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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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2021

CHARACTERISTICS OF GEM (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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.

UNAUDITED CONDENSED CONSOLIDATED QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2021

The board (the “Board”) of the directors (the “Director(s)”) of Royal Century Resources Holdings Limited (the “Company”) presents the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 30 June 2021 (the “Period”), together with the comparative unaudited figures for the corresponding period in 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED 30 JUNE 2021

		For the three months ended 30 June	
		2021	2020
		HK\$'000	HK\$'000
	Notes	(Unaudited)	(Unaudited)
Revenue	4	16,205	15,925
Cost of sales		(13,485)	(12,701)
Gross profit		2,720	3,224
Other income	5	267	307
Other gains, net	6	260	7
Allowance for ECL on loan and interest receivables		(10)	(6)
Allowance for ECL on trade receivables		(284)	(78)
Reversal of allowance/(Allowance) for ECL on contract assets		5	(2)
Administrative expenses		(6,230)	(5,233)
Finance costs	7	(158)	(247)
Loss before tax	8	(3,430)	(2,028)
Income tax expense	9	–	–
Loss for the period attributable to owners of the Company		(3,430)	(2,028)
Other comprehensive loss for the period			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(1)	–
Total comprehensive loss for the period attributable to owners of the Company		(3,431)	(2,028)
			(Restated)
Loss per share			
Basic and diluted (HK\$)	10	(0.02)	(0.03)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 30 JUNE 2021

	Share capital <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>For the three months ended 30 June 2021</i>				
At 1 April 2021 (audited)	205,523	(111,891)	(148)	93,484
Loss for the period	–	(3,430)	–	(3,430)
Other comprehensive loss for the period	–	–	(1)	(1)
Total comprehensive loss for the period	–	(3,430)	(1)	(3,431)
At 30 June 2021 (unaudited)	<u>205,523</u>	<u>(115,321)</u>	<u>(149)</u>	<u>90,053</u>
<i>For the three months ended 30 June 2020</i>				
At 1 April 2020 (audited)	175,595	(92,464)	(138)	82,993
Loss for the period	–	(2,028)	–	(2,028)
Other comprehensive loss for the period	–	–	–	–
Total comprehensive loss for the period	–	(2,028)	–	(2,028)
At 30 June 2020 (unaudited)	<u>175,595</u>	<u>(94,492)</u>	<u>(138)</u>	<u>80,965</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 30 JUNE 2021

1. GENERAL

Royal Century Resources Holdings Limited (the “Company”, together with its subsidiaries, collectively the “Group”) was incorporated in Hong Kong with limited liability and its shares are listed on GEM (“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 (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.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the three months ended 30 June 2021 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 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 dollars and Renminbi respectively, the functional currency of the Company and other subsidiaries is HK\$.

The financial information relating to the year ended 31 March 2021 included in this announcement as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with Section 436 of the Companies Ordinance (Cap. 622) is as follows:

The Company will deliver the financial statements for the year ended 31 March 2021 to the Registrar of Companies as required by Section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance (Cap.622) in due course.

The Company’s auditor has reported on the consolidated financial statements for the year ended 31 March 2021 of the Group. The auditor’s report was 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 407(3) of the Companies Ordinance (Cap. 622).

3. ADOPTION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The significant accounting policies that have been used in the preparation of the Group's condensed consolidated financial statements for the three months ended 30 June 2021 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2021, except as described below.

The Group has adopted and applied, for the first time, the following new/revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)"), amendments and interpretations ("Int(s)"), that have been issued and effective for the accounting periods beginning on 1 April 2021:

Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16	Interest Rate Benchmark Reform – Phase 2
Amendments to HKFRS 16	COVID-19-Related Rent Concessions Beyond 30 June 2021

The application of these new and amendments to HKASs and HKFRSs has had no material effect on the amounts reported in these unaudited condensed consolidated financial statements and/or disclosures set out in these unaudited condensed consolidated financial statements.

New/revised HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKASs and HKFRSs that have been issued but are not yet effective:

Accounting Guideline 5 (Revised)	<i>Merger Accounting for Common Control Combination¹</i>
Amendments to HKAS 16	<i>Proceeds before Intended Use¹</i>
Amendments to HKAS 37	<i>Cost of Fulfilling a Contract¹</i>
Amendments to HKFRS 3	<i>Reference to the Conceptual Framework¹</i>
Annual Improvements to HKFRSs	<i>2018–2020 Cycle¹</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current²</i>
Amendments to HKAS 1	<i>Disclosure of Accounting Policies²</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates²</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction²</i>
HKFRS 17	<i>Insurance Contracts²</i>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>

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

² Effective for annual periods beginning on or after 1 January 2023

³ 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 these unaudited condensed consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents income arising from fitting out and engineering services provided, design and procurement of furnishings and related products services provided, rental and installation services income from leasing of construction equipment, sale of fine and rare wines, interest income from money lending and commission income from introducing brokerage services.

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

	For the three months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Design, fitting out and engineering services income	8,746	10,231
Rental and installation services income from leasing of construction equipment	3,325	1,729
Sale of fine and rare wines	3,991	3,773
Interest income from money lending	136	188
Commission income from introducing brokerage services	7	4
	<u>16,205</u>	<u>15,925</u>

	For the three months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)

Revenue from contracts with customer within HKFRS 15:

Revenue recognised at a point in time

– Sale of fine and rare wines	3,991	3,773
– Commission income from introducing brokerage services	7	4

Revenue recognised over time

– Design, fitting out and engineering services income	8,746	10,231
– Installation services income from leasing of construction equipment	250	–
	<u>12,994</u>	<u>14,008</u>

Revenue from other sources:

Rental income from leasing of construction equipment	3,075	1,729
Interest income from money lending	136	188
	<u>3,211</u>	<u>1,917</u>

Total segment revenue	<u>16,205</u>	<u>15,925</u>
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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. No operating segments identified by the executive directors have been aggregated in arriving at the reportable segments of the Group.

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").

Segment revenue and results

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

For the three months ended 30 June 2021

	Design, fitting out and engineering services HK\$'000 (Unaudited)	Leasing of construction equipment HK\$'000 (Unaudited)	Wines merchandising HK\$'000 (Unaudited)	Financial services business HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment revenue	<u>8,746</u>	<u>3,325</u>	<u>3,991</u>	<u>143</u>	<u>16,205</u>
Segment profit/(loss)	<u>37</u>	<u>(887)</u>	<u>77</u>	<u>(440)</u>	<u>(1,213)</u>
Unallocated:					
Other income					229
Central administrative costs					(2,421)
Finance costs					<u>(25)</u>
Loss before tax					<u><u>(3,430)</u></u>

	Design, fitting out and engineering services <i>HK\$'000</i> (Unaudited)	Leasing of construction equipment <i>HK\$'000</i> (Unaudited)	Wines merchandising <i>HK\$'000</i> (Unaudited)	Financial services business <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue	<u>10,231</u>	<u>1,729</u>	<u>3,773</u>	<u>192</u>	<u>15,925</u>
Segment profit/(loss)	<u>1,352</u>	<u>(985)</u>	<u>276</u>	<u>(450)</u>	193
Unallocated:					
Other income					261
Central administrative costs					(2,408)
Finance costs					<u>(74)</u>
Loss before tax					<u>(2,028)</u>

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

5. OTHER INCOME

	For the three months ended 30 June	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Rental income	221	201
Sundry income	<u>46</u>	<u>106</u>
	<u>267</u>	<u>307</u>

6. OTHER GAINS, NET

	For the three months ended 30 June	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Gain on disposal of property, plant and equipment	<u>260</u>	<u>7</u>

7. FINANCE COSTS

For the three months ended 30 June	
2021	2020
HK\$'000	HK\$'000
(Unaudited)	(Unaudited)

Interest on:

– Lease liabilities

158	247
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8. LOSS BEFORE TAX

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

For the three months ended 30 June	
2021	2020
HK\$'000	HK\$'000
(Unaudited)	(Unaudited)

Salaries and wages included in cost of sales

420

221

Salaries and wages included in administrative expenses:

Directors' emoluments (including contribution to defined contribution plans)

823

823

Salaries, wages and other benefits (excluding directors' emoluments)

1,604

1,461

Contribution to defined contribution plans (excluding directors' emoluments)

58

54

2,905

2,559

Auditor's remuneration

–

–

Depreciation of property, plant and equipment (*Note*)

2,066

1,430

Depreciation of right-of-use assets

1,748

1,753

Lease payments under short-term leases on premises

48

31

Gross rental income less outgoings

(194)

(163)

Note:

Depreciation of property, plant and equipment for the three months ended 30 June 2021 amounted to approximately HK\$1,761,000 (three months ended 30 June 2020: HK\$926,000) was included in cost of sales.

9. INCOME TAX EXPENSE

The major components of income tax expense in the condensed consolidated statement of profit or loss and other comprehensive income are:

	For the three months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Current tax:		
Hong Kong profits tax	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

No Hong Kong Profits Tax has been provided as the Group has no estimated assessable profits for the three months ended 30 June 2021 and 2020.

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

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.

The PRC tax law imposes a withholding tax at 10%, unless reduced by a tax treaty, for dividends distributed by PRC subsidiaries to its immediate holding company outside the PRC for earnings generated beginning on 1 January 2008.

No PRC corporate income tax has been provided as there is no estimated assessable profit for both periods.

10. 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 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Loss for the purpose of basic and diluted loss per share	<u>(3,430)</u>	<u>(2,028)</u>

Number of shares

	For the three months ended 30 June	
	2021	2020
	'000	'000
	(Unaudited)	(Unaudited) (Restated)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>156,780</u>	<u>67,548</u>

The weighted average number of ordinary shares adopted for the basic and diluted loss per share for the three months ended 30 June 2020 has been adjusted to take into account of the effect arising from (i) the share consolidation on 18 November 2020 and (ii) the rights issue of shares by the Company on 29 December 2020, details of which are set out in 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 the three months ended 30 June	
	2021	2020
	HK\$	HK\$
	(Unaudited)	(Unaudited) (Restated)
Basic and diluted	<u>(0.02)</u>	<u>(0.03)</u>

Since there were no potential dilutive shares in issue during the three months ended 30 June 2021 and 2020, basic and diluted loss per share are the same for both periods.

11. DIVIDENDS

The Directors do not recommend the payment of any dividend for the three months ended 30 June 2021 (three months ended 30 June 2020: Nil).

12. RELATED PARTY TRANSACTIONS

- (a) In addition to balances and transactions detailed elsewhere in these condensed consolidated financial statements, the Group had the following transactions with related parties during the period:

	For the three months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Commission income received from a related company controlled by a substantial shareholder, a director of which is also a director of the Company	<u>7</u>	<u>4</u>

(b) Compensation of key management personnel

The remuneration of key management personnel of the Group during the three months ended 30 June 2021 and 2020 is as follows:

	For the three months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Salaries, allowances and other benefits	1,280	1,274
Contributions to retirement benefits scheme	32	32
	<hr/>	<hr/>
	1,312	1,306
	<hr/> <hr/>	<hr/> <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

Royal Century Resources Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) are principally engaged in (i) provision of design, fitting out and engineering services comprising design, fitting out, 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 business.

FINANCIAL REVIEW

Revenue

The Group recorded a total revenue for the three months ended 30 June 2021 of approximately HK\$16.2 million (three months ended 30 June 2020: HK\$15.9 million), representing a slight increase of approximately HK\$0.3 million as compared with last corresponding period.

Breakdown of revenue by types of segment is as follows:

	For the three months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Design, fitting out and engineering services income	8,746	10,231
Rental and installation services income from leasing of construction equipment	3,325	1,729
Sale of fine and rare wines	3,991	3,773
Income from financial services	143	192
	<u>16,205</u>	<u>15,925</u>

Breakdown of revenue by geographical locations is as follows:

	For the three months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong	14,967	15,925
The PRC	1,238	–
	<u>16,205</u>	<u>15,925</u>

The Group's total revenue for the three months ended 30 June 2021 of approximately HK\$16.2 million was approximately the same level when compared with the total revenue for the three months ended 30 June 2020 of approximately HK\$15.9 million.

The revenue generated from the design, fitting out and engineering services business for the three months ended 30 June 2021 amounted to approximately HK\$8.7 million, representing a drop of approximately HK\$1.5 million when compared with the revenue for the three months ended 30 June 2020 of approximately HK\$10.2 million.

The revenue arising from the leasing of construction equipment business was increased from approximately HK\$1.7 million for the three months ended 30 June 2020 to approximately HK\$3.3 million for the three months ended 30 June 2021, representing an increment of approximately HK\$1.6 million or 94.1%. Such increment was mainly due to the increase in the quantity of scaffolding equipment leased out which was resulted from additional investment in scaffolding equipment during the third and fourth quarters of the year ended 31 March 2021 to cater for the growth and development of this business.

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 period.

Gross profit for the period

For the three months ended 30 June 2021, the Group recorded a gross profit of approximately HK\$2.7 million (three months ended 30 June 2020: HK\$3.2 million) representing a decrease of approximately HK\$0.5 million as compared with last corresponding period. The Group's overall gross profit margin was approximately 16.7% (three months ended 30 June 2020: 20.2%).

Gross profit by types of segment is as follows:

	Gross profit for the three months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Design, fitting out and engineering services	1,381	1,917
Leasing of construction equipment	1,112	793
Sourcing and merchandising of fine and rare wines	84	322
Financial services business	143	192
	2,720	3,224

The Group's overall gross profit for the three months ended 30 June 2021 was decreased by approximately HK\$0.5 million when compared with that of last corresponding period. The drop was mainly attributed to the decrease in the gross profit from the design, fitting out and engineering services business. Such decrease was mainly due to the decrease in the gross profit margin in order to maintain the competitiveness when facing the fierce competition in the industry and the recovery of the economy from the COVID-19 pandemic.

Meanwhile, although the gross profit for the three months ended 30 June 2021 from the leasing of construction equipment business was increased by approximately HK\$0.3 million compared with last corresponding period, the increment was offset by the aggregate decrease in the gross profit from the wine merchandising business and the financial services business of approximately HK\$0.3 million.

Loss for the period

During the three months ended 30 June 2021, although the Group has a gross profit of approximately HK\$2.7 million (three months ended 30 June 2020: HK\$3.2 million), the Group recorded a loss for the period of approximately HK\$3.4 million (three months ended 30 June 2020: HK\$2.0 million), representing an increase in the loss for the period of approximately HK\$1.4 million.

Such increase in loss for the period was resulting from (i) the decrease in the gross profit margin in the design, fitting out and engineering services business to maintain the competitiveness in the industry and the recovery of the economy from the COVID-19 pandemic and business; (ii) the increase in staff costs by approximately HK\$0.2 million; and project management fee of approximately HK\$0.7 million for supervision and provision of management and administration services including insurance coverage, quality surveying, etc. in relation to the public housing estate works and maintenance services which were commenced in the third quarter of last year.

BUSINESS REVIEW AND PROSPECTS

Design, fitting out and engineering services business

Besides submitting tenders and negotiating with customers, the Group has established and maintained 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.

During the three months ended 30 June 2021, included in the Group's revenue for the design, fitting out and engineering services was revenue from the provision of public housing maintenance, improvement and vacant flat refurbishment works and services amounted to approximately HK\$4 million, representing approximately 46.4% of the segment revenue for the current period. The provision of public housing maintenance, improvement and vacant flat refurbishment works and services was commenced by the Group since October 2020 and has provided a steady and sustainable stream of income to the Group during the period. Having received a very positive feedback from both the contractor and the housing estate management team in respect of the quality of the work done, 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 under new term contract(s).

During the period, the Group has been invited by contractors/customers and has been proactively submitting tenders. Currently, the Group has submitted four tenders with aggregate contract sums of approximately HK\$50 million.

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

During the past year and the three months ended 30 June 2021, the Group has been building and consolidating business relationship with its existing customers and is able to explore new customers and conclude projects.

The COVID-19 pandemic has seemed to be steady since the COVID-19 vaccination in early 2021 and the Group expects the leasing of construction equipment business would be benefited from the recovery of the economic condition in Hong Kong and the resumption of the construction projects. As at the date of this announcement, approximately 70% of the construction equipment have been leased out for rental income. As previously reported, the Group has been 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 has been concluded during the period and the Group has commenced to deliver certain of the scaffolding equipment to the work site to meet the demand of the order. However, the Group was recently informed by the contractor that there may have certain amendment on the design and construction of the project and thus the Group is now in discussion with the relevant parties for the finalisation of the variation works under the contract.

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 business

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 2021.

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

LIQUIDITY AND FINANCIAL RESOURCES

During the three months ended 30 June 2021, the Group financed its operations by its internal resources. As at 30 June 2021, the Group had net current assets of approximately HK\$24.3 million (31 March 2021: HK\$25.0 million), including cash and bank balances of approximately HK\$11.0 million (31 March 2021: HK\$16.7 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 2.6 times as at 30 June 2021 (31 March 2021: 2.4 times). There was no material fluctuation in the current ratio during the current period.

CAPITAL STRUCTURE AND GEARING

The capital of the Group comprised only ordinary shares. There was no movement in the share capital of the Group during the three months ended 30 June 2021. Total equity attributable to owners of the Company amounted to approximately HK\$90.0 million as at 30 June 2021 (31 March 2021: HK\$93.5 million).

As at 30 June 2021, the Group's only borrowings comprised lease liabilities of approximately HK\$11.8 million (31 March 2021: 13.6 million). The Group's gearing ratio, calculated by dividing total borrowings by total equity, was approximately 13.1% (31 March 2021: 14.5%). The decrease in the gearing ratio was mainly attributable to the settlement of certain lease liabilities during the current period.

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 30 June 2021 HK\$'000	Actual use of proceeds up to date of this announcement HK\$'000
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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	16,900
– Working capital				
– Design, fitting out and engineering services business	up to 9,000	6,400	7,000	7,100
– Leasing of construction equipment business	up to 2,000	1,600	1,600	2,000
– Other operating expenses	up to 3,400	3,400	3,400	3,400
	<u>9,400-14,400</u>	<u>11,400</u>	<u>12,000</u>	<u>12,500</u>
	<u>29,400</u>	<u>27,500</u>	<u>28,900</u>	<u>29,400</u>

DIVIDEND

The Directors do not recommend the payment of any dividend for the three months ended 30 June 2021.

CHARGES ON GROUP ASSETS

As at 30 June 2021, the Group did not pledge any of its assets.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any significant contingent liabilities.

SIGNIFICANT ACQUISITION AND DISPOSAL

There has been no significant acquisition and disposal of subsidiaries or assets of the Group during the three months ended 30 June 2021.

COMMITMENT

Capital commitments

As at 30 June 2021, the Group did not have any capital commitments.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group employed 39 (30 June 2020: 38) 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 three months ended 30 June 2021 (including emoluments and salaries to staff and Directors and MPF contributions) was approximately HK\$2.9 million (three months ended 30 June 2020: HK\$2.6 million). The increase in the remuneration was mainly due to increase in number of staff and the remuneration package of different level of skill of staff.

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 30 June 2021, 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 30 June 2021, 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 shareholder	Capacity/Nature of interests in capital	Number of Shares held	Approximate percentage of the issued Shares
Hong Kong ChaoShang Group Limited	Beneficial owner	38,309,600	24.44%

Save as disclosed above, as at 30 June 2021, 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(s)”) 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 (the “Shares”) of the Company 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 not be less than 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 the 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 30 June 2021, the total number of the Shares available for issue under the Scheme is 3,000,000 Shares (as adjusted for the Share Consolidation on 18 November 2020), representing 10% of the issued Shares (the “Scheme Mandate Limit”) of the aggregate number of Shares in issue immediately upon completion of the listing of the Shares on 18 July 2014 (as adjusted for the Share Consolidation on 18 November 2020) and representing 1.91% of the issued Shares as at 30 June 2021.

The total number of Shares issued and to be issued upon exercise of the Options granted and to be granted pursuant to the Scheme and any other share option schemes of the Group to each Eligible Participant (including both exercised and outstanding options) in any 12-month period up to and including the date of grant of the options shall not exceed 1% of the total number of Shares in issue and representing 1,567,800 Shares as at 30 June 2021.

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 three months ended 30 June 2021 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. None of the Directors nor the Chief Executive (including their spouses and children under 18 years of age) had any interest in, or been granted, or exercised any rights to subscribe for the shares (or warrants or debentures, if applicable) of the Company and its associated corporations (within the meaning of the SFO) during the three months ended 30 June 2021.

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 three months ended 30 June 2021. Following specific enquiry by the Company, all Directors confirmed that they have complied with such code of conduct throughout the three months ended 30 June 2021.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the three months ended 30 June 2021, 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 three months ended 30 June 2021.

SUFFICIENCY OF PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, during the three months ended 30 June 2021, the Company has maintained the public float required by the GEM Listing Rules.

COMPETING INTERESTS

During the three months ended 30 June 2021 and up to the date of this announcement, a Director's interests in any 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	Hong Kong ChaoShang Group Limited ("HK ChaoShang") and its subsidiaries	Money lending business and securities and asset management business	Executive director and chief executive officer of HK ChaoShang

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 three months ended 30 June 2021.

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.

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 period 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.

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 three months ended 30 June 2021 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.

FORWARD LOOKING STATEMENTS

There can be no assurance that any forward-looking statements regarding the business development of the Group set out in this Management Discussion and Analysis or any of the matters set out therein are attainable, will actually occur or will be realised or are complete or accurate. Shareholders and/or potential investors of the Company are advised to exercise caution when dealing in the securities of the Company and not to place undue reliance on the information disclosed herein. Any holder of securities or potential investor of the Company who is in doubt is advised to seek advice from professional advisors.

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

Hong Kong, 9 August 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 nonexecutive Directors are Mr. Chan Chiu Hung Alex, Mr. Wu Zhao and Mr. Lam Cheok Va.