御佳控股有限公司

Royal Deluxe Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 3789

2018

Interim Report

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS
Executive Directors
Mr. Wang Kei Ming *(Chairman)*
Mr. Wang Yu Hin

Independent Non-executive Directors
Mr. Lai Ah Ming Leon
Mr. Kwong Ping Man
Mr. Sio Kam Seng

BOARD COMMITTEES
Audit Committee
Mr. Kwong Ping Man *(Chairman)*
Mr. Lai Ah Ming Leon
Mr. Sio Kam Seng

Remuneration Committee
Mr. Lai Ah Ming Leon *(Chairman)*
Mr. Kwong Ping Man
Mr. Sio Kam Seng
Mr. Wang Kei Ming

Nomination Committee
Mr. Sio Kam Seng *(Chairman)*
Mr. Lai Ah Ming Leon
Mr. Kwong Ping Man
Mr. Wang Kei Ming

COMPANY SECRETARY
Ms. Yim Sau Ping

AUTHORISED REPRESENTATIVES
Mr. Wang Kei Ming
Ms. Yim Sau Ping

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STOCK CODE
3789

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HIGHLIGHTS

	For the six months ended 30 September		
	2018	2017	Change %
	HK$'000	HK$'000	
	(Unaudited)	(Unaudited)	
Financial Highlights			
Revenue	**248,814**	359,359	(30.8%)
Gross profit	**39,211**	55,202	(29.0%)
Gross profit margin	**15.8%**	15.4%	2.6%
Profit attributable to owners of the Company	**14,399**	25,776	(44.1%)

	As at 30 September 2018	As at 31 March 2018	Change %
	HK$'000	HK$'000	
	(Unaudited)	(Audited)	
Financial Position			
Bank balances and cash	**27,179**	57,066	(52.4%)
Bank and other borrowings	**65,863**	49,374	33.4%
Financial Ratios			
Current ratio	**1.8**	2.0	(10.0%)
Quick ratio	**1.8**	2.0	(10.0%)
Gearing ratio	**34.2%**	22.1%	54.8%
Return on equity	**15.0%**	25.1%	(40.2%)
Return on total assets	**8.6%**	14.9%	(42.3%)

	For the six months ended 30 September		
	2018	2017	Change %
	HK cents	HK cents	
	(Unaudited)	(Unaudited)	
Financial Information per share			
Earnings per share – Basic and diluted	**1.20**	2.15	(44.2%)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

	Notes	Six months ended 30 September 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Revenue	3	**248,814**	359,359
Direct costs		**(209,603)**	(304,157)
Gross profit		**39,211**	55,202
Other income, other gains and losses, net	4	**2,797**	2,079
Administration and other operating expenses		**(23,137)**	(24,871)
Finance costs	5	**(1,907)**	(1,207)
Profit before tax	6	**16,964**	31,203
Income tax expense	7	**(2,565)**	(5,427)
Profit and total comprehensive income for the period attributable to owners of the Company		**14,399**	25,776
		HK cents	HK cents
Earnings per share attributable to owners of the Company			
– Basic and diluted	9	**1.20**	2.15

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Notes	**As at 30 September 2018 HK$'000 (Unaudited)**	As at 31 March 2018 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	**62,006**	62,567
Financial assets at fair value through profit or loss		**3,572**	–
Deposits and prepayments for life insurance policy		**–**	3,829
Club membership		**1,188**	1,188
Deferred tax assets		**9,519**	104
		76,285	67,688
Current assets			
Trade and other receivables	11	**107,237**	140,571
Contract assets	12	**114,419**	–
Contract costs		**10,114**	–
Amounts due from customers for contract work		**–**	111,058
Bank balances and cash		**27,179**	57,066
		258,949	308,695
Total assets		**335,234**	376,383
Current liabilities			
Trade and other payables	13	**76,069**	91,193
Amounts due to customers for contract work		**–**	10,821
Amount due to a related party	14	**10,000**	–
Borrowings		**55,863**	49,374
Current tax liabilities		**778**	1,456
		142,710	152,844
Net current assets		**116,239**	155,851
Total assets less current liabilities		**192,524**	223,539
Non-current liabilities			
Deferred tax liabilities		**98**	71
Net assets		**192,426**	223,468
Capital and reserves			
Share capital	15	**12,000**	12,000
Reserves		**180,426**	211,468
Equity attributable to owners of the Company		**192,426**	223,468

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Retained profits HK$'000	Total equity HK$'000
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
Balance at 31 March 2018 (audited)	**12,000**	**100,344**	**1,020**	**110,104**	**223,468**
Impact on initial application of HKFRS 9 *(note 2)*	**–**	**–**	**–**	**(224)**	**(224)**
Impact on initial application of HKFRS 15 *(note 2)*	**–**	**–**	**–**	**(45,217)**	**(45,217)**
Adjusted balance at 1 April 2018	**12,000**	**100,344**	**1,020**	**64,663**	**178,027**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**14,399**	**14,399**
Balance at 30 September 2018 (unaudited)	**12,000**	**100,344**	**1,020**	**79,062**	**192,426**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash used in operations	**(29,491)**	(23,293)
Interest received	**–**	66
Interest paid	**(1,873)**	(1,207)
Hong Kong Profits Tax paid	**(3,696)**	(3,687)
Net cash used in operating activities	**(35,060)**	(28,121)
Cash flows from investing activities		
Payment for club membership	**–**	(1,188)
Purchases of property, plant and equipment	**(1,316)**	(58,683)
Net cash used in investing activities	**(1,316)**	(59,871)
Cash flows from financing activities		
Proceeds from borrowings	**52,800**	26,610
Repayment of borrowings	**(46,311)**	(17,449)
Net cash generated from financing activities	**6,489**	9,161
Net decrease in cash and cash equivalents	**(29,887)**	(78,831)
Cash and cash equivalents at the beginning of period	**57,066**	116,718
Cash and cash equivalents at the end of period	**27,179**	37,887

1. GENERAL INFORMATION AND BASIS PREPARATION

Royal Deluxe Holdings Limited (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 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, 22th 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**").

These unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2018 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**") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 2018 (the "**2018 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.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2018 Annual Financial Statements, except for the accounting policy changes that are expected to be reflected in the annual financial statements of the Group for the year ended 31 March 2019. Details of any changes in accounting policies are set out in note 2.

These unaudited condensed consolidated interim financial statements have been approved for issue by the board (the "**Board**") of directors of the Company (the "**Directors**") on 23 November 2018.

2. CHANGE IN ACCOUNTING POLICIES

(a) Overview

The Group has adopted the following new and amendments to HKFRSs issued by the HKICPA for the first time for the current accounting period, which are mandatory effective for the annual period beginning on or after 1 April 2018 for the preparation of the Group's unaudited condensed consolidated interim financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by HKFRS 15 in relation to timing of recognition of contract costs and presentation of contract assets and contract liabilities. Details of the changes in accounting policies are discussed in note 2(b) for HKFRS 9 and note 2(c) for HKFRS 15.

Under the transition method chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening balance of equity at 1 April 2018. Comparative information is not restated.

2. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(a) Overview (Continued)

The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 9 and HKFRS 15:

	At 31 March 2018	Impact on initial application of HKFRS 9 (Note 2(b))	Impact on initial application of HKFRS 15 (Note 2(c))	At 1 April 2018
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at fair value through profit or loss	–	3,605	–	3,605
Deposits and prepayments for life insurance policy	3,829	(3,829)	–	–
Deferred tax assets	104	–	8,935	9,039
Total non-current assets	**67,688**	**(224)**	**8,935**	**76,399**
Trade and other receivables	140,571	–	(47,950)	92,621
Contract assets	–	–	94,035	94,035
Amounts due from customers for contract work	111,058	–	(111,058)	–
Total current assets	**308,695**	**–**	**(64,973)**	**243,722**
Total assets	**376,383**	**(224)**	**(56,038)**	**320,121**
Amounts due to customers for contract work	10,821	–	(10,821)	–
Total current liabilities	**152,844**	**–**	**(10,821)**	**142,023**
Net current assets	**155,851**	**–**	**(54,152)**	**101,699**
Total assets less current liabilities	**223,539**	**(224)**	**(45,217)**	**178,098**
Net assets	**223,468**	**(224)**	**(45,217)**	**178,027**
Reserves	211,468	(224)	(45,217)	166,027
Equity attributable to owners of the Company	**223,468**	**(224)**	**(45,217)**	**178,027**
Capital and reserves	**223,468**	**(224)**	**(45,217)**	**178,027**

Further details of these changes are set out in sub-sections (b) and (c) of this note.

2. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9, *Financial instruments*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 April 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained profits and the related tax impact at 1 April 2018.

Retained profits

	HK$'000
Reclassification and re-measurement of the Group's deposits and prepayments for life insurance policy	
– Financial assets measured at amortised cost	(3,829)
– Financial assets at fair value through profit or loss	3,605
– Related tax	–
Net decrease in retained profits at 1 April 2018	(224)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (**FVOCI**) and at fair value through profit or loss (**FVPL**). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

2. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9, *Financial instruments* (Continued)

(i) Classification of financial assets and financial liabilities (Continued)

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

– FVOCI-recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

– FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity financial instrument is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

2. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9, *Financial instruments* (Continued)

(i) Classification of financial assets and financial liabilities (Continued)

Opening balance adjustment

As a result of this change in accounting policy, the Group's deposits and prepayments for life insurance policy of HK$3,829,000 were reclassified from loans and receivables to financial assets at FVPL upon application of HKFRS 9 because their contractual cash flows do not represent solely the payments of principal and interest on the principal amount outstanding. The fair value losses of HK$224,000 of these life insurance policy previously carried at amortised cost were adjusted to financial assets at FVPL and retained profits as at 1 April 2018. The carrying amounts for all financial liabilities as at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the expected credit loss ("**ECL**") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables); and

– contract assets as defined in HKFRS 15 (see note 2(c)).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

2. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(b) HKFRS 9, *Financial instruments* (Continued)

(ii) Credit losses (Continued)

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

Loss allowances for trade receivables, retention receivables and contract assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except that information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained profits as at 1 April 2018. Accordingly, the information presented for the year ended 31 March 2018 continues to be reported under HKAS 39 and thus may not be comparable with the current reporting period.

(c) HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 11 and HKAS 18.

2. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(c) HKFRS 15, *Revenue from contracts with customers* (Continued)

The following table summarises the impact of transition to HKFRS 15 on retained profits and the related tax impact at 1 April 2018.

Retained profits

	HK$'000
Change in timing of contract costs recognition for construction contracts	
– Amounts due from customers for contract work	(64,973)
– Amounts due to customers for contract work	10,821
– Related tax	8,935
Net decrease in retained profits at 1 April 2018	(45,217)

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Timing of revenue recognition

Previously, revenue arising from construction contracts and provision of services was recognised over time.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

2. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(c) HKFRS 15, *Revenue from contracts with customers* (Continued)

(i) Timing of revenue recognition (Continued)

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue at a single point in time, being when control has passed.

The Group recognises revenue over time only if it can reasonably measure its progress toward complete satisfaction of the performance obligation. However, if the Group cannot reasonably measure the outcome of performance obligation but expects to recover the costs incurred in satisfying the performance obligation, then it recognises revenue to the extent of the costs incurred.

(ii) Timing of recognition of contract costs

Under HKFRS 15, if the costs incurred in fulfilling a contract with a customer are not within the scope of another standard, assets shall only be recognised if the costs incurred (i) relate directly to a contract or an anticipated contract that can be specifically identified; (ii) generate or enhance resources of the Group that will be used in satisfying performance obligations in the future; and (iii) are expected to be recovered. The costs incurred that relate to satisfied performance obligations (or partially satisfied performance obligations) in the contracts and costs for which the Group cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations shall be expensed as incurred under HKFRS 15.

Previously, contract costs of the Group are recognised by reference to the stage of completion of the contract, which is measured with reference to the progress certificates issued by the customers. Contract costs were deferred or accrued to report a consistent margin percentage over the term of a contract.

Under HKFRS 15, contract costs that related to satisfied performance obligations shall be expensed as incurred, the timing of recognition of contract costs would change and it would no longer be possible to defer or accrue costs to report a consistent margin percentage over the term of a contract.

2. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(c) HKFRS 15, *Revenue from contracts with customers* (Continued)

(iii) Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before receiving the consideration or being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Previously, contract balances relating to construction contracts in progress were presented in the consolidated statement of financial position under "amounts due from customers for contract work" or "amounts due to customers for contract work" respectively. Receivables for which the Group's entitlement to the consideration was conditional on achieving certain milestones or satisfactory completion of the retention period were presented in the statement of financial position as "retentions receivable" under "trade and other receivables".

To reflect these changes in accounting policy, the Group has made the following adjustments at 1 April 2018, as a result of the adoption of HKFRS 15:

(a) At the date of initial application of HKFRS 15, contract costs that relate to satisfied performance obligations (or partially satisfied performance obligations) in the contracts and costs for which an entity cannot distinguish whether the costs relate to unsatisfied performance obligations or to satisfied performance obligations shall be expensed as incurred. Previously, contract costs of the Group are recognised by reference to the stage of completion of the contract, which was measured by reference to the percentage of the estimated total revenue for the contracts entered into by the Group that have been performed to date, was included in amounts due from customers for contract work or amounts due to customers for contract work. The adoption of HKFRS 15, the accumulated construction costs which had not been recognised under HKAS 11 at 31 March 2018 that were included in amounts due from customers for contract work and amount due to customers for contract work under HKAS 11, net amounting to HK$54,152,000 was debited to retained profits under HKFRS 15. The related tax effect of HK$8,935,000 was recognised in deferred tax assets and included in adjustment to retained profits.

2. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(c) HKFRS 15, *Revenue from contracts with customers* (Continued)

(b) At the date of initial application of HKFRS 15, unbilled revenue and retention receivables, arising from the construction contracts are conditional on issuance of payment certificates by customers, included in amounts due from customers for contract work and trade and other receivables amounting to HK$10,800,000 and HK$47,950,000 respectively under HKAS 11 were reclassified to contract assets.

(c) At the date of initial application of HKFRS 15, contract balances relating to construction contracts in progress were included in amounts due from customers for contract work amounting to HK$35,285,000 were reclassified to contract assets.

The following tables summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 September 2018 and its condensed consolidated statement of profit or loss and other comprehensive income for the current reporting period for each of the line items affected. Line items that were not affected by the changes have not been included.

2. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(c) HKFRS 15, *Revenue from contracts with customers* (Continued)

Impact on the condensed consolidated statement of financial position as at 30 September 2018

	Notes	As reported as at 30 September 2018	Reclassification	Remeasurement	Amounts without application of HKFRS 15
		HK$'000	HK$'000	HK$'000	HK$'000
Non-current Assets					
Deferred tax assets	(c)	9,519	–	(8,935)	584
Current Assets					
Trade and other receivables	(a)	107,237	50,695	–	157,932
Contract assets	(a)	114,419	(114,419)	–	–
Contract costs	(b)	10,114	–	(10,114)	–
Amounts due from customers for contract work	(a) & (c)	–	63,724	46,828	110,552
Tax recoverable	(c)	–	–	2,894	2,894
Current Liabilities					
Amounts due to customers for contract work	(c)	–	–	99	99
Capital and reserves					
Retained profits	(c)	180,426	–	30,574	211,000

2. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(c) HKFRS 15, *Revenue from contracts with customers* (Continued)

Impact on the condensed consolidated statement of profit and loss and other comprehensive income for the six months ended 30 September 2018

	Notes	As reported for the six months ended September 2018	Adjustments	Amounts without application of HKFRS 15
		HK$'000	HK$'000	HK$'000
Revenue	(c)	248,814	35,285	284,099
Direct costs	(b) & (c)	(209,603)	(52,822)	(262,425)
Gross profit		39,211	(17,537)	21,674
Profit/(Loss) before tax		16,964	(17,537)	(573)
Income tax expenses	(c)	(2,565)	2,894	329
Profit/(Loss) and total comprehensive income for the period attributable to owners of the Company		14,399	(14,643)	(244)

Notes:

(a) Prior to application of HKFRS 15, unbilled revenue of HK$63,724,000 and retention receivables of HK$50,695,000 at 30 September 2018 were included in contract assets. Such amounts were reclassified to amounts due from customers for contract work and trade and other receivables upon application of HKFRS 15.

(b) Upon application of HKFRS 15, Costs to fulfil a contract of HK$10,114,000 at 30 September 2018 was included in contract costs and has been credited to cost of sales and income tax expenses for the current period.

2. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(c) HKFRS 15, *Revenue from contracts with customers* (Continued)

(c) Prior to application of HKFRS 15, the difference between the actual construction costs incurred and the amount calculated based on the stage of completion of the contract activity, which is by reference to the estimated total revenue for contracts entered into by the Group that have been performed to date, was included in amounts due from customers for contract work or amounts due to customers for contract work. The accumulated difference in the recognition of the construction costs under HKAS 11 and HKFRS 15 at 30 September 2018 was HK$46,729,000 and including in such difference HK$46,828,000 would be recognised as amounts due from customers for contract work and HK$99,000 would be recognised as amounts due to customers for contract work. For the accumulated difference in the recognition of the construction costs to profit or loss under HKAS 11 and HKFRS 15, HK$52,822,000 has been charged to retained profits and credited to cost of sales for the current period. The unbilled revenue arising from the construction contracts are conditional on the satisfaction by the customers on the construction work completed by the Group and the work is pending for the certification by the customers, HK$35,285,000 would be recognised as amounts due from customers for contract work and revenue for the current period prior to application of HKFRS 15. The accumulated tax effect at 30 September 2018 of HK$8,935,000 was credited to retained profits and debited to deferred tax assets, the related tax effect for the current period of HK$2,894,000 was charged to income tax expenses and credited to tax recoverable upon application of HKFRS 15.

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Type of services		
Formwork and other subcontracting works	**248,814**	359,359

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
Over time	**248,814**	359,359

3. REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment information

(i) Operating segment information

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.

(ii) 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.

(iii) 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	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Customer A	**96,519**	114,347
Customer B	**63,253**	N/A[1]
Customer C	**39,861**	N/A[1]
Customer D	**33,220**	N/A[1]
Customer E	**N/A[1]**	88,353
Customer F	**N/A[1]**	39,218

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	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Other income		
Bank interest income	**–**	66
Interest income on deposits and prepayments for life insurance policy	**–**	58
Income from sale of scrap materials	**1,964**	1,304
Sundry income	**871**	650
	2,835	2,078
Other gains and losses, net		
Net foreign exchange gains	**–**	1
Loss on written off or disposal of property, plant and equipment	**(4)**	–
Loss on financial asset at fair value through profit or loss	**(34)**	–
	(38)	1
	2,797	2,079

5. FINANCE COSTS

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings and overdrafts	**1,907**	1,207

6. PROFIT BEFORE TAX

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Profit before tax has been arrived at after charging:		
Employee benefits expense *(Note)*:		
Salaries and other benefits in kind	**140,956**	243,419
Discretionary bonuses	**700**	3,288
Contributions to retirement benefit scheme	**4,487**	7,851
Total employee benefits expense, including directors' emoluments	**146,143**	254,558
Amortisation of premium and other expenses charged on life insurance policy	**–**	14
Auditors' remuneration	**530**	561
Depreciation of property, plant and equipment	**1,873**	1,413
Operating lease rentals in respect of:		
– Land and buildings	**552**	711
– Plant and equipment	**7,080**	6,180

Note:

During the six months ended 30 September 2018 and 2017, total employee benefits expense amounting to approximately HK$129,963,000 and HK$236,794,000 respectively was included in direct costs and amounting to approximately HK$16,180,000 and HK$17,764,000 respectively was included in administration and other operating expenses.

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current income tax:		
– Hong Kong Profits Tax	**3,018**	5,418
Deferred tax	**(453)**	9
Total income tax expenses recognised in profit or loss	**2,565**	5,427

7. INCOME TAX EXPENSE (CONTINUED)

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2017: 16.5%) of the estimated assessable profits arising in or derived from Hong Kong for the six months ended 30 September 2018.

8. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: 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; and

(ii) the weighted average number of ordinary shares issued during the six months ended 30 September 2018 and the six months ended 30 September 2017 respectively.

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basis earnings per share	**14,399**	25,776

	Six months ended 30 September	
	2018	2017
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,200,000**	1,200,000

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

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2018, the Group acquired certain items of property, plant and equipment of approximately HK$1,316,000 (six months ended 30 September 2017: HK$58,683,000).

During the six months ended 30 September 2018, the Group disposed certain items of property, plant and equipment with a carrying amount to approximately HK$4,000 (six months ended 30 September 2017: Nil) and recognised a loss of approximately HK$4,000 (six months ended 30 September 2017: gain of HK$10,000) in the unaudited condensed consolidated statement of profit or loss and other comprehensive income.

11. TRADE AND OTHER RECEIVABLES

	As at 30 September 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000 (Audited)
Trade receivables	**104,361**	88,805
Retention receivables *(Note)*	**–**	47,950
Deposits, prepayments and other receivables	**2,876**	3,816
	107,237	140,571
Retention receivables:		
Due within one year	**–**	1,361
Due more than one year	**–**	46,589
	–	47,950

Note:

Retention receivables were reclassified to contract assets upon initial application of HKFRS 15 on 1 April 2018, Details are set out in Note 12.

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	As at 30 September 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000 (Audited)
0 – 30 days	**46,578**	50,864
31 – 60 days	**26,164**	25,526
61 – 90 days	**4,417**	12,162
91 – 180 days	**27,202**	253
	104,361	88,805

The Group allows a credit period ranging from 7 to 67 days (31 March 2018: 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 Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	As at 30 September 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000 (Audited)
Overdue by:		
1 – 30 days	**4,007**	28,853
31 – 60 days	**6,368**	12,252
61 – 90 days	**23,470**	–
91 – 180 days	**3,733**	–
	37,578	41,105

As part of the internal credit risk management, the Group applies internal credit rating for its customers in relation to construction contracts. The exposure to credit risk and ECL for trade receivables are assessed collectively based on provision matrix as at 30 September 2018. After the assessment of the Group, the impairment allowance on trade receivables based on the provision matrix is insignificant to the Group for the current reporting period.

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

12. CONTRACT ASSETS

	As at 30 September 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000 (Audited)
Unbilled revenue *(Note (a))*	**63,724**	–
Retention receivables *(Note (b))*	**50,695**	–
	114,419	–

Notes:

(a) Unbilled revenue included in contract assets represents to the Group's right to consideration for work completed and not yet billed because the rights are conditioned 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 the trade receivables when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed construction work from the customers.

(b) Retention receivables included in contract assets represents the Group's right to consideration for work performed and not yet billed because the rights are 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.

As part of the internal credit risk management, the Group applies internal credit rating for its customers in relation to construction contracts. The exposure to credit risk and ECL for contract assets are assessed collectively based on provision matrix as at 30 September 2018. After the assessment of the Group, the impairment allowance on contract assets based on the provision matrix is insignificant to the Group for the current reporting period.

13. TRADE AND OTHER PAYABLES

	As at 30 September 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000 (Audited)
Trade payables	**24,980**	21,346
Bills payables	**22,443**	36,371
Retention payables	**3,428**	5,540
Other payables and accruals	**25,218**	27,936
	76,069	91,193

The credit period on trade payables is generally 30 to 60 days (31 March 2018: 30 to 60 days).

As at 30 September 2018 and 31 March 2018, included in trade payables was approximately HK$1,804,000 and HK$952,000 respectively payable to a related company, Genuine Treasure Construction Material Limited. Mr. Wang Kei Ming's close family member was the substantial shareholder and director of Genuine Treasure Construction Material Limited.

As at 30 September 2018 and 31 March 2018, included in trade payables was approximately HK$2,447,000 and HK$1,973,000 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 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 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000 (Audited)
0 – 30 days	**3,373**	5,363
31 – 60 days	**6,739**	4,776
61 – 90 days	**13,264**	7,805
91 – 180 days	**1,236**	3,262
Over 180 days	**368**	140
	24,980	21,346

13. TRADE AND OTHER PAYABLES (CONTINUED)

As at 30 September 2018, bills payables have original maturities of ranging from 120 days to 122 days (31 March 2018: 120 days to 123 days).

Except for retention payables of approximately HK$2,093,000 (31 March 2018: HK$2,848,000) as at 31 March 2018 which are expected to be settled after one year, all of the remaining retention payables are expected to be settled within one year.

14. AMOUNT DUE TO A RELATED PARTY

The amount due to a related party is non-trade in nature, unsecured, interest-bearing at prime rate less 1.5% per annum and repayable on 6 October 2018 which are analysed as follows:

	As at 30 September 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000 (Audited)
Amount due to a related party:		
Kingsly Limited *(Note)*	**10,000**	–

Note:

Mr. Wang Kei Ming was a substantial shareholder and director of Kingsly Limited.

15. SHARE CAPITAL

	As at 30 September 2018		As at 31 March 2018	
	Number of shares	**'000 (Unaudited)**	Number of shares	'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 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000 (Audited)
Contracted but not provided for:		
Property, plant and equipment	**842**	1,808

(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 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000 (Audited)
Within one year	**757**	607
In the second to fifth years inclusive	**–**	96
	757	703

Operating lease relates to office premises with lease term of 6 months to 2 years and the rentals are fixed throughout the lease period.

17. RELATED PARTY TRANSACTIONS

(a) Outstanding balances with related parties

Details of outstanding balances with related parties are set out in Notes 13 and 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:

		Six months ended 30 September	
Name of related parties	Nature	**2018 HK$'000 (Unaudited)**	2017 HK$'000 (Unaudited)
First Land Enterprises Limited *(Note (i))*	Rental charge	**–**	171
Genuine Treasure Construction Material Limited *(Note (iii))*	Purchase of construction materials	**251**	5,616
	Transportation and plant hiring charge	**1,067**	116
Genuine Treasure Access and Scaffolding Limited *(Note (ii))*	Scaffolding & equipment rental charge	**5,803**	4,089
	Transportation and plant hiring charge	**11**	–

Notes:

(i) Mr. Wang Kei Ming and a close family member were shareholders and directors of First Land Enterprises Limited as at 30 September 2017. Mr. Wang Kei Ming resigned as director and disposed of his shares to his close family member in First Land Enterprise Limited in January 2018.

(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.

17. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Material related party transactions (Continued)

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 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 2018 and 2017 are as follows:

	Six months ended 30 September	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	**11,157**	12,527
Post-employment benefits	**54**	53
	11,211	12,580

18. COMPARATIVE FIGURES

The Group has initially applied HKFRS 15 and HKFRS 9 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

BUSINESS AND FINANCIAL REVIEW

The Group is a major subcontractor, given the market share and the large number of players in the construction industry, specialising in providing formwork erection as well as related ancillary services in Hong Kong.

BUSINESS REVIEW

The Group's overall revenue for the six months ended 30 September 2018 amounted to approximately HK$248.8 million, representing a decrease of approximately 30.8% or HK$110.6 million as compared with that of approximately HK$359.4 million for the six months ended 30 September 2017. For the six months ended 30 September 2018, the Group recorded profit after tax of approximately HK$14.4 million as compared to profit after tax for the six months ended 30 September 2017 of approximately HK$25.8 million.

Such decrease in net profit of the Group was primarily attributable to the following factors:

a. the decrease in revenue recognised by the Group for the six months ended 30 September 2018 due to (i) temporary suspension of construction work for M+ Museum Project until the novation arrangement was completed in early October 2018 (references are made to the announcement dated 15 June 2018 and 20 August 2018); (ii) the completion of most of the construction projects as reported in the annual report of the Group for the year ended 31 March 2018 (the "**Annual Report 2018**"); and (iii) the results from the delay of the Group's new major civil engineering project for the construction of the Exhibition Station & Western Approach Tunnel (the "**SCL1123 Project**") which commenced in March 2018. Indirectly, such delay was due to MTR Corporation Limited (the "**MTRC**") and the HKSAR Government requiring main contractors to suspend excavation works of the construction site until the settlement monitoring points have reached the pre-set trigger levels as well as the construction works could meet design and statutory requirements, the MTRC had proposed to resume the excavation work at the end of September 2018. The Company aims to complete the SCL1123 Project within schedule.

b. the increase in cost recognised by the Group for the six months ended 30 September 2018 (i) mainly due to additional construction costs incurred towards the completion stage of certain projects; and (ii) contract costs relating to the early stage of projects for the period were not deferred but were expensed as incurred under HKFRS 15.

During the six months ended 30 September 2018, the Group secured five new contracts with total contract value of approximately HK$225.8 million, representing an increase of approximately 56.2% compared to the six months ended 30 September 2017 of approximately HK$144.6 million, three of these projects started contributing revenue to the Group during the six months ended 30 September 2018, out of which two of the projects were completed. As at 30 September 2018, the Group has a total of nine projects on hand with the estimated total outstanding value of approximately HK$678.9 million, representing an increase of approximately 5.1% as compared with the estimated total outstanding value of approximately HK$646.0 million for the year ended 31 March 2018. Subsequent to the period ended 30 September 2018, the Group further secured two new contracts with total contract value of approximately HK$144.6 million, with the projects on hand, it is expected that the performance of the subcontract works will remain steady for the coming years.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately HK$110.6 million, or 30.8%, from approximately HK$359.4 million for the six months ended 30 September 2017 to approximately HK$248.8 million for the six months ended 30 September 2018. The decrease in revenue was mainly attributable to the completion of 9 construction projects as reported in the Annual Report 2018 during the six months ended 30 September 2018, and the temporary progress delays of two major projects as disclosed in the section headed "Business Review".

Gross profit and gross profit margin

The Group's gross profit decreased by approximately HK$16.0 million, or 29.0%, from approximately HK$55.2 million for the six months ended 30 September 2017 to approximately HK$39.2 million for the six months ended 30 September 2018. The decrease in gross profit was mainly due to the decrease in revenue for the six months ended 30 September 2018 as compared to the six months ended 30 September 2017.

The Group's gross profit margin slightly increased from approximately 15.4% for the six months ended 30 September 2017 to approximately 15.8% for the six months ended 30 September 2018.

Administration and other operating expenses

The Group's administration and other operating expenses primarily comprise of staff costs (including directors' remuneration), depreciation, office expenses and professional charges. The Group's administration and other operating expenses decreased by approximately HK$1.8 million or 7.0%, from approximately HK$24.9 million for the six months ended 30 September 2017 to approximately HK$23.1 million for the six months ended 30 September 2018, primarily due to the decrease in the staff salaries and benefits, including directors' emoluments of approximately HK$1.6 million.

Finance costs

The Group's finance costs increased by approximately HK$0.7 million or 58.0% from approximately HK$1.2 million for the six months ended 30 September 2017 to approximately HK$1.9 million for the six months ended 30 September 2018, primarily due to the increase in average amount of bank and other borrowings and the increase in average interest rate of bank borrowings.

Income tax expenses

The Group's income tax expenses decreased by approximately HK$2.8 million or 52.7% from approximately HK$5.4 million for the six months ended 30 September 2017 to approximately HK$2.6 million for the six months ended 30 September 2018. The decrease in the Group's income tax expense was primarily due to the decrease in profit before tax as a result of decrease in gross profit as discussed above.

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$11.4 million or 44.1% from approximately HK$25.8 million for the six months ended 30 September 2017 compared to approximately HK$14.4 million for the six months ended 30 September 2018. The net profit margin slightly decreased by approximately 1.4 percentage points from approximately 7.2% for the six months ended 30 September 2017 to approximately 5.8% for the six months ended 30 September 2018.

USE OF NET PROCEEDS FROM LISTING

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 dated 25 January 2017 (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 2018:

	Planned use of net proceeds as stated in the Prospectus	Actual use of net proceeds up to 30 September 2018	Unutilised balance as at 30 September 2018
	HK$'000	HK$'000	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	3,875	6,227
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	–
	98,642	92,415	6,227

The unutilised amounts of the net proceeds of approximately HK$6.2 million was deposited into licensed banks in Hong Kong.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

As at 30 September 2018, the Group's total bank balances and cash were approximately HK$27.2 million (31 March 2018: approximately HK$57.1 million), all of which are held in Hong Kong dollars. The current ratio (defined as current assets divided by current liabilities) of the Group was approximately 1.8 times (31 March 2018: approximately 2.0 times).

The Group had total bank and other borrowings of approximately HK$65.9 million as at 30 September 2018 (31 March 2018: approximately HK$49.4 million).

CONTINGENT LIABILITIES

As at 30 September 2018, the Group did not have any material contingent liabilities (31 March 2018: Nil).

PLEDGE OF ASSETS

As at 30 September 2018, the Group's bank borrowings and general banking facilities were secured by the office premise with an aggregate carrying amount of approximately HK$46.1 million (31 March 2018: approximately HK$46.8 million).

As at 30 September 2018, the Group had pledged to bank an assignment of project proceeds from one construction contract of the Group as security of the Group banking facilities.

As at 30 September 2018, the Group had no restricted bank balances.

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

There were no significant investments held, material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 September 2018. Save as disclosed herein, there was no other plan for material investments or capital assets as at 30 September 2018.

CAPITAL COMMITMENTS

As at 30 September 2018, the Group had capital commitments of approximately HK$842,000 (31 March 2018: approximately HK$1,808,000) contracted but not provided for the acquisition of property, plant and equipment.

TREASURY POLICIES

The Group continues to follow a prudent policy in managing the Group's bank balances and cash and maintain a healthy liquidity position. The Group applied internal credit rating for its customers in relation to construction contracts, then the Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Directors closely monitor the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

FOREIGN CURRENCY 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 and when appropriate.

GEARING RATIO

As at 30 September 2018, the Group's gearing ratio was approximately 34.2% (31 March 2018: approximately 22.1%), representing total bank and other borrowings as a percentage of total equity. The increase in gearing ratio was attributed to the combined effect of increase in bank and other borrowings mainly used in financing the new and ongoing projects during the six months ended 30 September 2018.

EVENT AFTER THE REPORTING PERIOD

The Board is pleased to announce that, subsequent to 30 September 2018, the Group has been awarded two new formwork subcontracts for residential development in Sheung Shing Street and construction of The Fullerton Ocean Park Hotel respectively. The total contract sum of the abovementioned contracts is approximately HK$144.6 million.

Save for the above, the Board is not aware of any other significant events requiring disclosure that have taken place subsequent to 30 September 2018 and up to the date of this report.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: Nil).

EMPLOYEES AND REMUNERATION POLICIES

The Group had 77 full-time employees as at 30 September 2018 (30 September 2017: 81 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 2018.

FUTURE PROSPECTS

Looking ahead, in light of the long term housing development and land supply plans initiated by the HKSAR Government, the prospects for the construction industry will remain positive. The Group will be operated in a stable way in order to maintain a steady and healthy development. Meanwhile, the Group will suitably allocate internal resources and keep looking for channels to expand our businesses into different constructions and geographical areas to capture new business opportunities.

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

As at 30 September 2018, the interests or short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**"), to be notified to the Company and the Stock Exchange, were as follows:

Long Positions in shares and underlying shares of the Company

Name of Director	Capacity/Nature of interest	Number of underlying shares held	Approximate percentage of shareholding
Mr. Wang Kei Ming *(note 1)*	Interested in a controlled corporation	801,600,000	66.8%
Ms. Chao Lai Heng *(note 2)*	Interest of spouse	801,600,000	66.8%

Notes:

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.

2. Ms. Chao Lai Heng ("**Ms. Chao**") is the spouse of Mr. Wang Kei Ming. Accordingly, Ms. Chao 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 2018, none of the Directors or chief executive of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under provision of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

So far as known to the Directors or chief executive of the Company, as at 30 September 2018, the following persons/entities (other than the Directors or chief executive of the Company) had or were deemed to have interests or short positions in the shares, the underlying shares and debentures of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company or any other member of the Group:

Long positions in shares and underlying shares of the Company

Name of shareholder	Capacity/Nature of interest	Number of shares/underlying shares held	Approximate percentage of shareholding
Wang K M	Beneficial owner	801,600,000	66.8%

Save as disclosed above, as at 30 September 2018, there was no person or corporation, other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and chief executive's interest and short positions in shares, underlying shares and debentures of the Company" above, had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

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 2018.

COMPETING BUSINESS

During the six months ended 30 September 2018, none of the Directors or the Controlling Shareholders and their respective associates had any interests in a business, apart from the business of the Group, which competes or may compete with the business of the Group or has any other conflict of interest with the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

Non-Competition Undertaking

In order to avoid any possible future competition between the Group and the Controlling Shareholders, Mr. 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 Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and as trustee for its subsidiaries) that, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its close associates (other than any member of the Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group.

Each of the convenantors 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry, all Directors have fully complied with the required standards set out in the Model Code during the six months ended 30 September 2018.

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.

For the six months ended 30 September 2018, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICE

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

To the best knowledge of the Board, the Company has complied with the code provisions in the CG Code during the six months ended 30 September 2018 and up to the date of this report.

AUDIT COMMITTEE

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

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

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

The Group's unaudited condensed consolidated interim financial statements for the six months ended 30 September 2018 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 2018 comply with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

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

Hong Kong, 23 November 2018