



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)

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2021

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GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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 of the Stock Exchange (the “GEM Listing Rules”) 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.

THE FINANCIAL STATEMENTS

Annual Results

The board of Directors (the “Board”) of Royal Century Resources Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2021 together with the comparative audited figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	4	66,807	42,755
Cost of sales		<u>(55,149)</u>	<u>(37,285)</u>
Gross profit		11,658	5,470
Other income	6	1,818	912
Other gains, net		613	192
Impairment of goodwill	14	(1,867)	(854)
Impairment of intangible assets	15	(8,682)	(5,403)
Allowance for ECL on loan and interest receivables		(252)	(6)
Reversal of allowance for (Allowance for) ECL on trade receivables		13	(382)
Allowance for ECL on contract assets		(26)	(65)
Change in fair value of investment property	12	1,400	(2,600)
Administrative expenses		(24,399)	(25,006)
Finance costs	7	(1,128)	(1,207)
Loss before tax	9	(20,852)	(28,949)
Income tax credit	8	1,425	835
Loss for the year attributable to owners of the Company		<u>(19,427)</u>	<u>(28,114)</u>
Other comprehensive loss for the year			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>(10)</u>	<u>(14)</u>
Total comprehensive loss for the year attributable to owners of the Company		<u>(19,437)</u>	<u>(28,128)</u>
			(restated)
Loss per share:			
Basic and diluted (HK\$)	11	<u>(0.2)</u>	<u>(0.5)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		30,865	18,545
Investment property	<i>12</i>	27,000	25,600
Right-of-use assets	<i>13</i>	12,904	19,895
Goodwill	<i>14</i>	–	1,867
Intangible assets	<i>15</i>	6,467	15,149
Deposits for acquisition of property, plant and equipment		–	297
		77,236	81,353
Current assets			
Loan and interest receivables	<i>16</i>	5,558	6,136
Inventories	<i>17</i>	1,139	827
Trade and other receivables	<i>18</i>	16,658	14,797
Contract assets		2,574	457
Tax recoverable		–	2
Cash and bank balances		16,728	10,698
		42,657	32,917
Current liabilities			
Trade and other payables	<i>19</i>	11,579	7,704
Contract liabilities		109	601
Income tax payable		93	25
Lease liabilities	<i>20</i>	5,872	6,827
		17,653	15,157
Net current assets		25,004	17,760
Total assets less current liabilities		102,240	99,113

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Non-current liabilities			
Deferred tax liabilities		1,061	2,554
Lease liabilities	20	7,695	13,566
		<u>8,756</u>	<u>16,120</u>
NET ASSETS		<u>93,484</u>	<u>82,993</u>
Equity			
Share capital	21	205,523	175,595
Reserves		<u>(112,039)</u>	<u>(92,602)</u>
TOTAL EQUITY		<u>93,484</u>	<u>82,993</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Royal Century Resources Holdings Limited (the “Company”) was incorporated in Hong Kong as a company with limited liability and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office and principal place of business of the Company is Suite 2201, 22/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (together the “Group”) are principally engaged in:

- (i) provision of design, fitting out and engineering 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 consolidated financial statements are presented in thousands (“HK\$’000”) of Hong Kong dollars (“HK\$”), unless otherwise stated, which is also the functional currency of the Company and its Hong Kong subsidiaries.

The financial information relating to the years ended 31 March 2021 and 2020 included in this preliminary announcement of annual results for the year ended 31 March 2021 does not constitute the Company’s statutory annual consolidated financial statements for those years but is derived therefrom. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “Companies Ordinance”) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 March 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 March 2021 in due course.

The Company’s auditors have reported on the consolidated financial statements for the years. The auditor’s reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) and the Companies Ordinance. These consolidated financial statements have been prepared on the historical cost basis except for investment property that is measured at fair value.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

3. ADOPTION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied the following new/revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards (“HKAS(s)”), amendments and interpretations (“Int(s)”), issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) for the first time.

Amendments to HKASs 1 and 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business

Amendments to HKASs 1 and 8: Definition of Material

The amendments clarify the definition of material and align the definition used across HKFRSs.

Amendments to HKFRS 3: Definition of a Business

The amendments, among others, revise the definition of a business and include new guidance to evaluate whether an acquired process is substantive.

The adoption of the above amendments does not have any significant impact on the consolidated financial statements.

New/revised HKFRSs issued but not yet effective

The Group has not early applied the following new/revised HKFRSs, that have been issued but are not yet effective.

Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16	<i>Interest Rate Benchmark Reform – Phase 2</i> ¹
Amendments to HKFRS 16	<i>COVID-19-Related Rent Concessions Beyond 30 June 2021</i> ²
Amendments to HKAS 16	<i>Proceeds before Intended Use</i> ³
Amendments to HKAS 37	<i>Cost of Fulfilling a Contract</i> ³
Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i> ³
Annual Improvements to HKFRSs	<i>2018–2020 Cycle</i> ³
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> ⁴
Amendments to HKAS 1	<i>Disclosure of Accounting Policies</i> ⁴
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> ⁴
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ⁴
HKFRS 17	<i>Insurance Contracts</i> ⁴
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁵

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for annual periods beginning on or after 1 April 2021

³ Effective for annual periods beginning on or after 1 January 2022

⁴ Effective for annual periods beginning on or after 1 January 2023

⁵ Effective date to be determined

The Group is in the process of making a detailed assessment of the possible impact on the future adoption of the new/revised HKFRSs. So far the management is of the opinion that the adoption of the new/revised HKFRSs will not have any significant impact on the consolidated financial statements.

4. REVENUE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Design, fitting out and engineering services income	36,823	16,658
Installation services income from leased construction equipment	–	1,200
Rental income from leasing of construction equipment	8,634	2,406
Sales of fine and rare wines	20,552	21,741
Interest income from money lending	756	750
Commission income from introducing brokerage services	42	–
	<u>66,807</u>	<u>42,755</u>
Revenue from contracts with customers within HKFRS 15:		
<i>Revenue recognised at a point in time</i>		
– Sales of fine and rare wines	20,552	21,741
– Commission income from introducing brokerage services	42	–
<i>Revenue recognised over time</i>		
– Design, fitting out and engineering services income	36,823	16,658
– Installation services income from leased construction equipment	–	1,200
	<u>57,417</u>	<u>39,599</u>
Revenue from other sources:		
– Rental income from leasing of construction equipment	8,634	2,406
– Interest income from money lending calculated using effective interest method	756	750
	<u>66,807</u>	<u>42,755</u>

The revenue from contracts with customers within HKFRS 15 is based on fixed price.

5. SEGMENT INFORMATION

Information reported to the executive directors, 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. During the current year, the fitting out and engineering services segment has been combined with the design and procurement of furnishings and related products segment in order to concentrate the resources of design, fitting out and engineering services activities and reflect a more appropriate co-related nature of the related design, fitting out and engineering services. The management considered that the change in segment disclosure better and clearly reflects the business development and structure of the Group, and helps the shareholders or the potential investors better understand the Group's revenue structure. The corresponding information for the year ended 31 March 2020 has been re-presented accordingly.

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

- (a) Provision of design, fitting out, engineering and procurement of furnishings and related products services ("Design, fitting out and engineering services");
- (b) Leasing of construction equipment ("Leasing of construction equipment");
- (c) Sourcing and merchandising of fine and rare wines ("Wines merchandising"); and
- (d) Financial services business comprising securities advisory services, securities dealing and brokerage services and asset management services and money lending ("Financial services business")

For the purposes of assessing segment performance and allocating resources between segments, the Company's executive directors monitor the results, assets and liabilities attributable to each reportable segment on the following bases:

Segments assets include all assets except for corporate assets which are managed on a group basis. All liabilities are allocated to reportable segment liabilities other than unallocated head office and corporate liabilities which are managed on a group basis and certain other payables and accrued charges.

Revenues and expenses are allocated to the operating segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments. The measure used for reporting segment results is profit/loss before taxation without allocation of other unallocated corporate expenses and income.

For the purpose of assessing the performance of the operating segments and allocation of resources between segments, the Group's results are further adjusted for items not specifically attributed to individual segments and other head office and corporate administrative costs.

Segment revenue and results

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

For the year ended 31 March 2021

	Design, fitting out and engineering services <i>HK\$'000</i>	Leasing of construction equipment <i>HK\$'000</i>	Wines merchandising <i>HK\$'000</i>	Financial services business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>36,823</u>	<u>8,634</u>	<u>20,552</u>	<u>798</u>	<u>66,807</u>
Segment operating profit (loss)	1,542	(3,188)	572	(2,048)	(3,122)
Impairment of intangible assets	-	-	-	(8,641)	(8,641)
Impairment of goodwill	<u>(1,867)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,867)</u>
Segment (loss) profit	<u>(325)</u>	<u>(3,188)</u>	<u>572</u>	<u>(10,689)</u>	<u>(13,630)</u>
Unallocated:					
Other income					1,187
Corporate administrative costs					(9,585)
Change in fair value of investment property					1,400
Finance costs					<u>(224)</u>
Loss before tax					<u>(20,852)</u>

For the year ended 31 March 2020

	Design, fitting out and engineering services <i>HK\$'000</i>	Leasing of construction equipment <i>HK\$'000</i>	Wines merchandising <i>HK\$'000</i>	Financial services business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	<u>16,658</u>	<u>3,606</u>	<u>21,741</u>	<u>750</u>	<u>42,755</u>
Segment operating (loss) profit	(2,812)	(7,883)	531	(1,652)	(11,816)
Impairment of intangible assets	–	–	–	(5,055)	(5,055)
Impairment of goodwill	–	–	–	(854)	(854)
Segment (loss) profit	<u>(2,812)</u>	<u>(7,883)</u>	<u>531</u>	<u>(7,561)</u>	<u>(17,725)</u>
Unallocated:					
Other income					890
Other gains (losses), net					(152)
Corporate administrative costs					(8,951)
Change in fair value of investment property					(2,600)
Finance costs					<u>(411)</u>
Loss before tax					<u>(28,949)</u>

Segment assets and liabilities

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

As at 31 March 2021

	Design, fitting out and engineering services <i>HK\$'000</i>	Leasing of construction equipment <i>HK\$'000</i>	Wines merchandising <i>HK\$'000</i>	Financial services business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets					
Non-current assets					
Property, plant and equipment	25	30,464	–	–	30,489
Right-of-use assets	–	10,441	–	–	10,441
Intangible assets	–	–	–	5,042	5,042
	<u>25</u>	<u>40,905</u>	<u>–</u>	<u>5,042</u>	<u>45,972</u>
Current assets	<u>7,824</u>	<u>6,605</u>	<u>4,362</u>	<u>5,558</u>	<u>24,349</u>
Segment assets	<u><u>7,849</u></u>	<u><u>47,510</u></u>	<u><u>4,362</u></u>	<u><u>10,600</u></u>	<u><u>70,321</u></u>
Unallocated:					
Cash and bank balances					16,728
Others					<u>32,844</u>
Total assets per consolidated statement of financial position					<u><u>119,893</u></u>
Segment liabilities					
Non-current liabilities					
Deferred tax liabilities	–	–	–	832	832
Lease liabilities	–	7,695	–	–	7,695
	<u>–</u>	<u>7,695</u>	<u>–</u>	<u>832</u>	<u>8,527</u>
Current liabilities	<u>3,310</u>	<u>3,865</u>	<u>3,770</u>	<u>195</u>	<u>11,140</u>
Segment liabilities	<u><u>3,310</u></u>	<u><u>11,560</u></u>	<u><u>3,770</u></u>	<u><u>1,027</u></u>	<u><u>19,667</u></u>
Unallocated:					
Others					<u>6,742</u>
Total liabilities per consolidated statement of financial position					<u><u>26,409</u></u>

As at 31 March 2020

	Design, fitting out and engineering services <i>HK\$'000</i>	Leasing of construction equipment <i>HK\$'000</i>	Wines merchandising <i>HK\$'000</i>	Financial services business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets					
Non-current assets					
Property, plant and equipment	9	17,810	–	–	17,819
Right-of-use assets	–	13,738	–	–	13,738
Goodwill	1,867	–	–	–	1,867
Intangible assets	–	–	–	13,683	13,683
Deposits for acquisition of property, plant and equipment	–	297	–	–	297
	<u>1,876</u>	<u>31,845</u>	<u>–</u>	<u>13,683</u>	<u>47,404</u>
Current assets	<u>7,766</u>	<u>2,575</u>	<u>4,128</u>	<u>6,139</u>	<u>20,608</u>
Segment assets	<u><u>9,642</u></u>	<u><u>34,420</u></u>	<u><u>4,128</u></u>	<u><u>19,822</u></u>	<u><u>68,012</u></u>
Unallocated:					
Cash and bank balances					10,698
Others					<u>35,560</u>
Total assets per consolidated statement of financial position					<u><u>114,270</u></u>
Segment liabilities					
Non-current liabilities					
Deferred tax liabilities	–	–	–	2,257	2,257
Lease liabilities	–	10,969	–	–	10,969
	–	10,969	–	2,257	13,226
Current liabilities	<u>5,213</u>	<u>3,250</u>	<u>22</u>	<u>226</u>	<u>8,711</u>
Segment liabilities	<u><u>5,213</u></u>	<u><u>14,219</u></u>	<u><u>22</u></u>	<u><u>2,483</u></u>	<u><u>21,937</u></u>
Unallocated:					
Others					<u>9,340</u>
Total liabilities per consolidated statement of financial position					<u><u>31,277</u></u>

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than certain property, plant and equipment, certain right-of-use assets, investment property, certain prepayments, deposits and other receivables and cash and bank balances as these assets are managed on a group basis.
- all liabilities are allocated to reportable segments other than certain accrued expenses and other payables, certain lease liabilities, certain income tax payable and certain deferred tax liabilities as these liabilities are managed on a group basis.

Other segment information

For the year ended 31 March 2021

	Design, fitting out and engineering services <i>HK\$'000</i>	Leasing of construction equipment <i>HK\$'000</i>	Wines merchandising <i>HK\$'000</i>	Financial services business <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Impairment of intangible assets	–	–	–	8,641	41	8,682
Impairment of goodwill	1,867	–	–	–	–	1,867
(Reversal of allowance for) Allowance for ECL on trade and other receivables	(114)	97	4	–	–	(13)
Allowance for ECL on loan and interest receivables	–	–	–	252	–	252
Allowance for ECL on contract assets	26	–	–	–	–	26
Change in fair value of an investment property	–	–	–	–	(1,400)	(1,400)
Depreciation of property, plant and equipment	7	5,184	–	–	364	5,555
Depreciation of right-of-use assets	–	3,297	–	–	3,694	6,991
Gain on disposal of property, plant and equipment	–	(478)	–	–	–	(478)
Additions to property, plant and equipment	23	18,356	–	–	14	18,393
Bank interest income	–	–	–	–	(1)	(1)
Finance costs	–	904	–	–	224	1,128
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

For the year ended 31 March 2020

	Design, fitting out and engineering services <i>HK\$'000</i>	Leasing of construction equipment <i>HK\$'000</i>	Wines merchandising <i>HK\$'000</i>	Financial services business <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Impairment of intangible assets	–	–	–	5,055	348	5,403
Impairment of goodwill	–	–	–	854	–	854
Allowance for (Reversal of allowance for)						
ECL on trade and other receivables	376	25	(19)	–	–	382
Allowance for ECL on loan and interest receivables	–	–	–	6	–	6
Allowance for ECL on contract assets	65	–	–	–	–	65
Change in fair value of an investment property	–	–	–	–	2,600	2,600
Depreciation of property, plant and equipment	445	3,751	16	–	406	4,618
Depreciation of right-of-use assets	155	3,297	–	–	3,694	7,146
Gain on disposal of subsidiaries	–	–	–	–	(3)	(3)
Gain on disposal of property, plant and equipment	–	(19)	–	–	(130)	(149)
Additions to property, plant and equipment	–	16,184	–	–	1,071	17,255
Bank interest income	–	–	–	–	(76)	(76)
Finance costs	8	788	–	–	411	1,207
	<u>8</u>	<u>788</u>	<u>–</u>	<u>–</u>	<u>411</u>	<u>1,207</u>

Geographical information

The Group's operations are principally located in Hong Kong and the People's Republic of China (the "PRC").

The Group's revenue from external customers is presented based on the location of customers. The geographical location of non-current assets is based on the physical location of the assets, in the case of property, plant and equipment, right-of-use assets and investment property, and the location of the operation, in the case of goodwill and intangible assets. The analysis of the Group's revenue from external customers and non-current assets by geographical location is as follows:

	Revenue from external customers		Non-current assets	
	2021 <i>HK\$'000</i>	2020 HK\$'000	2021 <i>HK\$'000</i>	2020 HK\$'000
Hong Kong	63,775	38,969	77,235	81,351
The PRC	3,032	3,500	1	2
Malaysia	–	286	–	–
	<u>66,807</u>	<u>42,755</u>	<u>77,236</u>	<u>81,353</u>

Information about major customers

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A ^{1,3}	21,943	N/A
Customer B ²	<u>20,049</u>	<u>21,459</u>

¹ Revenue from Design, fitting out and engineering services

² Revenue from Wines merchandising

³ The corresponding revenue in 2020 did not contribute 10% or more of the total revenue of the Group

6. OTHER INCOME

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank interest income		1	76
Rental income	<i>6(a)</i>	834	782
Sundry income		86	54
Government subsidies	<i>6(b)</i>	<u>897</u>	<u>–</u>
		<u>1,818</u>	<u>912</u>

6(a) Rental income

An analysis of the Group's net rental income from investment property is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Gross rental income from investment property	834	782
Less: Direct operating expenses (included in administrative expenses)	<u>(164)</u>	<u>(104)</u>
	<u>670</u>	<u>678</u>

6(b) Government subsidies

The government subsidies were granted from the Employment Support Scheme, under the Anti-epidemic Fund of the Government of the Hong Kong Special Administration Region, which aims to retain employment and combat under COVID-19 epidemic.

7. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interests on:		
– lease liabilities	857	1,207
– unsecured other borrowings	271	–
	<u>1,128</u>	<u>1,207</u>

8. INCOME TAX CREDIT

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong Profits Tax		
– Current year	68	–
Deferred tax		
– Current year	<u>(1,493)</u>	<u>(835)</u>
Income tax credit for the year	<u>(1,425)</u>	<u>(835)</u>

The Inland Revenue (Amendment) (No. 7) Bill 2017 which introduces the two-tiered profits tax rates regime was signed into law and gazetted in March 2018. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of a qualifying group entity are taxed at 8.25% and profits above HK\$2,000,000 are taxed at 16.5%. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime continue to be taxed at a flat rate of 16.5%.

Pursuant to the rules and regulations of the British Virgin Islands (the “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 years.

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

9. LOSS BEFORE TAX

The Group's loss before tax has been arrived at after charging (crediting):

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Salaries and wages included in cost of sales	1,988	789
Salaries and wages included in administrative expenses:		
Directors' emoluments	3,449	4,146
Salaries, wages and other benefits (excluding directors' emoluments)	6,969	6,309
Contribution to defined contribution plans (excluding directors' emoluments)	229	226
	<u>12,635</u>	<u>11,470</u>
Cost of inventories sold	21,639	21,173
Depreciation of property, plant and equipment	5,555	4,618
Depreciation of right-of-use assets	6,991	7,146
Auditor's remuneration	600	500
Compensation to a supplier	–	750
Gain on disposal of subsidiaries	–	(3)
Gain on disposal of property, plant and equipment	(478)	(149)
Impairment of goodwill	1,867	854
Impairment of intangible assets	8,682	5,403
Lease payment under short-term leases on premises	<u>186</u>	<u>1,063</u>

10. DIVIDEND

No dividend was paid or proposed during the years ended 31 March 2021 and 2020, nor has any dividend been proposed since the end of the reporting period.

11. 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 data:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>(19,427)</u>	<u>(28,114)</u>
	2021 '000	2020 '000 (restated)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share (note)	<u>90,283</u>	<u>60,112</u>
	<i>HK\$</i>	<i>HK\$</i> (restated)
<i>Loss per share</i>		
Basic and diluted	<u>(0.2)</u>	<u>(0.5)</u>

Note: The weighted average number of shares for the years ended 31 March 2020 and 2021 have been adjusted/restated to reflect the effect of (i) share consolidation on 18 November 2020 that every ten issued existing shares be consolidated into one consolidated share; and (ii) rights issue as mentioned in note 21 below.

Since there were no potential dilutive shares in issue during the years ended 31 March 2021 and 2020, basic and diluted loss per share are the same for both years.

12. INVESTMENT PROPERTY

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Fair value:		
At 1 April	25,600	28,200
Change in fair value recognised in profit or loss	<u>1,400</u>	<u>(2,600)</u>
At 31 March	<u>27,000</u>	<u>25,600</u>

The fair value of the Group's investment property located in Hong Kong as at 31 March 2021 has been arrived at on the basis of a valuation carried out on that date by Peak Vision Appraisals Limited ("PVA"), an independent qualified professional valuer not connected with the Group. PVA is a member of the Hong Kong Institute of Surveyors. The valuation was arrived at using prevailing market rents for comparable properties in the same location and condition, expected future market rents and appropriate discount rates.

13. RIGHT-OF-USE ASSETS

	Office premises <i>HK\$'000</i>	Warehouse <i>HK\$'000</i>	Total <i>HK\$'000</i>
Depreciation			
Year ended 31 March 2021	<u>3,694</u>	<u>3,297</u>	<u>6,991</u>
Year ended 31 March 2020	<u>3,849</u>	<u>3,297</u>	<u>7,146</u>
Carrying amount			
As at 31 March 2021	<u>2,463</u>	<u>10,441</u>	<u>12,904</u>
As at 31 March 2020	<u>6,157</u>	<u>13,738</u>	<u>19,895</u>

The Group leases an office premises and a warehouse for its daily operations. Lease term for office premises is 3 years with no option to renew the lease. Lease term for warehouse is 6 years, which contains an option for both lessor and lessee to renew or terminate the lease after expiration of the lease term with three months' notice. The extension option is normally exercised because there are significant leasehold improvements while the termination option is normally not exercised. The Group seldom exercises options that were not included in the lease liabilities.

14. GOODWILL

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost:		
As at 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	<u>2,721</u>	<u>2,721</u>
Accumulated impairment losses:		
As at 1 April	854	–
Impairment loss recognised	<u>1,867</u>	<u>854</u>
As at 31 March	<u>2,721</u>	<u>854</u>
Carrying amount:		
As at 31 March	<u><u>–</u></u>	<u><u>1,867</u></u>

Goodwill arose because the consideration paid for the acquisitions effectively included amount in relation to the benefits originated from future market development and the assembled workforce of the acquired business. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill recognised is expected to be deductible for income tax purposes.

Goodwill acquired through business combination has been allocated to Financial services business segment CGU and Design, fitting out and engineering services business segment CGU (see note 5 for details of segment information). An analysis of goodwill attributable to the relevant CGUs is as follows:

	Financial services business segment CGU HK\$'000	Design, fitting out and engineering services business segment CGU HK\$'000	Total HK\$'000
Carrying amount at 1 April 2019	854	1,867	2,721
Impairment loss recognised	(854)	–	(854)
Carrying amount at 31 March 2020 and 1 April 2020	–	1,867	1,867
Impairment loss recognised	–	(1,867)	(1,867)
Carrying amount at 31 March 2021	–	–	–

The goodwill allocated to Financial services business segment CGU has been fully impaired during the year ended 31 March 2020.

The Group has appointed an independent qualified professional valuer, PVA, to perform annual impairment test for goodwill allocated to Design, fitting out and engineering services business segment CGU by comparing their recoverable amounts to their carrying amounts as at the end of the reporting period.

The recoverable amount of the Design, fitting out and engineering services business segment CGU amounted to Nil is determined based on value in use calculation involving estimation of the future cash flow of the CGU and the use of assumptions (including revenue growth rate, long term growth rate and discount rate), which is higher than the fair value less costs of disposal.

There was no change in the basis on the determination of the recoverable amounts as at 31 March 2021 and 2020.

15. INTANGIBLE ASSETS

	SFO licences HK\$'000	Cross- boundary vehicle licence HK\$'000	Total HK\$'000
Cost:			
At 1 April 2019, 31 March 2020, 1 April 2020 and 31 March 2021	18,738	1,876	20,614
Accumulated impairment losses:			
At 1 April 2019	–	62	62
Impairment loss recognised	5,055	348	5,403
At 31 March 2020	5,055	410	5,465
Impairment loss recognised	8,641	41	8,682
At 31 March 2021	13,696	451	14,147
Carrying amount:			
At 31 March 2021	5,042	1,425	6,467
At 31 March 2020	13,683	1,466	15,149

The intangible assets represent (i) the licences to carry on Type 1 (Dealing in securities), Type 4 (Advising on securities) and Type 9 (Asset management) activities under the Securities and Futures Ordinance (“SFO”) (Chapter 571 of the Laws of Hong Kong) (the “SFO Licences”); and (ii) the cross-boundary vehicle licence.

SFO Licences

The SFO Licences represent intangible assets acquired as a result of a business combination during the year ended 31 March 2018. The SFO Licences have been considered to have indefinite useful lives because they are expected to contribute to the net cash flows of the Group indefinitely, and are not amortised. The Group has commenced relevant operations during the year. The carrying amount of the SFO Licences has been included in the carrying amount of Financial services business segment CGU for impairment assessment.

The Group has appointed an independent qualified professional valuer, PVA, to perform an appraisal of the recoverable amount of the SFO Licences as at 31 March 2021.

The recoverable amount of Financial services business segment CGU has been determined based on the fair value less costs of disposal using the market approach, which is higher than value in use.

The recoverable amount of Financial services business segment CGU based on the fair value less costs of disposal was approximately HK\$5,042,000 (2020: HK\$13,683,000). Accordingly, having compared with the carrying amount of Financial services business segment CGU (including the carrying amount of goodwill as mentioned in note 14), impairment loss of approximately HK\$13,696,000 (2020: HK\$5,055,000) and HK\$854,000 (2020: HK\$854,000) were provided on SFO Licences and goodwill associated with Financial services business segment CGU as at 31 March 2021 respectively.

The cross-boundary vehicle licence

The cross-boundary vehicle licence was estimated as having indefinite useful life and is measured using the cost model. The cross-boundary vehicle licence has been considered to have indefinite useful life because it is expected to contribute to the net cash flows of the Group indefinitely, and is not amortised.

The Group has appointed an independent qualified professional valuer, PVA, to perform an appraisal of the recoverable amount of the cross-boundary vehicle licence as at 31 March 2021. The recoverable amount of the cross-boundary vehicle licence has been determined on the basis of value in use calculation. The value in use calculation uses cash flow projections covering a period of five years based on financial budgets approved by management by applying the average growth rate of 2.4% (2020: 2.5%) in market rental, the long-term average growth rate of 2.4% (2020: 2.5%) in market rental and a discount rate of 12.84% (2020: 14.29%). Cash inflows/outflows have been determined based on management's expectations for the market development.

The recoverable amount of the cross-boundary vehicle licence based on value in use calculation was approximately HK\$1,425,000 (2020: HK\$1,466,000). Accordingly, having compared with the carrying amount of the cross-boundary licence, impairment loss of approximately HK\$451,000 (2020: HK\$410,000) has been provided on the cross-boundary vehicle licence as at 31 March 2021.

16. LOAN AND INTEREST RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loan receivables	6,000	6,300
Interest receivables	–	26
Less: Allowance for ECL	<u>(442)</u>	<u>(190)</u>
	<u>5,558</u>	<u>6,136</u>

The Group's loan and interest receivables, which arise from the money lending business in Hong Kong, are denominated in HK\$. Loan receivables are unsecured, interest-bearing at a rate of 9% (2020: 12%) per annum and repayable with fixed terms of 1 year agreed with the borrowers. The maximum exposure to credit risk at each of the reporting dates is the carrying amount of the receivables mentioned above.

17. INVENTORIES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Fine and rare wines held for sale, at cost	565	827
Construction materials, at cost	<u>574</u>	<u>–</u>
	<u>1,139</u>	<u>827</u>

18. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables		
From third parties		
– Sales and service income receivables and lease income receivables	15,592	16,519
Less: Loss allowance	<u>(2,712)</u>	<u>(4,623)</u>
	<u>12,880</u>	<u>11,896</u>
Other receivables		
Deposits, prepayments and advances to suppliers	3,241	2,349
Others	<u>537</u>	<u>552</u>
	<u>3,778</u>	<u>2,901</u>
Total trade and other receivables	<u><u>16,658</u></u>	<u><u>14,797</u></u>

The Group allows an average credit period ranging from 30 to 60 days (2020: 30 to 60 days) to its trade customers. The following is an aged analysis of trade receivables net of loss allowance based on the invoice date as at the end of the reporting period.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 90 days	10,559	6,356
91 to 180 days	885	4,300
181 days to 270 days	855	293
271 days to 365 days	320	947
More than 365 days	<u>261</u>	<u>–</u>
	<u><u>12,880</u></u>	<u><u>11,896</u></u>

19. TRADE AND OTHER PAYABLES

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	6,469	4,345
Other payables		
Deposits received	368	178
Professional fees payable in respect of rights issue, disclosable transaction and major acquisition	697	–
Accrued expenses and other payables	4,045	3,181
	5,110	3,359
Total trade and other payables	11,579	7,704

The following is an aging analysis of trade payables based on the invoice date at the end of the reporting period:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	6,143	845
Over 90 days	326	3,500
	6,469	4,345

The average credit period for purchases of goods is 90 days (2020: 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

20. LEASE LIABILITIES

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current portion	5,872	6,827
Non-current portion	7,695	13,566
	13,567	20,393

21. SHARE CAPITAL

	Number of shares		Share capital	
	2021 '000	2020 '000	2021 HK\$'000	2020 HK\$'000
Issued and fully paid				
At 1 April	522,600	435,600	175,595	168,887
Issue of new shares upon placing, net of transaction costs (<i>note a</i>)	–	87,000	–	6,708
Share consolidation (<i>note b</i>)	(470,340)	–	–	–
Issue of new shares upon rights issue, net of transaction costs (<i>note b</i>)	104,520	–	29,928	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March	<u>156,780</u>	<u>522,600</u>	<u>205,523</u>	<u>175,595</u>

Note (a) On 12 November 2019, the Group and a placing agent entered into a placing agreement, pursuant to which the Group appointed a placing agent to procure altogether not less than six independent placees for placing (the “Placing”) up to an aggregate of 87,000,000 placing shares at a placing price of HK\$0.08 per placing share. The closing price on that date was HK\$0.083. The Placing was completed with new shares issued on 29 November 2019. The net proceeds of the Placing of approximately HK\$6,500,000 was used for the purchase of construction equipment for leasing purpose. Please refer to the Company’s announcements dated 12 and 29 November 2019 for details.

Note (b) On 28 August 2020, the Company proposed (i) to implement a share consolidation (the “Share Consolidation”) on the basis that every ten issued existing shares of the Company be consolidated into one consolidated share (the “Consolidated Share”) and (ii) to raise approximately HK\$31.4 million before expenses by way of a rights issue (the “Rights Issue”) of 104,520,000 rights shares (the “Rights Shares”) at a subscription price of HK\$0.30 per Rights Share on the basis of two Rights Shares for every one Consolidated Share held by the qualifying shareholders on the record date.

On 28 August 2020, the Company further entered into a placing agreement, pursuant to which, the placing agent conditionally agreed to procure placee(s) (the “Rights Issue Placing”) to subscribe for the unsubscribed Rights Shares and the non-qualifying shareholders unsold Rights Shares at a placing price of not less than the subscription price of HK\$0.30 per Rights Share. The closing price per share of the Company on that date was HK\$0.04 (equivalent to HK\$0.40 per Consolidated Share).

On 18 November 2020, the Company completed the Share Consolidation by reduction of 470,340,000 issued existing shares of the Company.

On 29 December 2020, the Company completed the Rights Issue and the Rights Issue Placing and 104,520,000 Rights Shares were allotted and issued. The net proceeds of the Rights Issue and the Rights Issue Placing of approximately HK\$29.9 million was intended to be used for purchase of construction equipment and for the Group’s operating, administrative and general expenses.

Please refer to the Company’s announcements dated 28 August 2020, 3 September 2020, 22 October 2020, 16 November 2020, 17 November 2020, 18 December 2020 and 28 December 2020, circular dated 24 October 2020 and listing document dated 30 November 2020 for details.

All the ordinary shares issued during the year rank pari passu with the then existing shares in all respects.

22. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, the Group entered into the following transactions with related parties during the year:

(a) Transactions with related parties

Related party relationship	Nature of transaction	2021 HK\$'000	2020 HK\$'000
Related companies controlled by a substantial shareholder, a director of which is also a director of the Company	Fitting out service income	(869)	–
	Commission income	(42)	–
	Agent fee in relation to the Rights Issue	239	–
		<u> </u>	<u> </u>

(b) Compensation of key management personnel

The remuneration of key management personnel of the Group during the year was as follows:

	2021 HK\$'000	2020 HK\$'000
Salaries, allowances and other benefits	5,926	6,605
Contributions to defined contribution plans	144	157
	<u> </u>	<u> </u>
	<u>6,070</u>	<u>6,762</u>

The remuneration of directors of the Company and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

23. CAPITAL COMMITMENTS

The Group had the following capital commitments as at the end of the reporting period:

	2021 HK\$'000	2020 HK\$'000
Contracted but not provided for:		
– Acquisition of construction equipment	499	1,865
– Development of construction equipment management system	–	125
	<u> </u>	<u> </u>
	<u>499</u>	<u>1,990</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Breakdown of revenue by types of segments is as follows:

	For the year ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
Design, fitting out and engineering services	36,823	16,658
Leasing of construction equipment	8,634	3,606
Sourcing and merchandising of fine and rare wines	20,552	21,741
Financial services	798	750
	<u>66,807</u>	<u>42,755</u>

Breakdown of revenue by geographical locations is as follows:

	For the year ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
Hong Kong	63,775	38,969
The PRC	3,032	3,500
Malaysia	–	286
	<u>66,807</u>	<u>42,755</u>

The total revenue for the year ended 31 March 2021 of the Group was approximately HK\$66.8 million (2020: HK\$42.8 million) which represents approximately HK\$24.0 million or 56.3% increase as compared with last corresponding year.

The significant increase of the Group's total revenue was mainly attributed by the design, fitting out and engineering services business for the year ended 31 March 2021 of approximately HK\$36.8 million (2020: HK\$16.7 million). Besides, the significant increase of revenue from the leasing of construction equipment business from last year's approximately HK\$3.6 million to approximately HK\$8.6 million in the current year also attributed to the increase of the Group's total revenue. Such increase in the revenue of both the design, fitting out and engineering services business and the leasing of construction equipment business was the result of the effort made by the Group to tender and secure more design, fitting out and engineering projects with higher contract sums and the increase in the number of the leasing of construction equipment projects when compared with last corresponding year.

The revenue from the remaining two segments of sourcing and merchandising of fine and rare wines, and provision of financial services were maintained at the similar level as compared with last corresponding year.

Gross profit for the year

For the year ended 31 March 2021, the Group recorded a gross profit of approximately HK\$11.7 million (2020: approximately HK\$5.5 million), representing an increment of approximately 113.1%. Gross profit by types of segments is as follows:

	Gross profit for the year ended 31 March	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Design, fitting out and engineering services	6,877	3,810
Leasing of construction equipment	3,294	343
Sourcing and merchandising of fine and rare wines	689	567
Financial services	798	750
	11,658	5,470

The increase in the Group's overall gross profit of approximately HK\$6.2 million was mainly due to the increase in the gross profit of the design, fitting out and engineering services business and the leasing of construction equipment business of approximately HK\$3.1 million and HK\$3.0 million, respectively. Such increase was mainly due to the significant increase in revenue from the design, fitting out and engineering projects with higher contract sums and the increase in rental income from the leasing of construction equipment with increase in the number of leasing projects during the year.

Although the gross profit of the design, fitting out and engineering services business increased by approximately 80.5%, the gross profit margin was slightly dropped from 22.9% to 18.7% mainly due to the lower profit margin from public housing refurbishment and maintenance works. Besides, the Group had marked down its gross profit margin on certain of the projects in order to remain its competitiveness owing to the keen competition arising from the impact of COVID-19 and the slowdown of the economy.

The gross profit from sourcing and merchandising of fine and rare wines and financial services was slightly increased by approximately HK\$0.2 million, in aggregate for the year ended 31 March 2021 as compared with the last corresponding year.

Loss for the year

During the year ended 31 March 2021, although the Group has a gross profit of approximately HK\$11.7 million (2020: HK\$5.5 million), the Group recorded a loss for the year of approximately HK\$19.4 million (2020: HK\$28.1 million), representing a decrease in the loss for the year of approximately HK\$8.7 million or 31.0%.

Included in the loss for the year was impairment of goodwill and intangible assets for the year amounting to approximately HK\$10.5 million, representing an increase of approximately HK\$4.3 million as compared with last corresponding year. These non-operating impairments, in aggregate, accounted for approximately 54.3% of the loss for the current year whilst it was approximately 22.3% for the previous year.

Excluding the impairments as mentioned above, the loss for the year was significantly decreased from last year's approximately HK\$21.9 million to approximately HK\$8.9 million which was resulting from (i) the increase in the Group's gross profit of approximately HK\$6.2 million and (ii) the turnaround gain on change in fair value of investment property of approximately HK\$1.4 million from last year's loss of approximately HK\$2.6 million.

BUSINESS REVIEW AND PROSPECTS

Design, fitting out and engineering services business

During the year, the Group has consolidated the two segments, namely the fitting out and engineering services segment and the design and procurement of furnishings and related products services segment into the design, fitting out and engineering services segment in order to concentrate and effectively utilise the resources of these segments.

Apart from the provision of design, fitting out and engineering services to the commercial institutions and the residence end-users, the Group has commenced its services to the public sectors including the public housing. The Group has also been proactively developing for cohesive business relationship with project contractors of different segments in order to widen its market spectrum.

The Group has been proactively submitting tenders and managed to secure projects with contract sums of significantly higher than those for the year ended 31 March 2020, resulting with a significant increase in revenue for the year ended 31 March 2021.

During the year, the Group was awarded design, fitting out and engineering projects with contract sums of approximately HK\$40 million, of which approximately HK\$30 million was awarded through tendering and the remaining through direct negotiation with customers. Currently, the Group has submitted two more tenders with aggregate contract sums over HK\$40 million and is also in negotiation with another two customers for contracts/quotations.

With these encouraging results, the Group is vigorously in negotiation with a number of other potential customers and has successfully established business relationship with certain customers for the provision of design, fitting out and engineering services including provision of public housing maintenance, improvement and vacant flat refurbishment works and services. The Group had secured contracts from a contractor for the provision of vacant flat refurbishment works and maintenance services in relation to two public housing estates which was commenced since October 2020. Such contracts has attributed to the revenue of approximately HK\$6.7 million during the year and are lasted for a term of about 2 years. Despite the Group is a new comer to the public sector segment, it received a very positive feedback from both the contractor and the housing estate management team in respect of the quality of the work done. As such, the Group is now in the process of negotiation for contracts for the vacant flat refurbishment works and maintenance services for another two public housing estates.

The Group will continue to develop the business relationship with the existing contractors (both private sector works and public housing projects) and to coordinate/negotiate with the existing contractors for further contracts. The Group expects such exploration and strategy will further broaden and strengthen the income stream and the sustainable development of the design, fitting out and engineering services business with maximization of return of the shareholders and the value of the Group.

Leasing of construction equipment business

The Group's leasing business has been in the initial growth and development phase during the last year and has progressive increase in number of customers and projects during the year. The Group has been building and consolidating business relationship with its existing customers and is able to explore new customers and conclude projects with significant contract sums. Although the growth rate may not be dramatically raised constantly, the income generating therefrom is relatively stable and low risk in nature which would progressively develop into an economic scale with considerable and sustainable income stream to the Group.

With the development of the infrastructural and public facilities such as the development and construction of the third aerial runway and the new airport terminal and buildings, it is expected that the leasing of construction equipment business of the Group would be benefited from such positive growth and development. During the year, the Group has explored and negotiated with the contracts alongside such development and was secured orders for leasing of the construction equipment to be used in the development and construction projects of the Hong Kong Airport (including the Skybridge between the terminal buildings). The Group has been delivering a vast amount of such scaffolding equipment to the respective work sites to meet the demand of those orders. Given the vast amount of scaffolding equipment required for the gigantic airport project, the Group had further purchased of additional scaffolding equipment to maintain sufficient amount for leasing purposes in order to meet the huge demand during the year. As at the date of this announcement, approximately 80% of the construction equipment have been leased out for rental income.

Currently, the Group is also in negotiation with a contractor for the installation and provision of scaffolding equipment on a project basis for construction of a public tunnel with contract sum amounting to approximately HK\$25 million. The negotiation of the terms of the contract is still in progress and the Group expects to have the finalisation of the contract in due course.

Looking forward, with the branding recognition of the Group's leasing of construction equipment business and the enlargement of its operation scale, the rental income derived therefrom would have significant growth potential. With the ongoing increase in number of customers and projects, the leasing of construction equipment will be a major business segment attributable to the success of the Group in the coming years.

Sourcing and merchandising of fine and rare wines

The Group has developed and maintained a stable business relationship with the customers and the suppliers. The Group has been securing and receiving recurring orders from the customers. The Group expects the wine merchandising would be a stable income stream of the Group and the Group would maintain the wine merchandising at a steady level of operations.

Financial services business

The Group continues to adopt a prudent management approach to carry out the financial services business in order to minimize its credit risk exposure while proactively exploring and seeking for high creditworthiness customers to ensure a healthy development in its money lending, securities advisory services, securities dealing and brokerage services and assets management services business.

The Group's money lending business maintains a loan portfolio with principal amount of approximately the same level as at 31 March 2020.

Certain commission income was also recognised from the introducing brokerage services during the year.

LIQUIDITY AND FINANCIAL RESOURCES

During the year, the Group financed its operations through equity fund raising and by its internal resources.

As at 31 March 2021, the Group had net current assets of approximately HK\$25.0 million (2020: HK\$17.8 million), including cash and bank balances of approximately HK\$16.7 million (2020: HK\$10.7million).

The current ratio, being the ratio of current assets to current liabilities, was approximately 2.4 times as at 31 March 2021 (2020: 2.2 times). The increase in the current ratio during the year ended 31 March 2021 was mainly attributable to the proceeds from the rights issue during the year.

CAPITAL STRUCTURE AND GEARING

The capital structure of the Company comprised ordinary shares only. During the year, the Company (i) completed a share consolidation (the "Share Consolidation") on the basis that every ten issued existing shares of the Company be consolidated into one consolidated share (the "Consolidated Share") by reduction of 470,340,000 issued existing shares of the Company on 18 November 2020; and (ii) raised approximately HK\$31.4 million before expenses by way of a rights issue (the "Rights Issue") of 104,520,000 rights shares (the "Rights Shares") at a subscription price of HK\$0.30 per Rights Share on the basis of two Rights Shares for every one Consolidated Share and the placing of the unsubscribed Rights Shares on 29 December 2020. As at 31 March 2021, the Company has 156,780,000 ordinary shares in issue. Total equity attributable to owners of the Company amounted to approximately HK\$93.5 million as at 31 March 2021 (31 March 2020: HK\$83.0 million).

As at 31 March 2021, the Group's only borrowings comprised of lease liabilities of approximately HK\$13.6 million (2020: HK\$20.4 million). The Group's gearing ratio, calculated by dividing total borrowings by total equity, was approximately 14.5% (2020: 24.6%). The decrease in the gearing ratio during the year ended 31 March 2021 was mainly attributable to the settlement of the lease liabilities and the broadened capital base through the completion of the rights issues during the year.

USE OF PROCEEDS FROM PLACING OF NEW SHARES UNDER GENERAL MANDATE

Reference is made to the announcements of the Company dated 12 November 2019 and 29 November 2019 in relation to the placing of new shares under general mandate.

On 12 November 2019, the Group and a placing agent entered into a placing agreement, pursuant to which the Group has appointed a placing agent to procure altogether not less than six independent places for placing (the “Placing”) up to an aggregate of 87,000,000 placing shares at a placing price of HK\$0.08 per placing share. The closing price on that date was HK\$0.083.

The gross and net proceeds of the Placing was estimated at approximately HK\$7.0 million (equivalent to HK\$0.08 per placing share) and HK\$6.5 million (equivalent to approximately HK\$0.075 per placing share), respectively. The Placing was completed on 29 November 2019. The Company intended to use all the net proceeds for the purchase of construction equipment for leasing purpose.

	Planned use of proceeds as described in the announcement dated 12 November 2019 HK\$'000	Actual use of proceeds up to 31 March 2020 HK\$'000	Actual use of proceeds up to 31 March 2021 HK\$'000	Actual use of proceeds up to date of this announcement HK\$'000
Net proceeds from the Placing				
– Purchase of construction equipment	<u>6,500</u>	<u>4,500</u>	<u>6,500</u>	<u>6,500</u>

USE OF PROCEEDS FROM RIGHTS ISSUE

Reference is made to the announcements of the Company dated 28 August 2020, 3 September 2020, 22 October 2020, 16 November 2020, 17 November 2020, 18 December 2020 and 28 December 2020, circular dated 24 October 2020 and listing document dated 30 November 2020 in relation to the rights issue.

On 28 August 2020, the Company proposed (i) to implement a share consolidation (the “Share Consolidation”) on the basis that every ten issued existing shares of the Company be consolidated into one consolidated share (the “Consolidated Share”) and (ii) to raise approximately HK\$31.4 million before expenses by way of a rights issue (the “Rights Issue”) of 104,520,000 rights shares (the “Rights Shares”) at a subscription price of HK\$0.30 per Rights Share on the basis of two Rights Shares for every one Consolidated Share held by the qualifying shareholders on the record date.

On 28 August 2020, the Company further entered into a placing agreement, pursuant to which, the placing agent conditionally agreed to procure placee(s) (the “Rights Issue Placing”) to subscribe for the unsubscribed Rights Shares and the non-qualifying shareholders unsold Rights Shares at a placing price of not less than the subscription price of HK\$0.30 per Rights Share. The closing price per share of the Company on that date was HK\$0.04 per share (equivalent to HK\$0.40 per Consolidated Share).

The Rights Issue and the Rights Issue Placing were approved by the shareholders at an extraordinary general meeting on 16 November 2020 and were completed on 29 December 2020. The net proceeds of the Rights Issue and the Rights Issue Placing was estimated at approximately HK\$29.4 million (equivalent to approximately HK\$0.29 per Rights Share). The Company intended to use all the net proceeds for purchase of construction equipment and for the Group’s operating, administrative and general expenses.

	Planned use of proceeds as described in the announcement dated 28 August 2020 and circular dated 24 October 2020 HK\$’000	Actual use of proceeds up to 31 March 2021 HK\$’000	Actual use of proceeds up to date of this announcement HK\$’000
Net proceeds from the Rights Issue and the Rights Issue Placing			
– Purchase of construction equipment (including the repayment of short term financing for purchase of construction equipment)	15,000-20,000	16,100	16,900
– Working capital			
– Design, fitting out and engineering services business	up to 9,000	6,400	7,000
– Leasing of construction equipment business	up to 2,000	1,600	1,600
– Other operating expenses	up to 3,400	3,400	3,400
	<u>9,400-14,400</u>	<u>11,400</u>	<u>12,000</u>
	<u>29,400</u>	<u>27,500</u>	<u>28,900</u>

DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 March 2021.

FOREIGN EXCHANGE EXPOSURE

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

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 March 2021 and 2020, the Group did not pledge any of its assets.

SIGNIFICANT ACQUISITION AND DISPOSAL

During the year ended 31 March 2021, the Group spent approximately HK\$18.1 million on additions to scaffolding equipment.

Save as disclosed above, there has been no significant acquisition and disposal of assets or subsidiaries of the Group during the year ended 31 March 2021.

CONTINGENT LIABILITIES

As at 31 March 2021, the Group did not have any significant contingent liabilities.

COMMITMENTS

Details of the commitments of the Group as at 31 March 2021 are set out in note 23.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2021, the Group employed 43 (2020: 27) 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 year ended 31 March 2021 (including emoluments and salaries to staff and Directors and MPF contributions) was approximately HK\$12.6 million (2020: HK\$11.5 million). The increase in the remuneration was mainly due to increase in the number of employees.

OTHER INFORMATION

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 Rules (the “GEM Listing Rules”) Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) 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 year ended 31 March 2021, the Company has complied with the CG Code as set out in Appendix 15 to the GEM Listing Rules.

The Company has put in place internal policies to ensure the compliance and has adopted and complied with the code provisions set out in the CG Code during the year except for the following deviation from the Code provisions:

- Code provision A.2.1 stipulated that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The post of chief executive of the Company has remained vacant since 21 February 2020 and as at the date of this announcement. The duties of chief executive have been performed by other executive Directors. As there is a clear division of responsibilities of each Director, the vacancy of the post of chief executive did not have any material impact on the operations of the Group. Nevertheless, the Board will review the current structure from time to time and if a candidate with suitable knowledge, skill and experience is identified, the Board will make an appointment to fill the post of chief executive as appropriate.

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 year.

Following specific enquiry by the Company, all Directors confirmed that they have complied with such code of conduct throughout the year ended 31 March 2021.

Purchase, Sale or Redemption of Shares

During the year ended 31 March 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s securities.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The audit committee, comprising three independent non-executive directors, has reviewed the financial statements of the Group for the year.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2021 as set out in the preliminary announcement have been agreed by the Group's auditors, Mazars CPA Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Mazars CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars CPA Limited on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.royalcentury.hk). The annual report of the Company for the year ended 31 March 2021 containing all the information required by the GEM Listing Rules will be despatched to the Company's shareholders and published on the above websites in due course.

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

Hong Kong, 25 June 2021

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 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.