



Royal Century Resources Holdings Limited
仁德資源控股有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 8125)

THIRD QUARTERLY RESULTS ANNOUNCEMENT
FOR THE NINE MONTHS ENDED 31 DECEMBER 2017

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This announcement, for which the directors (the “Director(s)”) of Royal Century Resources Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM for the purpose of giving information with regard to the Company. The Directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

THE FINANCIAL INFORMATION

THE THIRD QUARTERLY RESULTS

The board (the “Board”) of directors (the “Director(s)”) of Royal Century Resources Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the nine months ended 31 December 2017 (the “Current Period”), together with the comparative unaudited figures for the corresponding period in 2016 (the “Corresponding Period”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 31 December 2017

| | Notes | For the three months ended 31 December | | For the nine months ended 31 December | |
|--|-------|---|---------------------------------|--|---------------------------------|
| | | 2017 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) | 2017 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) |
| Revenue | 3 | 13,359 | 9,475 | 26,249 | 51,284 |
| Cost of sales | | (10,094) | (10,651) | (19,272) | (57,950) |
| Gross profit/(loss) | | 3,265 | (1,176) | 6,977 | (6,666) |
| Other income | 4 | 178 | 170 | 510 | 589 |
| Administrative expenses | | (8,194) | (7,162) | (20,953) | (17,452) |
| Finance costs | 5 | (43) | (46) | (133) | (141) |
| Gain from a bargain purchase | | – | – | 2,270 | – |
| Loss before tax | 6 | (4,794) | (8,214) | (11,329) | (23,670) |
| Income tax expense | 7 | (139) | (123) | (223) | (123) |
| Loss for the period attributable to owners of the Company | | (4,933) | (8,337) | (11,552) | (23,793) |
| Other comprehensive income/(expenses) | | | | | |
| Items that may be subsequently reclassified to profit or loss: | | | | | |
| Exchange differences arising on translation of foreign operations | | 151 | 28 | 216 | (30) |
| Total comprehensive expenses for the period attributable to owners of the Company | | (4,782) | (8,309) | (11,336) | (23,823) |
| | | HK Cents (Unaudited) | HK Cents (Unaudited) | HK Cents (Unaudited) | HK Cents (Unaudited) |
| Loss per share | | | | | |
| – Basic and diluted | 8 | (1.36) | (2.30) | (3.18) | (6.77) |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2017

| | Share capital <i>HK\$'000</i> | Retained profits/ (Accumulated losses) <i>HK\$'000</i> | Exchange reserve <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|-------------------------------------|--|--|--------------------------|
| At 1 April 2017 (Audited) | 154,851 | (15,941) | (322) | 138,588 |
| Loss for the period | – | (11,552) | – | (11,552) |
| Other comprehensive income for the period | – | – | 216 | 216 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total comprehensive expenses for the period | – | (11,552) | 216 | (11,336) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 December 2017 (Unaudited) | <u>154,851</u> | <u>(27,493)</u> | <u>(106)</u> | <u>127,252</u> |
| At 1 April 2016 (Audited) | 76,113 | 19,093 | (200) | 95,006 |
| Issue of new shares, net of transaction costs | 78,738 | – | – | 78,738 |
| Loss for the period | – | (23,793) | – | (23,793) |
| Other comprehensive expense for the period | – | – | (30) | (30) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total comprehensive expenses for the period | – | (23,793) | (30) | (23,823) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 December 2016 (Unaudited) | <u>154,851</u> | <u>(4,700)</u> | <u>(230)</u> | <u>149,921</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2017

1. GENERAL

The Company was incorporated in Hong Kong with limited liability and its shares are listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office and the principal place of business of the Company is situated at Suite 2201, 22/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. The Company is an investment holding company while the Group is principally engaged in provision of design and fitting-out services and design and procurement of furnishings and decorative materials services, money lending and sourcing and merchandising of fine and rare wines.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”), unless otherwise stated. Other than subsidiaries operating in Singapore and the People’s Republic of China (the “PRC”) of which functional currency is Singapore dollar and Renminbi respectively, the functional currency of the Company and other subsidiaries is HK\$.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the nine months ended 31 December 2017 have been prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of Chapter 18 of the Rules (the “GEM Listing Rules”) Governing the Listing of Securities on GEM of the Stock Exchange.

The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those adopted in the annual report for the year ended 31 March 2017.

The HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the current accounting period of the Company. The adoption of these new and revised HKFRSs has no material effect on the condensed consolidated financial statements, and there have otherwise been no significant changes to the accounting policies applied in these financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising from design and fitting-out service provided, design and procurement of furnishings and decorative materials service provided, money lending and sale of fine and rare wines. An analysis of the Group's revenue for the period is as follows:

| | For the three months ended 31 December | | For the nine months ended 31 December | |
|--|---|---------------------------------|--|---------------------------------|
| | 2017 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) | 2017 HK\$'000 (Unaudited) | 2016 HK\$'000 (Unaudited) |
| Design and fitting-out service income | 5,259 | 6,104 | 8,172 | 45,663 |
| Design and procurement of furnishings and decorative materials service income | 1,209 | 2,209 | 1,256 | 4,255 |
| Interest income from money lending | 1,208 | 555 | 3,307 | 759 |
| Sales proceeds from sourcing and merchandising of fine and rare wines | 5,683 | 607 | 13,514 | 607 |
| | <u>13,359</u> | <u>9,475</u> | <u>26,249</u> | <u>51,284</u> |

Information reported to the Chief Executive Officer (the "CEO"), being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the CEO have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments are as follows:

- (1) Provision of design and fitting-out service ("Design and fitting-out service");
- (2) Provision of design and procurement of furnishings and decorative materials service ("Design and procurement of furnishings and decorative materials service");
- (3) Money lending ("Money lending"); and
- (4) Sourcing and merchandising of fine and rare wines ("Wines merchandising").

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

For the nine months ended 31 December 2017 (Unaudited)

| | Design and fitting-out service <i>HK\$'000</i> | Design and procurement of furnishings and decorative materials service <i>HK\$'000</i> | Money lending <i>HK\$'000</i> | Wines merchandising <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|------------------------------|---|---|-------------------------------------|---|--------------------------|
| Segment revenue | <u>8,172</u> | <u>1,256</u> | <u>3,307</u> | <u>13,514</u> | <u>26,249</u> |
| Segment results | <u>(4,448)</u> | <u>(1,483)</u> | <u>3,296</u> | <u>148</u> | (2,487) |
| Other income | | | | | 510 |
| Central administrative costs | | | | | (11,489) |
| Finance costs | | | | | (133) |
| Gain from a bargain purchase | | | | | <u>2,270</u> |
| Loss before tax | | | | | <u><u>(11,329)</u></u> |

For the nine months ended 31 December 2016 (Unaudited)

| | Design and fitting-out service <i>HK\$'000</i> | Design and procurement of furnishings and decorative materials service <i>HK\$'000</i> | Money lending <i>HK\$'000</i> | Wines merchandising <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|---|---|-------------------------------------|---|--------------------------|
| Segment revenue | <u>45,663</u> | <u>4,255</u> | <u>759</u> | <u>607</u> | <u>51,284</u> |
| Segment results (restated) | <u>(13,159)</u> | <u>(2,141)</u> | <u>745</u> | <u>(129)</u> | (14,684) |
| Other income | | | | | 539 |
| Central administrative costs (restated) | | | | | (9,384) |
| Finance costs | | | | | <u>(141)</u> |
| Loss before tax | | | | | <u>(23,670)</u> |

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment result represents the profit/(loss) earned by each segment without allocation of certain other income, certain central administration costs (including directors' emoluments) and finance costs. This is the measure reported to the CEO for the purposes of resource allocation and performance assessment.

4. OTHER INCOME

| | For the three months ended 31 December | | For the nine months ended 31 December | |
|---|---|--|--|--|
| | 2017 <i>HK\$'000</i> (Unaudited) | 2016 <i>HK\$'000</i> (Unaudited) | 2017 <i>HK\$'000</i> (Unaudited) | 2016 <i>HK\$'000</i> (Unaudited) |
| Bank interest income | 1 | 1 | 2 | 2 |
| Exchange gain | – | 1 | – | 2 |
| Rental income | 176 | 156 | 472 | 495 |
| Reversal of impairment loss on trade receivables | – | 50 | – | 50 |
| Sundry income | 1 | (38) | 36 | 40 |
| | <u>178</u> | <u>170</u> | <u>510</u> | <u>589</u> |

5. FINANCE COSTS

| | For the three months ended 31 December | | For the nine months ended 31 December | |
|--|---|--|--|--|
| | 2017 <i>HK\$'000</i> (Unaudited) | 2016 <i>HK\$'000</i> (Unaudited) | 2017 <i>HK\$'000</i> (Unaudited) | 2016 <i>HK\$'000</i> (Unaudited) |
| Interest on: | | | | |
| Secured bank borrowings wholly repayable after five years | 42 | 44 | 129 | 135 |
| Finance lease | 1 | 2 | 4 | 6 |
| | <u>43</u> | <u>46</u> | <u>133</u> | <u>141</u> |

6. LOSS BEFORE TAX

Loss before tax has been arrived at after charging/(crediting):

| | For the three months ended 31 December | | For the nine months ended 31 December | |
|---|---|--|--|--|
| | 2017 <i>HK\$'000</i> (Unaudited) | 2016 <i>HK\$'000</i> (Unaudited) | 2017 <i>HK\$'000</i> (Unaudited) | 2016 <i>HK\$'000</i> (Unaudited) |
| Staff costs included in project costs (restated) | – | 342 | – | 779 |
| Staff costs included in administrative expenses: | | | | |
| Directors' emoluments (including contribution to defined contribution retirement benefits scheme) | 1,637 | 920 | 3,710 | 2,533 |
| Salaries, wages and other benefits (excluding directors' emoluments) | 4,386 | 2,438 | 8,653 | 5,712 |
| Contribution to defined contribution retirement benefits scheme (excluding directors) | 75 | 57 | 207 | 210 |
| Total staff costs (restated) | 6,098 | 3,757 | 12,570 | 9,234 |
| Auditor's remuneration | – | – | – | – |
| Depreciation | 232 | 280 | 811 | 753 |
| Minimum lease payments under operating leases in respect of office premises | 401 | 632 | 1,237 | 2,441 |
| Gross rental income less outgoings | (70) | (131) | (336) | (414) |
| Gain from a bargain purchase | – | – | (2,270) | – |
| | ===== | ===== | ===== | ===== |

7. INCOME TAX EXPENSE

| | For the three months ended 31 December | | For the nine months ended 31 December | |
|-----------------------|---|--|--|--|
| | 2017 <i>HK\$'000</i> (Unaudited) | 2016 <i>HK\$'000</i> (Unaudited) | 2017 <i>HK\$'000</i> (Unaudited) | 2016 <i>HK\$'000</i> (Unaudited) |
| Current tax: | | | | |
| Hong Kong Profits Tax | 55 | 123 | 139 | 123 |
| Deferred taxation | — | — | — | — |
| | <u>55</u> | <u>123</u> | <u>139</u> | <u>123</u> |

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits for the nine months ended 31 December 2017 (nine months ended 31 December 2016: 16.5%).

Pursuant to the rules and regulations of the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the BVI.

No Singapore Corporate Tax has been provided as there is no estimated assessable profit for both periods.

The PRC corporate income tax in respect of operations in Mainland China is calculated at the applicable tax rates on the estimated assessable profits for the period based on existing legislation, interpretations and practices in respect thereof.

8. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following information:

Loss for the period

| | For the three months ended 31 December | | For the nine months ended 31 December | |
|---|---|--|--|--|
| | 2017 <i>HK\$'000</i> (Unaudited) | 2016 <i>HK\$'000</i> (Unaudited) | 2017 <i>HK\$'000</i> (Unaudited) | 2016 <i>HK\$'000</i> (Unaudited) |
| Loss for the purpose of basic and diluted loss per share | <u>(4,933)</u> | <u>(8,337)</u> | <u>(11,552)</u> | <u>(23,793)</u> |

Number of shares

| | For the three months ended 31 December | | For the nine months ended 31 December | |
|--|---|-----------------------------|--|-----------------------------|
| | 2017 '000 (Unaudited) | 2016 '000 (Unaudited) | 2017 '000 (Unaudited) | 2016 '000 (Unaudited) |
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share | <u>363,000</u> | <u>363,000</u> | <u>363,000</u> | <u>351,480</u> |

Loss per share

| | For the three months ended 31 December | | For the nine months ended 31 December | |
|-------------------|---|--|--|--|
| | 2017 <i>HK Cents</i> (Unaudited) | 2016 <i>HK Cents</i> (Unaudited) | 2017 <i>HK Cents</i> (Unaudited) | 2016 <i>HK Cents</i> (Unaudited) |
| Basic and diluted | <u>(1.36)</u> | <u>(2.30)</u> | <u>(3.18)</u> | <u>(6.77)</u> |

Since there was no potential dilutive ordinary shares outstanding during the three months and the nine months ended 31 December 2017 and 2016 respectively, the basic and diluted loss per share are the same for all periods.

9. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the nine months ended 31 December 2017 (nine months ended 31 December 2016: Nil).

10. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with the Current Period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Royal Century Resources Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) are principally engaged in provision of design and fitting-out services, provision of design and procurement of furnishings and decorative materials services, money lending, and sourcing and merchandising of fine and rare wines.

FINANCIAL REVIEW

Revenue

The Group’s revenue is mainly generated from (i) contracts to provide design and fitting out services; (ii) design and procurement of furnishings and decorative materials services; (iii) money lending; and (iv) sourcing and merchandising of fine and rare wines.

Breakdown of revenue by type of business is as follows:

| | For the nine months ended 31 December | |
|---|--|------------------------|
| | 2017 | 2016 |
| | <i>HK\$’000</i> | <i>HK\$’000</i> |
| | (Unaudited) | (Unaudited) |
| Design and fitting-out service | 8,172 | 45,663 |
| Design and procurement of furnishings and decorative materials service | 1,256 | 4,255 |
| Money lending | 3,307 | 759 |
| Sourcing and merchandising of fine and rare wines | 13,514 | 607 |
| | 26,249 | 51,284 |

Breakdown of revenue by geographical locations is as follows:

| | For the nine months ended 31 December | |
|-----------|--|------------------------|
| | 2017 | 2016 |
| | <i>HK\$’000</i> | <i>HK\$’000</i> |
| | (Unaudited) | (Unaudited) |
| Hong Kong | 25,045 | 51,284 |
| Malaysia | 1,204 | – |
| | 26,249 | 51,284 |

The total revenue for the nine months ended 31 December 2017 was approximately HK\$26.2 million (nine months ended 31 December 2016: HK\$51.3 million) which represents a HK\$25.1 million or 48.8% decrease as compared to the corresponding period of last year. Such decrease was mainly attributable to the substantial decrease in the number of large design and fitting-out projects engaged. During the nine months ended 31 December 2017, there were contributions of approximately HK\$3.3 million and HK\$13.5 million from money lending and sourcing and merchandising of fine and rare wines, respectively, which were businesses newly engaged and expanded by the Group during the second and third quarters of last year.

Gross profit/(loss)

For the nine months ended 31 December 2017, the Group recorded a gross profit of approximately HK\$7.0 million (Nine months ended 31 December 2016: gross loss of HK\$6.7 million) and the overall gross profit margin was approximately 26.6% (Nine months ended 31 December 2016: gross loss margin of 13.0%).

Gross profit/(loss) and gross profit/(loss) margin by types of business is as follows:

| | Gross profit/(loss) for the nine months ended 31 December | | Gross profit/(loss) margin for the nine months ended 31 December | |
|--|--|--|---|--|
| | 2017 <i>HK\$'000</i> (Unaudited) | 2016 <i>HK\$'000</i> (Unaudited) | 2017 <i>HK\$'000</i> (Unaudited) | 2016 <i>HK\$'000</i> (Unaudited) |
| Design and fitting-out service | 1,904 | (6,830) | 23.3 | (15.0) |
| Design and procurement of furnishings and decorative materials service | 247 | (651) | 19.7 | (15.3) |
| Money lending | 3,307 | 759 | 100.0 | 100.0 |
| Sourcing and merchandising of fine and rare wines | 1,519 | 56 | 11.2 | 9.2 |
| | 6,977 | (6,666) | 26.6 | (13.0) |

During the nine months ended 31 December 2017, the overall gross profit of the Group amounting to approximately HK\$7.0 million, representing a turnaround from the overall gross loss of last year's corresponding period of approximately HK\$6.7 million. Such gross profit was mainly attributable to (i) gross profit recorded from design and fitting-out services whilst there was a gross loss in the last year's corresponding period due to fire broke-out in one of the working sites and increase in direct costs; (ii) gross profit recorded from design and procurement of furnishings and decorative materials service whilst there was a gross loss in the last year's corresponding period due to fire broke-out in the said working site and increase in direct costs; (iii) significant increase in interest income earned from the money lending business since its commencement of business in the second quarter of last year; and (iv) gross profit attributable from sourcing and merchandising of fine and rare wines, a new business segment commenced in the third quarter of last year.

Loss for the period

Administrative expenses increased by approximately HK\$3.5 million or approximately 20.1% from last year's corresponding period of approximately HK\$17.5 million to approximately HK\$21.0 million for the nine months ended 31 December 2017. The increase in the administrative expenses was mainly resulted from administrative expenses incurred by the new business segments which were commenced during the second and third quarters of last year and incidental costs relating to the acquisition of a subsidiary with licences to carry on Type 1, 4 and 9 regulated activities under the Securities and Futures Ordinance.

Loss for the nine months ended 31 December 2017 was approximately HK\$11.6 million (nine months ended 31 December 2016: HK\$23.8 million), representing a decrease in loss of approximately HK\$12.2 million or approximately 51.4% as compared with last corresponding period. Such decrease in loss was mainly attributable to overall improvement in the performance of each of the business segments of the Group and a gain of approximately HK\$2.3 million from a bargain purchase on acquisition of the subsidiary mentioned above.

BUSINESS REVIEW AND PROSPECTS

Provision of (i) design and fitting-out services and (ii) design and procurement of furnishings and decorative materials services

For design and fitting-out services, the Group has a total of 16 projects on hand during the nine months ended 31 December 2017, of which 14 new projects were contracted. The Group has completed 13 projects during the period. As a result, there were 3 design and fitting-out services projects in progress as at 31 December 2017, of which 2 are in Hong Kong and 1 in Malaysia.

For design and procurement of furnishings and decorative materials services, the Group has a total of 4 projects on hand during the nine months ended 31 December 2017, all of which were new projects contracted. The Group has completed 3 projects during the period. As a result, there was 1 design and procurement of furnishings and decorative materials services project in progress as at 31 December 2017, of which is in Hong Kong.

Looking forward, the Group expects the existing design and fitting-out projects will be completed in the coming few months. The Group has actively sought for business opportunities by exploring for new customers and new projects in order to strengthen its customer and revenue base for maximization of the return to the shareholders and the value of the Group. During the three and nine months ended 31 December 2017, the Group has successfully bid for 11 and 18 new projects respectively and will continue to submit tenders for potential projects in the future.

Money lending business

The Group's money lending business was steadily developed with new loans granted during the nine months ended 31 December 2017. There was loan portfolio in Hong Kong with principal amount of approximately HK\$24.5 million as at 31 December 2017. The Group recognized an aggregate interest income of approximately HK\$3.3 million for the nine months ended 31 December 2017 while the money lending business was commenced in the second quarter of last year. The Group adopted a prudent risk management policy, with the money lending business continuously carrying out regular review of credit risk over the existing borrowers. While the Group will proactively explore high creditworthiness customers for further expansion of its business scale, it will continue to adopt a prudent credit risk management strategy to minimize its exposure and maintaining a sustainable and healthy development in its money lending business.

Sourcing and merchandising of fine and rare wines

The Group's sourcing and merchandising of fine and rare wines ("Wines Merchandising") has attributed a total revenue of approximately HK\$13.5 million during the nine months ended 31 December 2017 while the Wines Merchandising business was commenced in the third quarter of last year.

The Group experienced a staff turnover in the sales team of the Wines Merchandising business during the third quarter of the current year. The Group has undergone re-assessment of the development of the Wines Merchandising business and foresees that there would be a decline in the growth of the Wines Merchandising business in the coming quarter of the year.

Other Business Development

As described in the interim report of the Company dated 10 November 2017, the Group has completed the acquisition of a company with licences to carry on Type 1, 4 and 9 regulated activities under the Securities and Future Ordinance (the “SFO Licences”) in September 2017. The Group is now in the process of formulating its strategy and operation plan towards the commencement of the business under the SFO Licences.

Besides the above business development, the Group is proactively seeking for business opportunities and exploring new investment opportunities in order to further diversify the principal activities of the Group to strengthen and broaden its revenue base.

LIQUIDITY AND FINANCIAL RESOURCES

During the nine months ended 31 December 2017, the Group financed its operations by its internal resources and banking facilities. As at 31 December 2017, the Group had net current assets of approximately HK\$80.5 million (31 March 2017: HK\$114.2 million), including bank deposit, cash and bank balances of approximately HK\$46.2 million (31 March 2017: HK\$60.3 million).

The current ratio, being the ratio of current assets to current liabilities, was approximately 8.3 times as at 31 December 2017 (31 March 2017: 10.6 times). The decrease in the current ratio was mainly attributable to the settlement of the consideration payable in the amount of HK\$16.5 million and the incidental costs payable upon completion of the acquisition of a subsidiary during the period.

CAPITAL STRUCTURE AND GEARING

The capital of the Group comprises only ordinary shares. As at 31 December 2017, the Company has 363,000,000 ordinary shares in issue. There was no movement in the share capital of the Group during the nine months ended 31 December 2017. Total equity attributable to owners of the Company amounted to approximately HK\$127.3 million as at 31 December 2017 (31 March 2017: HK\$138.6 million).

As at 31 December 2017, the Group’s borrowings comprised bank borrowings of approximately HK\$6.7 million (31 March 2017: HK\$7.0 million) and obligation under a finance lease of approximately HK\$0.1 million (31 March 2017: HK\$0.2 million). The Group’s gearing ratio, calculated by dividing total borrowings by total equity, was approximately 5.4% (31 March 2017: 5.2%). There was no material fluctuation in the gearing ratio during the nine months ended 31 December 2017.

PROPOSED PLACING OF SHARES

On 1 November 2017, the Company entered into a placing agreement with a placing agent to place up to 72,600,000 new shares (the “Share(s)”) of the Company at a placing price of HK\$1.2 per Share to not less than six places.

The placing agreement was subsequently terminated on 23 November 2017 by mutual agreement between the Company and the placing agent.

INTERIM DIVIDENDS

The Directors do not recommend the payment of interim dividends for the nine months ended 31 December 2017.

FOREIGN EXCHANGE EXPOSURE

The operations of the Group are mainly conducted in Hong Kong dollar (“HK\$”), Singapore dollar (“SGD”), Renminbi (“RMB”) and United States dollar (“US\$”) and its revenue, expenses, assets, liabilities and borrowings are principally denominated in HK\$, SGD, RMB and US\$.

The Group does not enter into any instruments on the foreign exchange exposure. The Group will closely monitor exchange rate movement and will take appropriate activities to reduce the exchange risk.

CHARGES ON THE GROUP’S ASSETS

As at 31 December 2017, an investment property and a motor vehicle of the Group with carrying value of approximately HK\$22.5 million (31 March 2017: HK\$22.5 million) and HK\$0.1 million (31 March 2017: HK\$0.2 million) respectively were pledged to banks to secure for certain banking facilities of the Group.

SIGNIFICANT ACQUISITION AND DISPOSAL

As described in the interim report of the Company dated 10 November 2017, the Group, through a wholly-owned subsidiary, had completed the acquisition of a subsidiary with licences to carry on Type 1, 4 and 9 regulated activities under the Securities and Futures Ordinance (“SFO”) in September 2017.

Save as disclosed above, there has been no other significant acquisition and disposal of subsidiaries or assets of the Group during the nine months ended 31 December 2017.

CONTINGENT LIABILITIES

On 9 December 2015, a supplier filed a statement of claim for cost dispute of approximately HK\$1 million against a subsidiary of the Group. As at date of the announcement, no proceeding has been occurred. Based on the legal advice, the directors of the Company are of the opinion that the Group has meritorious defenses against the supplier. Therefore, no provision for the claim has been made in the consolidated financial statements for the nine months ended 31 December 2017.

OPERATING LEASE COMMITMENTS

The Group as lessee

As at 31 December 2017, the Group had commitments for future minimum lease payments under non-cancellable operating leases in relation to office premises and warehouse, falling due as follows:

| | <i>HK\$'000</i> |
|--|---------------------|
| Within one year | 3,458 |
| In the second to fifth years inclusive | <u>608</u> |
| | <u><u>4,066</u></u> |

The Group as lessor

As at 31 December 2017, the Group had contracted with tenants for the future minimum lease payments in relation to premises, falling due as follows:

| | <i>HK\$'000</i> |
|--|-------------------|
| Within one year | 590 |
| In the second to fifth years inclusive | <u>392</u> |
| | <u><u>982</u></u> |

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2017, the Group had 35 employees (31 December 2016: 31 employees). The Group continues to maintain and upgrade the capabilities of its workforce by providing them with adequate and regular training. The Group remunerates its Directors and employees mainly based on industry practices and individual's performance and experience. On top of regular remuneration, discretionary bonus and share options may be granted to eligible staff by reference to the Group's performance as well as individual's performance.

Total remuneration for the nine months ended 31 December 2017 (including directors' emoluments and salaries to staff and directors including MPF contributions) was approximately HK\$12.6 million (nine months ended 31 December 2016: HK\$9.2 million). The increase in the remuneration was mainly due to the increase in the number of employees as a results of the diversification of the Group's business since the second and third quarters of last year.

OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2017, none of the Directors or the chief executive of the Company (the “Chief Executive”) have the interests and short positions in the shares of the Company (the “Shares”), underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) as recorded in the register required to be kept under section 352 of SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in Rule 5.46 of the GEM Listing Rules.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS OF THE COMPANY IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2017, so far as is known to the Directors and the Chief Executive and based on the public records filed on the website of the Stock Exchange and records kept by the Company, the interest and short positions of the persons or corporations (other than the Directors and the Chief Executive) in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long position in ordinary shares of the Company

| Name of Director | Capacity/Nature of interests in capital | Number of Shares held | Approximate percentage of the issued Shares |
|--|--|------------------------------|--|
| Superb Smart Limited <i>(Note 1)</i> | Beneficial owner | 67,440,000 | 18.58% |
| Ms. Zheng Juhua <i>(Note 1)</i> | Interest of a controlled corporation | 67,440,000 | 18.58% |
| Time Vanguard Holdings Limited <i>(Note 2)</i> | Beneficial owner | 50,000,000 | 13.77% |
| China Huarong International Holdings Limited <i>(Note 2)</i> | Interest of a controlled corporation | 50,000,000 | 13.77% |
| Huarong Real Estate Co., Ltd. <i>(Note 2)</i> | Interest of a controlled corporation | 50,000,000 | 13.77% |
| China Huarong Asset Management Co., Ltd. <i>(Note 2)</i> | Interest of a controlled corporation | 50,000,000 | 13.77% |
| Mr. Wang Shengdong | Beneficial owner | 45,484,000 | 12.53% |
| Taiping Quantum Prosperity Fund | Beneficial owner | 31,808,000 | 8.76% |
| Genius Idea Holdings Limited <i>(Note 3)</i> | Beneficial owner | 20,000,000 | 5.51% |
| Mr. Chan Tat Wah <i>(Note 3)</i> | Interest of a controlled corporation | 20,000,000 | 5.51% |
| Ms. Lee Yuk Pui Kawina <i>(Note 3)</i> | Family interest | 20,000,000 | 5.51% |

Notes:

1. 67,440,000 Shares are registered in the name of Superb Smart Limited, which is wholly-owned by Ms. Zheng Juhua. Accordingly, Ms. Zheng Juhua is deemed to be interested in the relevant Shares under the SFO.
2. 50,000,000 Shares are registered in the name of Time Vanguard Holdings Limited, which is wholly-owned by China Huarong International Holdings Limited (“Huarong International”). Huarong International is a jointly-owned as to 11.9% by Huarong Zhiyuan Investment & Management Co., Ltd. (“Huarong Zhiyuan”) and 88.1% by Huarong Real Estate Co., Ltd. (“Huarong Real Estate”). Each of Huarong Zhiyuan and Huarong Real Estate is wholly-owned by China Huarong Asset Management Co., Ltd. (“China Huarong”).

Accordingly, each of Huarong International, Huarong Real Estate and China Huarong is deemed to be interested in the relevant Shares under the SFO.

3. 20,000,000 Shares are registered in the name of Genius Idea Holdings Limited, which is wholly-owned by Mr. Chan Tat Wah. Ms. Lee Yuk Pui Kawina is the spouse of Mr. Chan Tat Wah. Accordingly, each of Mr. Chan Tat Wah and Ms. Lee Yuk Pui Kawina is deemed to be interested in the relevant Shares under the SFO.

Save as disclosed above, as at 31 December 2017, there was no person or corporation (other than the Directors and the Chief Executive) who had any interest or short position in the Shares or underlying Shares as recorded in the register of interests required to be kept by the Company under section 336 of the SFO.

OTHER INTERESTS DISCLOSEABLE UNDER THE SFO

Save as disclosed above, so far as is known to the Directors, there was no other person who had interest or short positions in the Shares and underlying Shares that is discloseable under section 336 of the SFO.

SHARE OPTION SCHEME

The share option scheme enables the Company to grant options to any full-time or part time employee of the Company or any member of the Group (the “Eligible Participant”) as incentives or rewards for their contributions to the Group. The Company conditionally adopted a share option scheme (the “Scheme”) on 30 June 2014 whereby the Board are authorised, at their absolute discretion and subject to the terms of the Scheme, to grant options to subscribe for the Shares to the Eligible Participant, The Scheme will be valid and effective for a period of ten years commencing from the date of adoption of the Scheme.

Upon acceptance of an option to subscribe for Shares granted pursuant to the Scheme (the “Option”), the Eligible Participant shall pay HK\$1.00 to the Company by way of consideration for the grant. The Option will be offered for acceptance for a period of 21 days from the date on which the Option is granted. The subscription price for the Shares subject to Options will be a price determined by the Board and notified to each participant and shall be the highest of: (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant of the Options, which must be a day on which trading of Shares take place on the Stock Exchange (the “Trading Day”); and (ii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the 5 Trading Days immediately preceding the date of grant of the Options.

The Company shall be entitled to issue options, provided that the total number of Shares which may issue upon exercise of all options to be granted under the Scheme does not exceed 10% of the Shares in issue on the Listing Date. The Company may at any time refresh such limit, subject to the shareholders’ approval and the issue of a circular in compliance with the GEM Listing Rules, provided that the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the Shares in issued at the time. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

As at the date of this announcement, the total number of Shares available for issue under the Scheme is 30,000,000 Shares representing 10% of the issued shares immediately after the completion of the Listing of the Shares on 18 July 2014 and representing 8.26% of the issued Shares as at 31 December 2017.

Since the adoption of the Scheme, no share option has been granted by the Company.

DIRECTORS’ RIGHT TO ACQUIRE SHARES

At no time during the nine months ended 31 December 2017 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

At no time during the nine months ended 31 December 2017 had the Directors and the Chief Executive (including their spouses and children under 18 years of age) any interest in, or been granted, or exercised any rights to subscribe for the shares (or warrants or debentures, is applicable) of the Company and its associated corporations (within the meaning of the SFO).

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.48 to 5.67 of the GEM Listing Rules.

No Director has dealt in the shares of the Company during the nine months ended 31 December 2017.

Following specific enquiry by the Company, all Directors confirmed that they have complied with such code of conduct throughout the nine months ended 31 December 2017.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the nine months ended 31 December 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group or existed during the nine months ended 31 December 2017.

COMPETING INTERESTS

During the nine months ended 31 December 2017 and up to the date of this announcement, the following Directors have an interest in business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business that need to be disclosed pursuant to Rule 11.04 of the GEM Listing Rules were as follows:

| Director | Name of company | Nature of business | Nature of interests |
|-------------------|---|---------------------------|---|
| Mr. Chan Chi Yuen | Noble Century Investments Holdings Limited ("Noble Century") and its subsidiaries | Money lending business | Executive director and chief executive officer of Noble Century |
| Mr. Liu Rongsheng | China Ocean Fishing Holdings Limited ("China Ocean") and its subsidiaries | Money lending business | Chairman, executive director and chief executive officer of China Ocean |

As the Board is independent to the boards of directors of the abovementioned companies, the Group is capable of carrying on its business independently to, and at arm's length, from the business of those companies.

Save as disclosed above, none of the Directors was interested in any business (apart from the Group's business) which competed or was likely to compete, either directly or indirectly, with the business of the Group during the nine months ended 31 December 2017.

CORPORATE GOVERNANCE PRACTICES

The Board considers that incorporating the elements of good corporate governance in the management structures and internal control procedures of the Group could balance the interests of the shareholders, customers and employees of the Company. The Board has adopted the principles and the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the GEM Listing Rules to ensure that business activities and decision making processes are regulated in a proper and prudent manner. In accordance with the requirements of the GEM Listing Rules, the Company has established an audit committee, a remuneration committee, a nomination committee and a compliance committee with specific written terms of reference. During the nine months ended 31 December 2017, the Company has complied with the CG Code as set out in Appendix 15 to the GEM Listing Rules.

To the best knowledge of the Board, the Company had complied with the code provisions in the CG Code during the nine months ended 31 December 2017.

CHANGES IN INFORMATION OF DIRECTORS

Mr. Chan Chi Yuen had resigned as independent non-executive director of U-Right International Holdings Limited (now known as Fullsun International Holdings Group Co., Limited) (stock code: 627) on 1 December 2017.

Mr. Chan Chiu Hung Alex had resigned as independent non-executive director of Feishang Non-metal Materials Technology Limited (stock code: 8331) on 18 December 2017.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) currently comprises three independent non-executive Directors and is chaired by Mr. Chan Chiu Hung Alex. The other members are Mr. Wu Zhao and Mr. Lam Cheok Va. The primary duties of the Audit Committee are to review and supervise the Group’s financial reporting process, risk management and the internal control systems of the Group.

The Audit Committee had reviewed the unaudited consolidated results of the Group for the nine months ended 31 December 2017 with the management in connection with the compliance of the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal or disclosure requirements.

By Order of the Board
Royal Century Resources Holdings Limited
Chan Chi Yuen
Chairman

Hong Kong, 8 February 2018

As at the date of this announcement, the executive Directors are Mr. Chan Chi Yuen (Chairman), Mr. Liu Rongsheng (CEO) and Mr. Wang Jun; the non-executive Director is Mr. Tsang Kei Cheong; and the independent non-executive Directors are Mr. Chan Chiu Hung Alex, Mr. Wu Zhao and Mr. Lam Cheok Va.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the website of the Company at www.royalcentury.hk.