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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)

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

THE FINANCIAL INFORMATION

THE THIRD QUARTERLY RESULTS

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 nine months ended 31 December 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 NINE MONTHS ENDED 31 DECEMBER 2021

		For the three months ended 31 December		For the nine months ended 31 December	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
	<i>Notes</i>				
Revenue	4	13,802	19,911	46,446	49,850
Cost of sales		(10,752)	(17,213)	(37,472)	(40,658)
Gross profit		3,050	2,698	8,974	9,192
Other income	5	237	639	723	1,559
Other gains or losses, net	6	259	166	1,147	230
Allowance for ECL on loan and interest receivables		(10)	(72)	(30)	(169)
Allowance for ECL on trade receivables		(233)	(253)	(1,485)	(412)
Allowance for ECL on contract assets		(13)	(13)	(23)	(15)
Administrative expenses		(6,256)	(6,731)	(18,818)	(17,410)
Finance costs	7	(138)	(425)	(431)	(926)

		For the three months ended 31 December		For the nine months ended 31 December	
		2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
	<i>Notes</i>	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss before tax	8	(3,104)	(3,991)	(9,943)	(7,951)
Income tax expense	9	—	—	—	—
Loss for the period attributable to owners of the Company		<u>(3,104)</u>	<u>(3,991)</u>	<u>(9,943)</u>	<u>(7,951)</u>
Other comprehensive loss for the period					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		<u>(2)</u>	<u>(5)</u>	<u>(3)</u>	<u>(23)</u>
Total comprehensive loss for the period attributable to owners of the Company		<u><u>(3,106)</u></u>	<u><u>(3,996)</u></u>	<u><u>(9,946)</u></u>	<u><u>(7,974)</u></u>
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss per share					
– Basic and diluted	10	<u><u>(0.02)</u></u>	<u><u>(0.06)</u></u>	<u><u>(0.06)</u></u>	<u><u>(0.12)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 31 DECEMBER 2021

	Share capital HK\$'000	Accumulated losses HK\$'000	Exchange reserve HK\$'000	Total HK\$'000
At 1 April 2021 (audited)	205,523	(111,891)	(148)	93,484
Loss for the period	–	(9,943)	–	(9,943)
Other comprehensive loss for the period	–	–	(3)	(3)
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive loss for the period	–	(9,943)	(3)	(9,946)
At 31 December 2021 (unaudited)	<u>205,523</u>	<u>(121,834)</u>	<u>(151)</u>	<u>83,538</u>
At 1 April 2020 (audited)	175,595	(92,464)	(138)	82,993
Loss for the period	–	(7,951)	–	(7,951)
Other comprehensive loss for the period	–	–	(23)	(23)
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive loss for the period	–	(7,951)	(23)	(7,974)
Issue of new shares under rights issue	31,356	–	–	31,356
Transaction costs attributable to issue of new shares	(1,428)	–	–	(1,428)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2020 (unaudited)	<u>205,523</u>	<u>(100,415)</u>	<u>(161)</u>	<u>104,947</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 31 DECEMBER 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.

These unaudited condensed consolidated financial statements have been reviewed by the audit committee and approved for issue by the Board of the Company on 9 February 2022.

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the nine months ended 31 December 2021 have been prepared in accordance with the applicable disclosure requirements as prescribed in Chapter 18 of the Rules (the “GEM Listing Rules”) Governing the Listing of Securities on GEM of the Stock Exchange and with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

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

3. PRINCIPAL ACCOUNTING POLICIES AND ADOPTION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS(S)”)

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment property that is measured at fair value.

The significant accounting policies that have been used in the preparation of the Group’s condensed consolidated financial statements for the nine months ended 31 December 2021 are consistent with those adopted 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 standards and interpretations 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 and/or disclosures set out in these condensed consolidated financial statements.

New and 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)	Merger Accounting for Common Control Combination ¹
Amendments to HKAS 16	Proceeds before Intended Use ¹
Amendments to HKAS 37	Cost of Fulfilling a Contract ¹
Amendments to HKFRS 3	Reference to the Conceptual Framework ¹
Annual Improvements to HKFRSs	2018–2020 Cycle ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ²
Amendments to HKAS 1	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
HKFRS 17	Insurance Contracts ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

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 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 and project 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 31 December		For the nine months ended 31 December	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Design, fitting out and engineering services income	9,294	11,731	26,828	30,353
Rental and installation and project income from leasing of construction equipment	4,261	2,330	11,113	5,782
Sale of fine and rare wines	109	5,650	8,088	13,123
Interest income from money lending	135	190	407	569
Commission income from introducing brokerage services	3	10	10	23
	<u>13,802</u>	<u>19,911</u>	<u>46,446</u>	<u>49,850</u>
Revenue from contracts with customer within HKFRS 15:				
Revenue recognised at a point in time				
– Sale of fine and rare wines	109	5,650	8,088	13,123
– Commission income from introducing brokerage services	3	10	10	23
Revenue recognised over time				
– Design, fitting out and engineering services income	9,294	11,731	26,828	30,353
– Installation and project income from leasing of construction equipment	2,229	–	2,796	–
	<u>11,635</u>	<u>17,391</u>	<u>37,722</u>	<u>43,499</u>
Revenue from other sources				
Rental income from leasing of construction equipment	2,032	2,330	8,317	5,782
Interest income from money lending	135	190	407	569
	<u>2,167</u>	<u>2,520</u>	<u>8,724</u>	<u>6,351</u>
Total segment revenue	<u>13,802</u>	<u>19,911</u>	<u>46,446</u>	<u>49,850</u>

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”).

(a) Segment revenue and results

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

For the nine months ended 31 December 2021

	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>26,828</u>	<u>11,113</u>	<u>8,088</u>	<u>417</u>	<u>46,446</u>
Segment profit/(loss)	<u>504</u>	<u>(2,704)</u>	<u>187</u>	<u>(1,110)</u>	<u>(3,123)</u>
Unallocated:					
Other income					683
Central administrative costs					(7,440)
Finance costs					<u>(63)</u>
Loss before tax					<u>(9,943)</u>

For the nine months ended 31 December 2020

	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>30,353</u>	<u>5,782</u>	<u>13,123</u>	<u>592</u>	<u>49,850</u>
Segment profit/(loss)	<u>2,986</u>	<u>(3,079)</u>	<u>422</u>	<u>(1,362)</u>	<u>(1,033)</u>
Unallocated:					
Other income					970
Central administrative costs					(7,452)
Finance costs					<u>(436)</u>
Loss before tax					<u>(7,951)</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 31 December		For the nine months ended 31 December	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Bank interest income	1	–	1	1
Rental income	222	218	648	623
Sundry income	14	421	74	935
	<u>237</u>	<u>639</u>	<u>723</u>	<u>1,559</u>

6. OTHER GAINS OR LOSSES, NET

	For the three months ended 31 December		For the nine months ended 31 December	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Gain/(Loss) on damage of construction equipment, net of compensation	259	165	1,147	229
Exchange gain	–	1	–	1
	<u>259</u>	<u>166</u>	<u>1,147</u>	<u>230</u>

7. FINANCE COSTS

	For the three months ended 31 December		For the nine months ended 31 December	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Interest on:				
– Unsecured other borrowings	–	221	–	249
– Lease liabilities	138	204	431	677
	<u>138</u>	<u>425</u>	<u>431</u>	<u>926</u>

8. LOSS BEFORE TAX

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

	For the three months ended 31 December		For the nine months ended 31 December	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Salaries and wages included in cost of sales	799	808	1,712	1,574
Salaries and wages included in administrative expenses:				
Directors' emoluments (including contribution to defined contribution plans)	818	823	2,459	2,467
Salaries, wages and other benefits (excluding directors' emoluments)	1,653	1,631	4,791	4,576
Contribution to defined contribution plans (excluding directors)	62	30	175	168
	<u>3,332</u>	<u>3,292</u>	<u>9,137</u>	<u>8,785</u>
Auditor's remuneration	–	–	–	–
Depreciation of property, plant and equipment (<i>Note</i>)	2,018	1,685	6,099	4,585
Depreciation of right-of-use assets	1,590	1,763	5,086	5,279
Lease payments under short-term leases on premises	53	43	160	96
Gross rental income less outgoings arising from investment property	(191)	(149)	(559)	(477)
	<u><u>(191)</u></u>	<u><u>(149)</u></u>	<u><u>(559)</u></u>	<u><u>(477)</u></u>

Note:

Depreciation of property, plant and equipment for the nine months ended 31 December 2021 amounted to approximately HK\$5,179,000 (nine months ended 31 December 2020: HK\$3,079,000) 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 31 December		For the nine months ended 31 December	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Current tax:				
Hong Kong profits tax	–	–	–	–
Deferred tax	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u><u>–</u></u>	<u><u>–</u></u>	<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 nine months ended 31 December 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 31 December		For the nine months ended 31 December	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Loss for the purpose of basic and diluted loss per share	<u>(3,104)</u>	<u>(3,991)</u>	<u>(9,943)</u>	<u>(7,951)</u>

Number of shares

	For the three months ended 31 December		For the nine months ended 31 December	
	2021 '000 (Unaudited)	2020 '000 (Unaudited)	2021 '000 (Unaudited)	2020 '000 (Unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>156,780</u>	<u>65,668</u>	<u>156,780</u>	<u>64,321</u>

	For the three months ended 31 December		For the nine months ended 31 December	
	2021 <i>HK\$</i> (Unaudited)	2020 <i>HK\$</i> (Unaudited)	2021 <i>HK\$</i> (Unaudited)	2020 <i>HK\$</i> (Unaudited)
Basic and diluted	<u>(0.02)</u>	<u>(0.06)</u>	<u>(0.06)</u>	<u>(0.12)</u>

Since there were no potential dilutive shares in issue during the nine months ended 31 December 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 nine months ended 31 December 2021 (nine months ended 31 December 2020: Nil).

12. SHARE CAPITAL

	Number of ordinary shares '000	Share capital HK\$'000
Issued and fully paid:		
As at 1 April 2020	522,600	175,595
Share consolidation (<i>Note</i>)	(470,340)	–
Issue of new shares under rights issue, net of transaction costs (<i>Note</i>)	<u>104,520</u>	<u>29,928</u>
As at 31 December 2020, 1 April 2021 and 31 December 2021 (unaudited)	<u><u>156,780</u></u>	<u><u>205,523</u></u>

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

Note

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 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.

13. CAPITAL COMMITMENT

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

	31 December 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Unaudited)
Contracted but not provided for:		
– Acquisition of construction equipment	–	4,746
	<u>–</u>	<u>4,746</u>

14. 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 nine months ended 31 December	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Received from/(Paid to) related companies controlled by a substantial shareholder, a director of which is also a director of the Company:		
– Fitting out service income	–	203
– Commission income	10	23
– Placing agent fee in relation to the Rights Issue Placing	–	(219)
– Odd lot matching service agent fee in relation to the Rights Issue	–	(20)
Rent paid to a substantial shareholder, a director of which is also a director of the Company, in relation to the office premises (<i>Note</i>)	(162)	–

Note:

On 22 November 2021, the Company entered into a sub-deed of lease with a substantial shareholder in respect of the sub-leasing arrangement of the office premises for a term commencing from 1 December 2021 to 31 March 2025. The monthly rental fee is approximately HK\$162,000, details of which are set out in the Company's announcement dated 22 November 2021. As at 31 December 2021, the carrying amount of such lease liabilities was approximately HK\$5,872,000. During the nine months ended 31 December 2021, the Group has made lease payment of approximately HK\$162,000.

(b) Compensation of key management personnel

The remuneration of key management personnel of the Group during the nine months ended 31 December 2021 and 2020 is as follows:

	For the nine months ended 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Salaries, allowances and other benefits	3,839	3,821
Contributions to retirement benefits scheme	87	95
	<hr/>	<hr/>
	3,926	3,916
	<hr/> <hr/>	<hr/> <hr/>

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period presentation.

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 nine months ended 31 December 2021 of approximately HK\$46.4 million (nine months ended 31 December 2020: HK\$49.9 million), representing a decrease of approximately HK\$3.5 million as compared with the last corresponding period.

Breakdown of revenue by types of segments is as follows:

	For the nine months ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Design, fitting out and engineering services income	26,828	30,353
Rental and installation and project income from leasing of construction equipment	11,113	5,782
Sale of fine and rare wines	8,088	13,123
Income from financial services	417	592
	<u>46,446</u>	<u>49,850</u>

Breakdown of revenue by geographical locations is as follows:

	For the nine months ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong	45,125	47,250
The PRC	1,321	2,600
	<u>46,446</u>	<u>49,850</u>

The revenue generated from the design, fitting out and engineering services business for the nine months ended 31 December 2021 amounted to approximately HK\$26.8 million, representing a drop of approximately HK\$3.6 million when compared with the revenue for the nine months ended 31 December 2020 of approximately HK\$30.4 million.

The revenue arising from the leasing of construction equipment business was increased from approximately HK\$5.8 million for the nine months ended 31 December 2020 to approximately HK\$11.1 million for the nine months ended 31 December 2021, representing an increment of approximately HK\$5.3 million or 91.4%. Such increment was mainly due to the expansion of the business and the increase in the lease out quantity of scaffolding equipment following the additional investment to cater for the growth and development of this segment.

There was a drop in the sales of fine and rare wines from approximately HK\$13.1 million for the nine months ended 31 December 2020 to approximately HK\$8.1 million for the nine months ended 31 December 2021. The decrease was mainly due to fewer orders from the existing customers during the period as a result of the continuous measures in response to the COVID-19 pandemic such as restriction of social gathering and the operations of food and beverage facilities that affects the consumption by the end customers. The reallocation of the Group's resources which focuses on the design, fitting out and engineering services and the leasing of construction equipment businesses also attributes to such decrease.

The revenue from the provision of financial services was maintained at the similar level as compared with the last corresponding period.

Gross profit for the period

For the nine months ended 31 December 2021, the Group recorded a gross profit of approximately HK\$9.0 million (nine months ended 31 December 2020: HK\$9.2 million) representing a decrease of approximately HK\$0.2 million as compared with the last corresponding period. The Group's overall gross profit margin was approximately 19.4% (nine months ended 31 December 2020: 18.4%).

Gross profit by types of segments is as follows:

	Gross profit for the nine months ended 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Design, fitting out and engineering services	4,850	5,504
Leasing of construction equipment	3,489	2,564
Sourcing and merchandising fine and rare wines	218	532
Financial services business	417	592
	8,974	9,192

The decrease in the Group's gross profit of approximately HK\$0.2 million was mainly attributed to a drop in the gross profit of approximately HK\$0.7 million from the design, fitting out and engineering services business when compared with that of the last corresponding period. Although the Group managed to maintain a gross profit margin of approximately 18% for both the current period and the last corresponding period, there was a decrease in gross profit generated due to the fierce competition in the industry and the depressed situation of the local economy resulting from the erratic development of the COVID-19 pandemic, which in turn, led to a contraction of design and fitting out activities.

There was an increase in gross profit of approximately HK\$0.9 million for the nine months ended 31 December 2021 from the leasing of construction equipment when compared with that of the last corresponding period. The increase was mainly due to the increase in the lease out quantity of scaffolding equipment following the expansion of the business and the additional investment of the scaffolding equipment for the growth and development of the leasing of construction equipment business.

The aggregate gross profit from the two segments of the sourcing and merchandising of fine and rare wines business and the financial services business was decreased by approximately HK\$0.5 million when compared with that of the last corresponding period.

Loss for the period

During the nine months ended 31 December 2021, although the Group has a gross profit of approximately HK\$9.0 million (nine months ended 31 December 2020: HK\$9.2 million), the Group recorded a loss for the period of approximately HK\$9.9 million (nine months ended 31 December 2020: HK\$8.0 million), representing an increase in loss for the period of approximately HK\$1.9 million.

The increase in the Group's loss for the period was mainly resulting from (i) the decrease in the government subsidies received in response to the COVID-19 pandemic of approximately HK\$0.8 million and (ii) the increase in impairment allowance of trade receivables of approximately HK\$1.1 million.

BUSINESS REVIEW AND PROSPECTS

Design, fitting out and engineering services business

During the nine months ended 31 December 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\$12.5 million, representing approximately 46.6% of the segment revenue for the current period. The public housing estates works was commenced since October 2020 which attributed approximately HK\$6.7 million to the Group's revenue for the year ended 31 March 2021. The revenue for the period represents a growth of approximately 86.6%. The Group expects the revenue from the provision of public housing maintenance, improvement and vacant flat refurbishment works and services to have a steady growth and maintains a sustainable stream of income to the Group in the long run. The Group has been actively coordinating and negotiating with the current contractor as well as other contractors for the new term contracts in order to enlarge the Group's operations therefrom. The Group is optimistic to secure further public housing estates works and services.

Besides, the Group has established and maintained business relationship with existing customers for the provision of design, fitting out and engineering services. The Group has been invited by contractors/customers to submit tenders and has proactively negotiated with the customers for fitting out and engineering service projects. However, due to the fierce industry competition and the depressed situation of the local economy resulting from the erratic development of the COVID-19 pandemic which affects the sentiment of the end customers in planning of design and fitting out activities, the contracts/projects awarded during the period were with lower contract sum when compared with the corresponding period in last year. This accounted for a drop in the revenue for the design, fitting out and engineering services business during the current period. Up to the date of this announcement, apart from the projects from the private clients, the Group has commenced 2 waterproofing works and maintenance service projects from the Housing Authority which are expected to be completed by the end of this financial year. The revenue therefrom will be accounted for in the fourth quarter of the current year accordingly. Besides, the Group has concluded certain contracts which will be completed in the coming quarter and/or the first quarter of the coming year.

The Group will continue to seek for the potential contractors (both private sector works and public housing projects) and to coordinate/negotiate with the existing contractors for further contracts as well as developing the business network with the existing contractors in the aim of building up the Group's brand and goodwill. 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 has continued to build and pursuit business relationship with its existing customers and is able to explore new customers and conclusion of projects.

As previously reported, the Group concluded with a contractor of a public tunnel infrastructure project during the first quarter of the current year whereby the Group would lease out the scaffolding equipment together with the provision of installation services. The project was commenced with the delivery of the required scaffolding equipment and the provision of the installation services according to the demand and the specification of the contract during the current period. However, due to certain material revisions and amendments on the design and construction works, the Group was unable to reach agreement with the contractor and the contract was terminated subsequent to the end of the reporting period in January 2022. The Group is in the process of discussion with the contractor on finalisation and settlement of the project account in due course.

Apart from the termination of the project as mentioned above, due to the erratic development of the COVID-19 pandemic and the uncertainty of the local economic situation, progress of certain construction projects have been delayed, resulting with the decrease in lease out rate of the Group's scaffolding equipment from approximately 75% at the beginning of the year to around 60% as at the date of this announcement. Although the Group is still able to maintain a steady lease out rate of the scaffolding equipment, the management has been proactively negotiating with the customers for new projects aiming to rebound the lease out rate of the scaffolding equipment to above 70% level.

Looking forward, with the branding recognition of the Group's leasing of construction equipment business and the enlargement of its operation scale, the management expects the rental income therefrom would have steady growth. With reference to the growth of the revenue, the management is confident that 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 negotiating with the existing customers for recurring orders from the customers. The Group is also exploring for new suppliers and sources of wines. The Group is proactively negotiating with the existing customers and seeking for new customers for new orders.

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.

EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event after 31 December 2021 and up to the date of this announcement.

LIQUIDITY AND FINANCIAL RESOURCES

During the nine months ended 31 December 2021, the Group financed its operations by its internal resources. As at 31 December 2021, the Group had net current assets of approximately HK\$22.1 million (31 March 2021: HK\$25.0 million), including cash and bank balances of approximately HK\$6.9 million (31 March 2021: HK\$16.7 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 2.5 times as at 31 December 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 nine months ended 31 December 2021. Total equity attributable to owners of the Company amounted to approximately HK\$83.5 million as at 31 December 2021 (31 March 2021: HK\$93.5 million).

As at 31 December 2021, the Group's borrowings comprised lease liabilities of approximately HK\$14.4 million (31 March 2021: lease liabilities of HK\$13.6 million). The Group's gearing ratio, calculated by dividing total borrowings by total equity, was approximately 17.2% (31 March 2021: 14.5%). The increase in the gearing ratio was mainly attributable to (i) the recognition of new lease liabilities as the Company entered into a sub-deed of lease in respect of the sub-leasing arrangement of the office premises and (ii) there was a drop of the shareholders' equity 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 <i>HK\$'000</i>	Actual use of proceeds up to 31 March 2021 <i>HK\$'000</i>	Actual use of proceeds up to 31 December 2021 <i>HK\$'000</i>
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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

– Working capital

– Design, fitting out and engineering services business

upto 9,000

6,400

7,100

– Leasing of construction equipment business

upto 2,000

1,600

2,000

– Other operating expenses

upto 3,400

3,400

3,400

9,400-14,400

11,400

12,500

29,400

27,500

29,400

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the nine months ended 31 December 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 instrument 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 GROUP ASSETS

As at 31 December 2021 and 31 March 2021, the Group did not pledge any of its assets.

CONTINGENT LIABILITIES

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

SIGNIFICANT ACQUISITION AND DISPOSAL

Save for the recognition of a right-of-use asset of approximately HK\$6 million in respect of the sub-leasing arrangement of the office premises, there has been no significant acquisition and disposal of subsidiaries or assets of the Group during the nine months ended 31 December 2021.

COMMITMENT

Save as disclosed in note 13 to the condensed consolidated financial statements, the Group did not have any other commitment as at 31 December 2021.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group employed 45 (31 December 2020: 43) employees. The Group continues to maintain and upgrade the capabilities of its workforce by providing them with adequate and regular training. The Group remunerates its Directors and employees mainly based on industry practices and individual's performance and experience. On top of regular remuneration, discretionary bonus and share options may be granted to eligible staff by reference to the Group's performance as well as individual's performance.

Total remuneration for the nine months ended 31 December 2021 (including emoluments and salaries to staff and Directors and MPF contributions) was approximately HK\$9.1 million (nine months ended 31 December 2020: HK\$8.8 million). The slight increase in the remuneration was mainly due to increase in number of staff and the remuneration package of different level of skill of staff.

DIRECTORS' RIGHT TO ACQUIRE SHARES

At no time during the nine months ended 31 December 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 nine months ended 31 December 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 nine months ended 31 December 2021. Following specific enquiry by the Company, all Directors confirmed that they have complied with such code of conduct throughout the nine months ended 31 December 2021.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the nine months ended 31 December 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 nine months ended 31 December 2021.

SUFFICIENCY OF PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, during the nine months ended 31 December 2021, the Company has maintained the public float required by the GEM Listing Rules.

COMPETING INTERESTS

During the nine months ended 31 December 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 nine months ended 31 December 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 the 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 nine months ended 31 December 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 February 2022

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.