



御佳控股有限公司

Royal Deluxe Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 3789

**INTERIM
REPORT
2019**



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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 (FCPA)

AUTHORISED REPRESENTATIVES

Mr. Wang Kei Ming

Ms. Yim Sau Ping (FCPA)

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

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

LEGAL ADVISER AS TO HONG KONG LAWS

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30 Harbour Road,
Wanchai, Hong Kong

CORPORATE INFORMATION

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 54, Hopewell Centre,
183 Queen's Road East,
Hong Kong

PRINCIPAL BANKS

DBS Bank (Hong Kong) Limited
Dah Sing Bank, Limited

STOCK CODE

3789

WEBSITE

www.royal-deluxe.com

HIGHLIGHTS

For the six months ended 30 September

	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	Change %
Financial Highlights			
Revenue	328,776	248,814	32.1%
Gross profit	45,956	39,211	17.2%
Gross profit margin	14.0%	15.8%	(11.4%)
Profit attributable to owners of the Company	17,167	14,399	19.2%

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)	Change %
Financial Position			
Bank balances and cash	62,724	92,733	(32.4%)
Bank borrowings	41,663	54,676	(23.8%)
Financial Ratios			
Current ratio	2.2	2.1	4.8%
Quick ratio	2.2	2.1	4.8%
Gearing ratio	19.5%	24.8%	(21.4%)
Return on equity	14.5%	19.7%	(26.4%)
Return on total assets	9.0%	11.8%	(23.7%)

For the six months ended 30 September

	2019 HK cents (Unaudited)	2018 HK cents (Unaudited)	Change %
Financial Information per share			
Earnings per share – Basic and diluted	1.43	1.20	19.2%

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019

	Notes	Six months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	3	328,776	248,814
Direct costs		(282,820)	(209,603)
Gross profit		45,956	39,211
Other income, other gains and losses, net	4	7,367	2,797
Administration and other operating expenses		(31,792)	(23,137)
Reversal of loss allowance on trade and other receivables and contract assets, net		351	–
Finance costs	5	(1,439)	(1,907)
Profit before tax	6	20,443	16,964
Income tax expense	7	(3,280)	(2,565)
Profit and total comprehensive income for the period		17,163	14,399
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		17,167	14,399
Non-controlling interests		(4)	–
		17,163	14,399
Earnings per share attributable to owners of the Company		HK cents	HK cents
– Basic and diluted	9	1.43	1.20

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	Notes	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	65,489	59,976
Right-of-use assets		4,544	–
Deposits and prepayments for life insurance policy		3,961	3,888
Club membership		1,188	1,188
Deferred tax assets		290	337
		75,472	65,389
Current assets			
Inventories		514	–
Trade and other receivables	11	82,946	86,285
Contract assets	12	148,839	110,217
Contract costs	13	1,419	1,739
Bank balances and cash		62,724	92,733
Current tax recoverable		8,277	10,636
		304,719	301,610
Total assets		380,191	366,999
Current liabilities			
Trade and other payables	14	94,481	90,853
Borrowings		41,663	54,676
Lease liabilities		1,535	–
Current tax liabilities		2,159	1,314
		139,838	146,843
Net current assets		164,881	154,767
Total assets less current liabilities		240,353	220,156
Non-current liabilities			
Deferred tax liabilities		153	126
Lease liabilities		3,007	–
		3,160	126
Net assets		237,193	220,030
Capital and reserves			
Share capital	15	12,000	12,000
Reserves		225,197	208,030
Equity attributable to:			
Owners of the Company		237,197	220,030
Non-controlling interests		(4)	–
Total equity		237,193	220,030

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Attributable to owners of the Company				Total	Non-controlling interests	Total equity
	Share capital	Share premium	Special reserve	Retained profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 31 March 2018 (audited)	12,000	100,344	1,020	110,104	223,468	–	223,468
Effect of adoption of Hong Kong Financial Reporting Standard 9 ("HKFRS 9")	–	–	–	(224)	(224)	–	(224)
Effect of adoption of Hong Kong Financial Reporting Standard 15 ("HKFRS 15")	–	–	–	(45,217)	(45,217)	–	(45,217)
Balance at 1 April 2018 (restated)	12,000	100,344	1,020	64,663	178,027	–	178,027
Profit and total comprehensive income for the period	–	–	–	14,399	14,399	–	14,399
Balance at 30 September 2018 (unaudited)	12,000	100,344	1,020	79,062	192,426	–	192,426
Balance at 31 March 2019 (audited)	12,000	100,344	1,020	106,666	220,030	–	220,030
Profit and total comprehensive income for the period	–	–	–	17,167	17,167	(4)	17,163
Balance at 30 September 2019 (unaudited)	12,000	100,344	1,020	123,833	237,197	(4)	237,193

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Cash flows from operating activities		
Cash used in operations	(7,784)	(29,491)
Interest received	33	–
Interest paid	(1,421)	(1,873)
Hong Kong Profits Tax paid	–	(3,696)
Net cash used in operating activities	(9,172)	(35,060)
Cash flows from investing activities		
Purchases of property, plant and equipment	(7,535)	(1,316)
Net cash used in investing activities	(7,535)	(1,316)
Cash flows from financing activities		
Proceeds from borrowings	18,200	52,800
Repayment of borrowings	(31,213)	(46,311)
Repayment of lease liabilities	(269)	–
Interest paid on lease liabilities	(20)	–
Net cash (used in)/generated from financing activities	(13,302)	6,489
Net decrease in cash and cash equivalents	(30,009)	(29,887)
Cash and cash equivalents at the beginning of period	89,733	57,066
Cash and cash equivalents at the end of period	59,724	27,179

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2019

1. GENERAL INFORMATION AND BASIS OF 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 under the companies law of the Cayman Islands. 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, 22nd Floor, T G Place, 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong, respectively.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 8 February 2017 (the “**Listing**”). Its parent company and ultimate holding company is Wang K M Limited, a company incorporated in the British Virgin Islands and is wholly-owned by Mr. Wang Kei Ming, an executive director of the Company.

These unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2019 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 2019 (the “**2019 Annual Financial Statements**”), which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars (“**HK\$**”), which is the same as the functional currency of the Company.

Other than changes in accounting policies resulting from application of new and amendments to HKFRSs, the accounting policies and methods of computation used in the unaudited condensed consolidated interim financial statements for the six months ended 30 September 2019 are the same as those followed in the preparation of the 2019 Annual Financial Statements. Details of change 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 26 November 2019.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2019

2. CHANGE IN ACCOUNTING POLICIES

(a) Overview

In the current accounting period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group's unaudited condensed consolidated interim financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current accounting period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated interim financial statements.

(b) Impacts and changes in accounting policies of application on HKFRS 16 *Leases*

The Group has applied HKFRS 16 for the first time in the current accounting period. HKFRS 16 superseded HKAS 17 *Leases*, and the related interpretations.

(i) *Key changes in accounting policies resulting from application of HKFRS 16*

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2019

2. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(b) Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

(i) *Key changes in accounting policies resulting from application of HKFRS 16 (Continued)*

As a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of premises and plant and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2019

2. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(b) Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

(i) Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2019

2. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(b) Impacts and changes in accounting policies of application on HKFRS 16 *Leases* (Continued)

(i) *Key changes in accounting policies resulting from application of HKFRS 16* (Continued)

As a lessee (Continued)

Lease liabilities (Continued)

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2019

2. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(b) Impacts and changes in accounting policies of application on HKFRS 16 *Leases* (Continued)

(i) *Key changes in accounting policies resulting from application of HKFRS 16* (Continued)

As a lessee (Continued)

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Allocation of consideration to components of a contract

Effective on 1 April 2019, the Group applies HKFRS 15 *Revenue from Contracts with Customers* to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2019

2. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(b) Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

(ii) *Transition and summary of effects arising from initial application of HKFRS 16*

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and
- iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2019

2. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(b) Impacts and changes in accounting policies of application on HKFRS 16 Leases (Continued)

(ii) Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

The following table reconciles the operating lease commitments as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019.

	HK\$'000
Operating lease commitments as at 31 March 2019	511
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 March 2020	(511)
	<hr/>
Total lease liabilities recognised as at 1 April 2019	–
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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue for the period is as follows:

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Provision of formwork erection and related ancillary services	305,054	248,814
Provision of fit-out services	23,722	–
	328,776	248,814

Disaggregation of revenue from contracts with customers

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Types of goods and services		
– Provision of formwork erection and related ancillary services	305,054	248,814
– Provision of fit-out services	23,722	–
	328,776	248,814
Timing of revenue recognition		
– Over time	328,776	248,814

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2019

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

Geographical information

The Company is domiciled in the Cayman Islands with the Group's major operation located in Hong Kong. All of the Group's revenue from external customers are derived from Hong Kong, the place of domicile of the Group's operating subsidiaries. All the non-current assets of the Group are located in Hong Kong. Accordingly, no geographical information is presented.

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group is as follows:

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Customer A	117,255	39,861
Customer B	71,419	–
Customer C	70,889	63,253
Customer D	46,913	33,220
Customer E	–	96,519

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2019

4. OTHER INCOME, OTHER GAINS AND LOSSES, NET

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Other income		
Bank interest income	34	–
Interest income on deposits and prepayments for life insurance policy	109	–
Income from sale of scrap materials	4,293	1,964
Sundry income	2,912	871
	7,348	2,835
Other gains and losses, net		
Net foreign exchange gains	19	–
Loss on written off or disposal of property, plant and equipment	–	(4)
Loss on financial asset at fair value through profit or loss	–	(34)
	19	(38)
	7,367	2,797

5. FINANCE COSTS

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interest on bank borrowings and overdrafts	1,419	1,907
Interest expense on lease liabilities	20	–
	1,439	1,907

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2019

6. PROFIT BEFORE TAX

	Notes	Six months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Profit before tax has been arrived at after charging:			
Employee benefits expense:			
Salaries and other benefits in kind		37,929	140,956
Discretionary bonuses		3,354	700
Contributions to retirement benefit scheme		1,001	4,487
Total employee benefits expense, including directors' emoluments	(i) & (iii)	42,284	146,143
Amortisation of premium and other expenses charged on life insurance policy		31	–
Auditors' remuneration		600	530
Depreciation of right-of-use assets		267	–
Depreciation of property, plant and equipment	(ii)	2,022	1,873
Short-term lease rentals in respect of:			
– Land and buildings		520	552
– Plant and equipment		5,276	7,080

Notes:

- (i) During the six months ended 30 September 2019 and 2018, total employee benefits expense amounting to approximately HK\$22,056,000 and HK\$129,963,000, respectively, was included in direct costs and amounting to approximately HK\$20,228,000 and HK\$16,180,000, respectively, was included in administration and other operating expenses.
- (ii) During the six months ended 30 September 2019 and 2018, depreciation of approximately HK\$169,000 and nil, respectively, was charged to direct costs and approximately HK\$1,853,000 and HK\$1,873,000, respectively, was charged to administration and other operating expenses.
- (iii) Due to unintentional clerical errors, the total employee benefits expense (including directors' emoluments) as disclosed in note 6 to the unaudited condensed consolidated interim financial statements for the six months ended 30 September 2019 was mistakenly stated as HK\$39,637,000 in the interim results announcement of the Company dated 26 November 2019 (the "Results Announcement"). The Board would like to clarify that the correct figure should be HK\$42,284,000 and the revised breakdown was disclosed in note 6 in this report. In addition, save as disclosed in the paragraph headed "Employees and remuneration policies" in Management discussion and analysis section, the correct figure for the total staff costs included in administration and other operating expenses (including remuneration of Directors and mandatory provident funds contributions) for the six months ended 30 September 2019 should be approximately HK\$20.2 million, instead of approximately HK\$17.6 million as stated in the Results Announcement. The Board confirms that the above clarification does not affect other information contained in the Results Announcement.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2019

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Current income tax:		
– Hong Kong Profits Tax	3,206	3,018
Deferred tax	74	(453)
Total income tax expenses recognised in profit or loss	3,280	2,565

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of estimated assessable profits of the qualifying group entity will be taxed at 8.25%, and estimated assessable profits above HK\$2,000,000 will be taxed at 16.5%. The estimated assessable profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

For the six months ended 30 September 2019 and 2018, the Hong Kong Profits Tax for one of the subsidiaries of the Company is calculated at 8.25% on the first HK\$2,000,000 of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2,000,000. Hong Kong Profits Tax for other subsidiaries is calculated at 16.5% of the estimated assessable profits arising in or derived from Hong Kong.

8. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: nil).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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 2019 and the six months ended 30 September 2018 respectively.

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basis earnings per share	17,167	14,399
	Six months ended 30 September	
	2019 '000 (Unaudited)	2018 '000 (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 potential ordinary share in issue during the respective periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2019, the Group acquired certain items of property, plant and equipment of approximately HK\$7,535,000 (six months ended 30 September 2018: HK\$1,316,000).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2019

11. TRADE AND OTHER RECEIVABLES

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
Trade receivables	73,184	81,976
Less: loss allowance for trade receivables	(316)	(407)
	72,868	81,569
Deposits and other receivables	1,170	841
Prepayments	8,917	3,884
Less: loss allowance for deposits and other receivables	(9)	(9)
	82,946	86,285

The Group allows a credit period ranging from 7 to 56 days (31 March 2019: 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 dates of progress certificates issued by customers, at the end of reporting period, are as follows:

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
0-30 days	16,643	44,769
31-60 days	40,961	30,024
61-90 days	14,915	7,011
91-180 days	645	-
Over 180 days	20	172
	73,184	81,976

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2019

12. CONTRACT ASSETS

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
Analysed as current:		
Retention receivables of construction contracts (Note (a))	52,494	44,337
Unbilled revenue of construction contracts (Note (b))	96,932	66,727
Less: loss allowance for contract assets	(587)	(847)
	148,839	110,217

Notes:

- (a) Retention receivables included in contract assets represent the Group's right to receive consideration for work performed and conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed by the Group. The due dates for retention receivables are usually one to two years after the completion of construction work.
- (b) Unbilled revenue included in contract assets represents the Group's right to receive consideration for work completed but not yet billed because the rights are conditional upon the satisfaction of the customers on the construction work completed by the Group and the work is pending for the certification by the customers. The contract assets are transferred to trade receivables when the rights become unconditional, which is typically at the time when the Group obtains the certification of the completed construction work from the customers.

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2019

13. CONTRACT COSTS

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
Cost to fulfil contracts:		
– Materials	1,419	1,739

Contract costs capitalised as at 30 September 2019 and 31 March 2019 relate to materials acquired to be used in satisfying or continuing to satisfy performance obligations of respective construction contracts in the future. Contract costs are recognised as part of direct costs in the unaudited condensed consolidated statement of profit or loss and other comprehensive income in the period in which revenue from the related construction contracts is recognised.

14. TRADE AND OTHER PAYABLES

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
Trade payables	27,679	33,470
Bills payables	16,562	18,748
Retention payables	11,227	7,413
Other payables and accruals	39,013	31,222
	94,481	90,853

The credit period on trade payables is generally 30 to 60 days (31 March 2019: 30 to 60 days).

As at 30 September 2019, included in trade payables was approximately HK\$1,825,000 (31 March 2019: HK\$2,984,000) payable to a related company, Genuine Treasure Construction Material Limited. Mr. Wang Kei Ming's close family member is the substantial shareholder and director of Genuine Treasure Construction Material Limited.

As at 30 September 2019, included in trade payables was approximately HK\$3,263,000 (31 March 2019: HK\$5,823,000) payable to a related company, Genuine Treasure Access and Scaffolding Limited. Mr. Wang Kei Ming's close family member is the substantial shareholder and director of Genuine Treasure Access and Scaffolding Limited.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2019

14. TRADE AND OTHER PAYABLES (CONTINUED)

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 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
0 – 30 days	17,630	17,460
31 – 60 days	6,641	3,626
61 – 90 days	2,740	7,572
91 – 180 days	430	4,172
Over 180 days	238	640
	27,679	33,470

As at 30 September 2019, bills payables have original maturities of ranging from 120 days to 122 days (31 March 2019: 120 days to 123 days).

Except for retention payables of approximately HK\$3,689,000 (31 March 2019: HK\$2,342,000) as at 30 September 2019 which are expected to be settled after one year, all of the remaining retention payables are expected to be settled within one year.

15. SHARE CAPITAL

	As at 30 September 2019		As at 31 March 2019	
	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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2019

16. 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 2019 HK\$'000 (Unaudited)	As at 31 March 2019 HK\$'000 (Audited)
Contracted but not provided for: Property, plant and equipment	7,054	130

17. 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	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Genuine Treasure Construction Material Limited (Note (ii))	Purchase of construction materials	2,902	251
	Transportation and plant hiring charge	1,589	1,067
Genuine Treasure Access and Scaffolding Limited (Note (i))	Scaffolding & equipment rental charge	5,272	5,803
	Transportation and plant hiring charge	–	11

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2019

17. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Material related party transactions (Continued)

Notes:

- (i) Mr. Wang Kei Ming's close family member was the substantial shareholder and director of Genuine Treasure Access and Scaffolding Limited.
- (ii) Mr. Wang Kei Ming's close family member was the substantial shareholder and director of Genuine Treasure Construction Material Limited.
- (iii) 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) and (ii) above also constituted 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 2019 and 2018 are as follows:

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Short-term employee benefits	11,353	11,157
Post-employment benefits	54	54
	11,407	11,211

MANAGEMENT DISCUSSION AND ANALYSIS

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

During the six months ended 30 September 2019, the Group secured three new contracts with total contract value of approximately HK\$126.8 million, representing a decrease of approximately 43.8% compared to the six months ended 30 September 2018 of approximately HK\$225.8 million. Two of these projects started contributing revenue to the Group during the six months ended 30 September 2019, out of which one of the projects was completed. As at 30 September 2019, the Group has a total of ten projects on hand with the estimated total outstanding value of approximately HK\$516.8 million, representing a decrease of approximately 16.0% as compared with the estimated total outstanding value of approximately HK\$615.5 million as at 31 March 2019. Subsequent to the period ended 30 September 2019, the Group further secured two new contracts with total contract value of approximately HK\$211.2 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 increased by approximately HK\$80.0 million, or 32.1%, from approximately HK\$248.8 million for the six months ended 30 September 2018 to approximately HK\$328.8 million for the six months ended 30 September 2019. The increase was mainly attributable to a higher amount of recognized revenue from two building projects which running to completion with final accounts close to conclusion during the six months ended 30 September 2019 as well as the increase in revenue of the major civil engineering projects by catching up with the work progress.

Gross profit and gross profit margin

The Group's gross profit increased by approximately HK\$6.8 million, or 17.2%, from approximately HK\$39.2 million for the six months ended 30 September 2018 to approximately HK\$46.0 million for the six months ended 30 September 2019. The increase in gross profit was mainly due to the increase in revenue for the six months ended 30 September 2019 as compared to the six months ended 30 September 2018.

The Group's gross profit margin decreased from approximately 15.8% for the six months ended 30 September 2018 to approximately 14.0% for the six months ended 30 September 2019, mainly due to the relatively lower margin of formwork subcontracting works for Tai Wai Station property development projects which was listed in the section headed "Business Review" of the annual report of the Group for the year ended 31 March 2019 (the "Annual Report 2019").

MANAGEMENT DISCUSSION AND ANALYSIS

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 increased by approximately HK\$8.7 million or 37.4%, from approximately HK\$23.1 million for the six months ended 30 September 2018 to approximately HK\$31.8 million for the six months ended 30 September 2019, primarily due to the increase in the staff salaries and benefits, including Directors' emoluments of approximately HK\$4.0 million and legal and compliance fee of approximately HK\$1.9 million.

Finance costs

The Group's finance costs decreased by approximately HK\$0.5 million or 24.5% from approximately HK\$1.9 million for the six months ended 30 September 2018 to approximately HK\$1.4 million for the six months ended 30 September 2019, primarily due to the decrease in average amount of bank borrowings as well as the decrease in average interest rate of bank borrowings.

Income tax expenses

The Group's income tax expenses increased by approximately HK\$0.7 million or 27.9% from approximately HK\$2.6 million for the six months ended 30 September 2018 to approximately HK\$3.3 million for the six months ended 30 September 2019 primarily due to the increase in profit before tax for the six months ended 30 September 2019. The effective tax rate for the six months ended 30 September 2019 was 16.0%, compared to that of 15.1% for the six months ended 30 September 2018.

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 increased by approximately HK\$2.8 million or 19.2% from approximately HK\$14.4 million for the six months ended 30 September 2018 compared to approximately HK\$17.2 million for the six months ended 30 September 2019. The net profit margin slightly decreased by approximately 0.6 percentage points from approximately 5.8% for the six months ended 30 September 2018 to approximately 5.2% for the six months ended 30 September 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the Listing have been and will be utilised 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 up to 30 September 2019:

	Planned use of net proceeds as stated in the Prospectus HK\$'000	Actual use of net proceeds up to 30 September 2019 HK\$'000	Unutilised balance as at 30 September 2019 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	5,965	4,137
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	94,505	4,137

The unutilised amounts of the net proceeds of approximately HK\$4.1 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 borrowings.

As at 30 September 2019, the Group's total bank balances and cash were approximately HK\$62.7 million (31 March 2019: approximately HK\$92.7 million), all of which were denominated in Hong Kong dollars. The current ratio (defined as current assets divided by current liabilities) of the Group was approximately 2.2 (31 March 2019: approximately 2.1).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group had total bank borrowings of approximately HK\$41.7 million as at 30 September 2019 (31 March 2019: approximately HK\$54.7 million).

CONTINGENT LIABILITIES

Save as disclosed in the paragraph headed "Arbitration" in this report, the Group had no material contingent liabilities as at 30 September 2019 (31 March 2019: nil).

ARBITRATION

As reported in the note 34 – Arbitration in the "Notes to the consolidated financial statements" of the Annual Report 2019, Ming Tai Construction Engineering Company Limited, an indirect wholly-owned subsidiary of the Company (the "**Applicant**") has issued the Notification of Arbitration to the Laing O'Rourke-Hsin Chong-Paul Y. Joint Venture (the "**Respondent**") on 5 March 2019 initiating an arbitration against the Respondent in respect of disputes arising from two subcontracts. Arbitrator (the "**Arbitrator**") has subsequently been appointed.

The Applicant claims, among others, that the Respondent failed to properly assess extensions of time and value sums due to the Applicant under the two subcontracts entered between the Applicant and the Respondent in June 2012 and September 2015, respectively, and caused delay and disruption to the progress and completion of the subcontract works and such delay and disruption caused the Applicant to incur loss and/or expense. The Applicant seeks, among other things, relief for the extension of time for the two subcontracts and loss suffered by it in the aggregate amount of approximately HK\$273 million, being the outstanding payment by the Respondent under the two subcontracts. The Respondent indicated to counterclaim against the Applicant.

Since the Applicant required more time to prepare the Statement of Claim to the Hong Kong International Arbitration Centre ("**HKIAC**"), the Arbitrator and the Respondent consented further extension of the time for the Applicant to send its Statement of Claim until late December 2019. Up to the date of this report, as the trial has not been commenced and Statement of Claim has not been completed, the effects of the case on the Group cannot be assessed at this moment. Further announcement will be made by the Company in the event of any material development regarding the arbitration if appropriate in due course.

PLEDGE OF ASSETS

As at 30 September 2019, the Group's bank borrowings and general banking facilities were secured by the office premises with an aggregate carrying amount of approximately HK\$44.7 million (31 March 2019: approximately HK\$45.4 million).

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 September 2019, the Group had pledged to the bank an assignment of project proceeds from one construction contract of the Group as security of the Group banking facilities.

As at 30 September 2019, the Group had a restricted time-deposit of approximately HK\$3.0 million (31 March 2019: approximately HK\$3.0 million) charging to a bank to secure general banking facilities granted to the Group.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 September 2019. Save as disclosed herein, there was no other plan for material investments or capital assets as at 30 September 2019.

CAPITAL COMMITMENTS

As at 30 September 2019, the Group had capital commitments of approximately HK\$7,054,000 (31 March 2019: approximately HK\$130,000) 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 cash balances and maintain a healthy liquidity position. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. Internally generated cash flow and interest-bearing bank borrowings are the general source of funds to finance the operation of the Group. To manage liquidity risk, the Directors closely monitor the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

FOREIGN CURRENCY RISK

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

MANAGEMENT DISCUSSION AND ANALYSIS

GEARING RATIO

As at 30 September 2019, the Group's gearing ratio was approximately 19.5% (31 March 2019: approximately 24.8%), representing total bank borrowings and lease liabilities as a percentage of total equity. The decrease in gearing ratio was attributed to the effect of decrease in bank borrowings mainly used in financing the substantial completed and ongoing projects during the six months ended 30 September 2019.

EVENT AFTER THE REPORTING PERIOD

The Board is pleased to announce that, subsequent to 30 September 2019, the Group has been awarded two new formwork subcontracts for non-industrial building development in Cheung Shun Street and Site A3 of the Commercial Development in SkyCity respectively. The total contract sum of the above mentioned contracts is approximately HK\$211.2 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 2019 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 2019 (six months ended 30 September 2018: nil).

EMPLOYEES AND REMUNERATION POLICIES

The Group had 92 full-time employees as at 30 September 2019 (30 September 2018: 77 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. Employee bonus is distributable based on the performance of the respective employees concerned. Moreover, the Group also provides internal and external training programmes which are complementary to certain job functions. The total staff costs included in administration and other operating expenses (including remuneration of Directors and mandatory provident funds contributions) for the six months ended 30 September 2019 amounted to approximately HK\$20.2 million (six months ended 30 September 2018: approximately HK\$16.2 million). All employees of the Group were under direct employment.

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 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECTS

The recent protests in Hong Kong may lead to more uncertainties on the pace of proposed infrastructure development and deferred the Legislative Council (“Legco”) approving funds for public works which then lead to decrease in the number of available tenders and severe price competition.

Despite the ongoing political and social disputes may deter investments in infrastructure project in Hong Kong, upon taking into account the new initiatives and measures as proposed in the Policy Address 2019, particularly in areas of housing and land supply in Hong Kong, the long-term prospects for the construction industry will remain positive.

Looking ahead, as an established formwork subcontractor in Hong Kong, the Group will be keen on maintaining its continuous approach in refining its workmanship and enhance its management process and develop construction technology applications and innovative formwork construction patents. The Group is confident that its business will continue to operate in a stable way.

OTHER INFORMATION

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

As at 30 September 2019, 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 Securities and Futures Ordinance (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 of the Company 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 2019, 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.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' 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 2019, the following persons/entities (other than the Directors or chief executive of the Company) had or were deemed to have an interest or a short position 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 5% 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	Capacity/Nature of interest	Number of underlying shares of the Company held	Approximate percentage of shareholding
Wang K M	Beneficial owner	801,600,000	66.8%
Ms. Chao Lai Heng (<i>note 1</i>)	Interest of spouse	801,600,000	66.8%

Note:

1. 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 the same number of 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 2019, 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 interests and short positions in shares, underlying shares and debentures" above, had or were deemed to have an interest or a short position 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 5% 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 has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2019.

OTHER INFORMATION

COMPETING BUSINESS

During the six months ended 30 September 2019, none of the Directors or the controlling shareholders of the Company (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 (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 Covenantors further undertakes that if any of he/it or his/its close associates other than any member of the Group is offered or becomes aware of any business opportunity which may compete with the business of the Group, he/it shall (and he/it shall procure his/its close associates to) notify the Group in writing and the Group shall have a right of first refusal to take up such business opportunity. The Group shall, within 6 months after receipt of the written notice (or such longer period if the Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the Covenantor(s) whether the Group will exercise the right of first refusal or not.

The Group shall only exercise the right of first refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal.

Each of the 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.

OTHER INFORMATION

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 Directors have fully complied with the required standards set out in the Model Code during the six months ended 30 September 2019.

SHARE OPTION SCHEME

The Company's share option scheme (the "**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 2019, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

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 2019 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.

OTHER INFORMATION

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 condensed consolidated interim financial statements for the six months ended 30 September 2019 are unaudited, but have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2019 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, 26 November 2019