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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)

MAJOR TRANSACTION IN RELATION TO THE PURCHASE OF SCAFFOLDING EQUIPMENT

THE PURCHASE AGREEMENT

The Board announces that on 7 September 2020 (after trading hours), Royal Century Construction and the Supplier entered into the Purchase Agreement, pursuant to which Royal Century Construction has conditionally agreed to purchase and the Supplier has conditionally agreed to provide scaffolding equipment at the total consideration of approximately HK\$11,160,000 subject to the fulfillment of the condition set out in the Purchase Agreement.

GEM LISTING RULES IMPLICATIONS

The relevant percentage ratios (as defined under the GEM Listing Rules) in respect of the maximum consideration payable under the Purchase Agreement exceed 25% but less than 100%, the transactions contemplated under the Purchase Agreement constitute a major transaction on the part of the Company which is subject to the reporting, announcement and Shareholders' approval requirements.

As transactions contemplated under the Previous Purchasing Orders and transactions contemplated under the Purchase Agreement are made within 12 months period, the transactions contemplated under the Previous Purchasing Orders and under the Purchase Agreement are to be aggregated and treated as if they were one transaction under Rules 19.22 and 19.23 of the GEM Listing Rules. The highest applicable percentage ratios in respect of the aggregate of the transactions contemplated under the Previous Purchasing Orders and under the Purchase Agreement would exceed 25% but less than 100%, and hence constitute a major transaction of the Company which is subject to the reporting, announcement and Shareholders' approval requirements.

THE EGM

The EGM will be convened to consider and, if thought fit, approve, among other things, the Purchase Agreement and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, as no Shareholder has a material interest in the Purchase Agreement and the transactions contemplated thereunder, no Shareholder is required to abstain from voting on the proposed resolution(s) to approve the Purchase Agreement and the transactions contemplated thereunder at the EGM.

GENERAL

A circular containing, among other things, (i) further details of the Purchase Agreement and the transactions contemplated thereunder; (ii) the financial information of the Group; and (iii) the notice of the EGM, is expected to be despatched to the Shareholders on or before 28 September 2020, in accordance with the GEM Listing Rules.

THE PREVIOUS PURCHASING ORDERS

References are made to the announcements of the Company dated 1 September 2020 and 3 September 2020 respectively in relation to, among others, the Previous Purchasing Orders placed by Royal Century Construction, an indirect wholly-owned subsidiary of the Company, with the Supplier.

Royal Century Construction, an indirect wholly-owned subsidiary of the Company, had placed the Previous Purchasing Orders with the Supplier for scaffolding equipment in the aggregate amount of approximately HK\$5,050,000, of which (i) on 25 May 2020, the First Purchasing Order was placed for amount of approximately HK\$350,000; and (ii) on 1 September 2020, the Second Purchasing Order was placed for the amount of approximately HK\$4,700,000.

As at the date of this announcement, the First Purchasing Order had been completed; and the Second Purchasing Order is expected to be completed by 31 October 2020.

THE PURCHASE AGREEMENT

The Board announces that on 7 September 2020 (after trading hours), Royal Century Construction and the Supplier entered into the Purchase Agreement, pursuant to which Royal Century Construction has conditionally agreed to purchase and the Supplier has conditionally agreed to provide scaffolding equipment.

Principal terms of the Purchase Agreement are summarised as follows:

Date: 7 September 2020

Parties: (1) Royal Century Construction Equipment Limited (仁德建築設備有限公司), an indirect wholly-owned subsidiary of the Company, as purchaser; and
(2) Kaiping City Hong Qiang Machinery and Equipment Company Limited (開平市宏強機械設備有限公司), as supplier

The Supplier is a company established in the PRC with limited liability and owned as to 92% by Chen Hanyin (陳漢寅) and 8% by Zheng Sen (鄭森). The Supplier is principally engaged in the production of construction related machinery and equipment, scaffolding equipment, and stainless and metal products.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Supplier and its ultimate beneficial owners are Independent Third Parties.

Assets to be acquired

Pursuant to the Purchase Agreement, Royal Century Construction has conditionally agreed to purchase and the Supplier has conditionally agreed to provide scaffolding equipment, with specifications set out in the Purchase Agreement. The scaffolding equipment will be leased by Royal Century Construction to construction companies for use in construction projects.

Pursuant to the Purchase Agreement, Royal Century Construction shall have the absolute discretion to determine when the scaffolding equipment is to be delivered to them by the Supplier. The Purchase Agreement shall not restrict or limit Royal Century Construction to purchase scaffolding equipment from other third parties and Royal Century Construction is free to choose other third party suppliers to provide scaffolding equipment to Royal Century Construction.

Consideration

The total consideration payable by Royal Century Construction pursuant to the Purchase Agreement shall be approximately HK\$11,160,000.

The consideration was arrived at after arm's length negotiations between Royal Century Construction and the Supplier and was determined by the prevailing market price obtained by comparing quotations provided by various suppliers of scaffolding equipment, which had been reflected in the quotation provided by the Supplier, and subsequently confirmed by Royal Century Construction.

The Company will finance the purchase of the scaffolding equipment pursuant to the Purchase Agreement by short term borrowings and/or net proceeds from the rights issue as disclosed in the announcement of the Company dated 28 August 2020. Upon the completion of the said rights issue, the net proceeds raised therefrom will be used to settle the borrowings for such purchases. For details of the rights issue, please refer to the announcement of the Company dated 28 August 2020.

Term of the Purchase Agreement

The Purchase Agreement shall be effective from the date of the Purchase Agreement becomes unconditional and expiring on 31 March 2021 unless terminated in accordance with provisions of the Purchase Agreement.

Condition precedent

Completion is conditional upon, and subject to the fulfilment of, the condition precedent being, the passing by the Shareholders at the EGM to be convened and held of an ordinary resolution to approve the Purchase Agreement and the transactions contemplated thereunder.

The above condition is incapable of being waived. If the above condition precedent has not been fulfilled on or before 30 November 2020 (or such later date as the parties may agree), the Purchase Agreement shall cease and terminate, and thereafter neither party shall have any obligations and liabilities towards each other save for any antecedent breaches of the terms in the Purchase Agreement.

Delivery date

For better warehousing management of the Group, the scaffolding equipment shall be delivered by the Supplier to the warehouse of Royal Century Construction in Hong Kong by batch(es). The parties agreed that the scaffolding equipment shall be delivered by batch(es) to the warehouse of Royal Century Construction in Hong Kong.

Royal Century Construction shall give the Supplier the Delivery Notice(s) in advance and the Supplier shall deliver the relevant scaffolding equipment as specified in the Delivery Notice(s) to the warehouse of Royal Century Construction in Hong Kong within 30 to 45 days upon receipt of the relevant Delivery Notice, provided that all the scaffolding equipment ordered shall be delivered within the term of the Purchase Agreement.

Payment terms

Royal Century Construction shall pay the relevant part of the consideration to the Supplier against each batch of delivery. Royal Century Construction shall settle all payment of the scaffolding equipment of each batch of delivery within 30 days after the issue of the Delivery Notice.

REASONS AND THE BENEFITS OF THE ENTERING INTO OF THE PURCHASE AGREEMENT

The Company is a Hong Kong-based investment holding company. The Group is principally engaged in the (i) provision of fitting out and engineering, design and procurement of furnishings and related products services; (ii) leasing of construction equipment; (iii) sourcing and merchandising of fine and rare wines; and (iv) provision of financial services.

The scaffolding equipment to be purchased pursuant to the Purchase Agreement will be leased by the Group to construction companies for use in construction projects. It is in the ordinary and usual course of business of the Company to lease the scaffolding equipment. The leasing of construction equipment business is a natural expansion of and ancillary to the existing principal business of the Company, and is in line with the business development strategy of the Company, which shall enrich the business profile of the Company.

The Company has recently secured orders for leasing of the construction equipment to be used in the Third Runway Project of the Hong Kong Airport, and the Company shall be required to purchase a vast amount of such scaffolding equipment to meet the upcoming demand of those orders.

Given the vast amount of scaffolding equipment required for the gigantic Third Runway Project, the Group had to purchase scaffolding equipment at the best possible price and at the right timing to maintain sufficient amount for leasing purposes in order to meet the huge demand. To allow flexibility in conducting its business to meet the demand and warehouse management, the Company proposes to seek approval for the Purchase Agreement from the Shareholders at the EGM, to allow the Group to purchase the scaffolding equipment in bulk, and subsequently request delivery by batch(es) during the term of the Purchase Agreement.

The Directors consider that the Purchase Agreement is entered into upon normal commercial terms following arm's length negotiations between Royal Century Construction and the Supplier and the terms of the Purchase Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

The relevant percentage ratios (as defined under the GEM Listing Rules) in respect of the maximum consideration payable under the Purchase Agreement exceed 25% but less than 100%, the transactions contemplated under the Purchase Agreement constitute a major transaction on the part of the Company which is subject to the reporting, announcement and Shareholders' approval requirements.

As transactions contemplated under the Previous Purchasing Orders and transactions contemplated under the Purchase Agreement are made within 12 months period, the transactions contemplated under the Previous Purchasing Orders and under the Purchase Agreement are to be aggregated and treated as if they were one transaction under Rules 19.22 and 19.23 of the GEM Listing Rules. The highest applicable percentage ratios in respect of the aggregate of the transactions contemplated under the Previous Purchasing Orders and under the Purchase Agreement would exceed 25% but less than 100%, and hence constitute a major transaction of the Company which is subject to the reporting, announcement and Shareholders' approval requirements.

THE EGM

The EGM will be convened to consider and, if thought fit, approve, among other things, the Purchase Agreement and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, as no Shareholder has a material interest in the Purchase Agreement and the transactions contemplated thereunder, no Shareholder is required to abstain from voting on the proposed resolution(s) to approve the Purchase Agreement and the transactions contemplated thereunder at the EGM.

GENERAL

A circular containing, among other things, (i) further details of the Purchase Agreement and the transactions contemplated thereunder; (ii) the financial information of the Group; and (iii) the notice of the EGM, is expected to be despatched to the Shareholders on or before 28 September 2020, in accordance with the GEM Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Board”	the board of Directors
“Company”	Royal Century Resources Holdings Limited, a company incorporated in Hong Kong with limited liability and the issued Shares of which are listed on GEM (stock code: 8125)
“Delivery Notice(s)”	the written notice(s) given by Royal Century Construction to the Supplier for the delivery of the scaffolding equipment ordered
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve, among other things, the Purchase Agreement and the transactions contemplated thereunder
“First Purchasing Order”	the purchasing order placed by Royal Century Construction with the Supplier on 25 May 2020 for purchase of scaffolding equipment
“GEM”	GEM as operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Party(ies)”	any persons or company(ies) and their respective ultimate beneficial owners, to the best of the Director’s knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the GEM Listing Rules
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Previous Purchasing Orders”	collectively, the First Purchasing Order and the Second Purchasing Order
“Purchase Agreement”	the purchase agreement dated 7 September 2020 and entered into between Royal Century Construction and the Supplier in respect of the purchase of scaffolding equipment
“Royal Century Construction”	Royal Century Construction Equipment Limited (仁德建築設備有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Second Purchasing Order”	the purchasing order placed by Royal Century Construction with the Supplier on 1 September 2020 for purchase of scaffolding equipment
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Supplier”	Kaiping City Hong Qiang Machinery and Equipment Company Limited (開平市宏強機械設備有限公司), a company established in the PRC with limited liability, and an Independent Third Party
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 7 September 2020

As at the date of this announcement, the executive Directors are Mr. Chan Chi Yuen (Chairman), Mr. Wang Jun and Mr. Zhang Weijie; 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, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, 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.

This announcement will remain on the “Latest Company Announcements” page of 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.