERIOD

Change of the principal place of business in Hong Kong

The principal place of business of the Company in Hong Kong has been changed to Unit A, 22/F, T G Place, 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong with effect from 16 November 2017. For further details, please refer to the announcement of the Company on 16 November 2017.

There are no other significant events subsequent to 30 September 2017 which would materially affect the Group's operating and financial performance as of the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 September 2017.

EMPLOYEES AND REMUNERATION POLICIES

The Group had 81 full-time employees as at 30 September 2017 (30 September 2016: 82 full-time employees). The Group offers competitive remuneration package that is based on overall market rates and employee performance, as well as the performance of the Group. Remuneration package comprised of salary, a performance-based bonus, and other benefits including training and mandatory provident funds.

SEGMENT INFORMATION

Save as disclosed in Note 3 to the unaudited condensed consolidated interim financial statements in this report, the Group's business was regarded as a single operating segment and the Group had no geographical segment information presented as at 30 September 2017.

FUTURE PROSPECTS

The shares of the Company were listed on the Stock Exchange on 8 February 2017. The Listing not only provided additional capital funding for the acquisition of office premises and information system but also improved the Group's financial position as well as additional working capital, allowing the Group to undertake sizable projects in the future.

It has been observed that the delays in funds approval for major public works would remain prolonged which will lead to the business environment of construction industry becoming even more competitive and challenging, in view of this, the Group will continue to maintain high-quality construction works services and develop construction information technology to enhance the Group's overall competitiveness to support business growth.

OTHER INFORMATION

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

As at 30 September 2017, the interests or short positions of each of the Directors and the chief executive in the shares of the Company, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or which will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") to be notified to the Company and the Stock Exchange are set out as follows:

Long Position in shares and underlying shares of the Company

Name of Director	Capacity/Nature of interest	Number of underlying shares held	Approximate percentage of shareholding
Mr. Wang Kei Ming (<i>note 1</i>)	Interested in a controlled corporation	801,600,000	66.8%

Note:

1. Mr. Wang Kei Ming beneficially owns the entire issued share capital of Wang K M Limited ("**Wang K M**"), which directly holds 66.8% of the shares of the Company. Therefore, Mr. Wang Kei Ming is deemed to be interested in all the shares of the Company held by Wang K M for the purpose of the SFO. Mr. Wang Kei Ming is the sole director of Wang K M.

Save as disclosed above, as at 30 September 2017, none of the Directors or chief executive of the Company had registered an interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which he was taken or deemed to have under provision of the SFO) or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2017, so far as is known to the Directors or chief executive of the Company, the following persons (other than Directors or chief executive of the Company), who had interests or short positions in the shares of the Company, the underlying shares and debentures of the Company and its associated corporation within the meaning of Part XV of the SFO which were required to be disclosed pursuant to the provision of Division 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be recorded in the register referred to therein, were as follows:

Long positions in shares and underlying shares of the Company

Name of shareholder	Capacity/Nature of interest	Number of shares/ underlying shares held	Approximate percentage of shareholding
Wang K M (<i>note 1</i>)	Beneficial owner	801,600,000	66.8%
Ms. Chao Lai Heng (<i>note 2</i>)	Interest of Spouse	801,600,000	66.8%

Notes:

1. Wang K M is 100% owned by Mr. Wang Kei Ming. Therefore, Mr. Wang Kei Ming is deemed to be interested in all the shares of the Company held by Wang K M for the purpose of the SFO. Mr. Wang Kei Ming is the sole director of Wang K M.
2. Ms. Chao Lai Heng is the spouse of Mr. Wang Kei Ming. Accordingly, Ms. Chao Lai Heng is deemed, or taken to be, interested in all the shares of the Company in which Mr. Wang Kei Ming is interested for the purpose of the SFO.

Save as disclosed above, as at 30 September 2017, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interest or short positions in the shares or underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be recorded in the register referred to therein.

OTHER INFORMATION

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 six months ended 30 September 2017.

COMPETING BUSINESS

During the six months ended 30 September 2017, none of the Directors or the controlling shareholders of the Company and their respective associated 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 of the Company, Mr. Wang Kei Ming and Wang K M (each a **"Covenantor"** and collectively the **"Covenantors"**) have entered into 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 Noncompetition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and as trustee for its subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its close associates (other than any member of the Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group.

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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by directors. Having made specific enquiry, all of the Directors have fully complied with the required standards set out in the Model Code throughout the date of Listing (i.e. 8 February 2017) up to the date of this report.

OTHER INFORMATION

SHARE OPTION SCHEME

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

CORPORATE GOVERNANCE PRACTICE

The Company and the Board are devoted to achieve and maintain the highest standards of corporate governance as the Board believes that effective corporate governance practices are fundamental to enhance the shareholder value and safeguarding interest of the shareholders and other stakeholders. 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 code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Listing Rules on the Stock Exchange. The Company has fully complied with the CG Code during the six months ended 30 September 2017 except for the deviation from provision A.2.1 of the CG Code which is explained below:

According to provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Wang Kei Ming is the chairman and chief executive officer of the Company, responsible for overall strategic planning and development, project management and client management of the Group.

The Board believes that vesting the roles of both chairman and chief executive officer of the Company in Mr. Wang Kei Ming has the benefit of ensuring consistent and continuous planning and execution of the Company's strategies. The Board considers that the balance of power and authority, accountability and independent decision-making under the present arrangement will not be impaired in light of the diverse background and experience of the independent non-executive Directors, and the composition of the Board which comprises three independent non-executive Directors and two executive Directors also provides added independence to the Board. Further, the audit committee of the Company (the "**Audit Committee**") composed exclusively of independent non-executive Directors has free and direct access to the Company's external auditors and independent professional advisers when it considers necessary.

OTHER INFORMATION

AUDIT COMMITTEE

The Company has established the Audit Committee on 17 January 2017 with written terms of reference in compliance with paragraph C.3 of the CG Code as set out in Appendix 14 of the Listing Rules. The primary duties of the Audit Committee are, among other things, to review and supervise the financial reporting process, the risk management and internal control system of the Group. The Audit Committee comprises three members, namely Mr. Lai Ah Ming Leon, Mr. Lam Wai Ho and Mr. Kwong Ping Man. Mr. Kwong Ping Man is the chairman of the Audit Committee.

The Audit Committee has reviewed with the management of the Company on the accounting principles and practices adopted by the Group, this report and the interim results announcement of the Group for the six months ended 30 September 2017, and is of the view that such results comply with the applicable accounting standards, the requirements under the Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

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

Hong Kong, 21 November 2017