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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 2022**

### **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.**

*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 FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 30 JUNE 2022

The board (the “Board”) of the directors (the “Director(s)”) of Royal Century Resources Holdings Limited (the “Company”) presents the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 30 June 2022, together with the comparative unaudited figures for the corresponding period in 2021 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED 30 JUNE 2022

	Notes	For the three months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	4	11,716	16,205
Cost of sales/services rendered		<u>(10,626)</u>	<u>(13,485)</u>
<b>Gross profit</b>		<b>1,090</b>	<b>2,720</b>
Other income	5	353	267
Other gains/(losses), net	6	(20)	260
Reversal of allowance/(Allowance) for ECL on loan and interest receivables		21	(10)
Allowance for ECL on trade receivables		(857)	(284)
(Allowance)/Reversal of allowance for ECL on contract assets		(1)	5
Administrative expenses		(6,369)	(6,230)
Finance costs	7	<u>(205)</u>	<u>(158)</u>
<b>Loss before tax</b>	8	<b>(5,988)</b>	<b>(3,430)</b>
Income tax expense	9	<u>–</u>	<u>–</u>
<b>Loss for the period attributable to owners of the Company</b>		<b>(5,988)</b>	<b>(3,430)</b>
<b>Other comprehensive loss for the period</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>128</u>	<u>(1)</u>
<b>Total comprehensive loss for the period attributable to owners of the Company</b>		<b><u>(5,860)</u></b>	<b><u>(3,431)</u></b>
<b>Loss per share</b>			
Basic and diluted (HK\$)	10	<b><u>(0.04)</u></b>	<b><u>(0.02)</u></b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 30 JUNE 2022

	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 2022</i>				
At 1 April 2022 (audited)	205,523	(132,959)	(154)	72,410
Loss for the period	–	(5,988)	–	(5,988)
Other comprehensive loss for the period	–	–	128	128
Total comprehensive loss for the period	–	(5,988)	128	(5,860)
<b>At 30 June 2022 (unaudited)</b>	<b><u>205,523</u></b>	<b><u>(138,947)</u></b>	<b><u>(26)</u></b>	<b><u>66,550</u></b>
<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)
<b>At 30 June 2021 (unaudited)</b>	<b><u>205,523</u></b>	<b><u>(115,321)</u></b>	<b><u>(149)</u></b>	<b><u>90,053</u></b>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 30 JUNE 2022

## 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 design, fitting out and engineering and procurement of furnishings and related products services, (ii) leasing of construction equipment and provision of related installation services, (iii) sourcing and merchandising of fine and rare wines and (iv) provision of financial services.

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

## 2. BASIS OF PREPARATION

The condensed consolidated financial statements for the three months ended 30 June 2022 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 condensed consolidated financial statements have been prepared on the historical cost basis except for investment property that is measured at fair value.

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\$.

The financial information relating to the year ended 31 March 2022 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 2022 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 2022 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 (“HKFRS(s)”)

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 2022 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2022, 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 2022:

Accounting Guideline 5 (Revised)	<i>Merger Accounting for Common Control Combination</i>
Amendments to HKAS 16	<i>Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Cost of Fulfilling a Contract</i>
Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Annual Improvements to HKFRSs	<i>2018-2020 Cycle</i>

The application of these new and amendments to HKASs and HKFRSs has had no material effect on the amounts reported and/or disclosures set out in these 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:

Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current<sup>1</sup></i>
Amendments to HKAS 1	<i>Disclosure of Accounting Policies<sup>1</sup></i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates<sup>1</sup></i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction<sup>1</sup></i>
HKFRS 17	<i>Insurance Contracts<sup>1</sup></i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information<sup>1</sup></i>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>2</sup></i>

<sup>1</sup> *Effective for annual periods beginning on or after 1 January 2023*

<sup>2</sup> *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 (i) income arising from design, fitting out and engineering and procurement of furnishings and related products services provided, (ii) rental and installation services income from leasing of construction equipment, (iii) sale of fine and rare wines, and (iv) 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:

	<b>For the three months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Design, fitting out and engineering services income	<b>9,790</b>	8,746
Rental and installation services income from leasing of construction equipment	<b>1,660</b>	3,325
Sale of fine and rare wines	<b>125</b>	3,991
Interest income from money lending	<b>136</b>	136
Commission income from introducing brokerage services	<b>5</b>	7
	<b>11,716</b>	<b>16,205</b>

<b>For the three months ended 30 June</b>	
<b>2022</b>	<b>2021</b>
<b>HK\$'000</b>	<b>HK\$'000</b>
<b>(Unaudited)</b>	<b>(Unaudited)</b>

#### **Revenue from contracts with customer within HKFRS 15:**

##### **Revenue recognised at a point in time**

– Sale of fine and rare wines	<b>125</b>	3,991
– Commission income from introducing brokerage services	<b>5</b>	7

##### **Revenue recognised over time**

– Design, fitting out and engineering services income	<b>9,790</b>	8,746
– Installation services income from leasing of construction equipment	<b>–</b>	250

**9,920**                      12,994

##### **Revenue from other sources:**

Rental income from leasing of construction equipment	<b>1,660</b>	3,075
Interest income from money lending	<b>136</b>	136

Total segment revenue	<b>11,716</b>	<b>16,205</b>
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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 and engineering and procurement of furnishings and related products services ("Design, fitting out and engineering services");
- (b) Leasing of construction equipment and provision of related installation services ("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 2022*

	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>9,790</u>	<u>1,660</u>	<u>125</u>	<u>141</u>	<u>11,716</u>
Segment profit/(loss)	<u>(1,052)</u>	<u>(3,005)</u>	<u>63</u>	<u>(143)</u>	(4,137)
Unallocated:					
Other income					279
Other gains (losses), net					(103)
Central administrative costs					(1,972)
Finance costs					<u>(55)</u>
Loss before tax					<u>(5,988)</u>

For the three months ended 30 June 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>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>	(1,213)
Unallocated:					
Other income					229
Central administrative costs					(2,421)
Finance costs					<u>(25)</u>
Loss before tax					<u>(3,430)</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**

	<b>For the three months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Rental income	<b>216</b>	221
Government subsidies	<b>128</b>	–
Sundry income	<b>9</b>	46
	<hr/>	<hr/>
	<b>353</b>	<b>267</b>
	<hr/> <hr/>	<hr/> <hr/>

**6. OTHER GAINS/(LOSSES), NET**

	<b>For the three months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Compensation gain on disposal/write-off of construction equipment	<b>81</b>	260
Gain on disposal of property, plant and equipment	<b>2</b>	–
Loss on dissolution of a subsidiary	<b>(103)</b>	–
	<hr/>	<hr/>
	<b>(20)</b>	<b>260</b>
	<hr/> <hr/>	<hr/> <hr/>

**7. FINANCE COSTS**

	<b>For the three months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interest on:		
– Lease liabilities	<b>161</b>	158
– Unsecured other borrowings	<b>44</b>	–
	<hr/>	<hr/>
	<b>205</b>	<b>158</b>
	<hr/> <hr/>	<hr/> <hr/>

## 8. LOSS BEFORE TAX

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

	For the three months ended 30 June	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Salaries and wages included in cost of sales/services rendered	569	420
Salaries and wages included in administrative expenses:		
Directors' emoluments (including contribution to defined contribution plans)	818	823
Salaries, wages and other benefits (excluding directors' emoluments)	1,474	1,604
Contribution to defined contribution plans (excluding directors' emoluments)	65	58
	<u>2,926</u>	<u>2,905</u>
Cost of inventories sold	2,100	4,848
Auditor's remuneration	–	–
Depreciation of property, plant and equipment ( <i>Note</i> )	1,903	2,066
Depreciation of right-of-use assets	1,432	1,748
Compensation gain on disposal/write-off of construction equipment	(81)	(260)
Gain on disposal of property, plant and equipment	(2)	–
Lease payments under short-term leases on premises	136	48
Gross rental income less outgoings	<u>(183)</u>	<u>(194)</u>

*Note:*

Depreciation of property, plant and equipment for the three months ended 30 June 2022 amounted to approximately HK\$1,698,000 (three months ended 30 June 2021: HK\$1,761,000) was included in cost of sales/services rendered.

## 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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong profits tax	–	–
Deferred tax	–	–
	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>

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

No Hong Kong Profits Tax has been provided as the Group has no estimated assessable profits for the three months ended 30 June 2022 and 2021.

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 data:

### Loss for the period

	For the three months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>(5,988)</u>	<u>(3,430)</u>

### Number of shares

	For the three months ended 30 June	
	2022	2021
	'000	'000
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>156,780</u>	<u>156,780</u>

	For the three months ended 30 June	
	2022	2021
	<i>HK\$</i>	<i>HK\$</i>
	(Unaudited)	(Unaudited)
Basic and diluted	<u>(0.04)</u>	<u>(0.02)</u>

Since there were no potential dilutive shares in issue during the three months ended 30 June 2022 and 2021, basic and diluted loss per share are the same for both periods.

## 11. DIVIDEND

The Directors do not recommend the payment of any dividend for the three months ended 30 June 2022 (three months ended 30 June 2021: Nil).

## 12. RELATED PARTY TRANSACTIONS

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

### (a) Transactions with related parties

Related party relationship	Nature of transactions	For the three months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Hong Kong ChaoShang Group Limited (“ChaoShang”), a substantial shareholder of the Company	Rental expenses in relation to the office premises	486	–
Related companies controlled by ChaoShang	Commission income	(5)	(7)

### (b) Compensation of key management personnel

The remuneration of key management personnel of the Group during the three months ended 30 June 2022 and 2021 is as follows:

	For the three months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Salaries, allowances and other benefits	1,280	1,280
Contributions to retirement benefits scheme	27	32
	<u>1,307</u>	<u>1,312</u>

## 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 and engineering and procurement of furnishings and related products services, (ii) leasing of construction equipment and provision of related installation services, (iii) sourcing and merchandising of fine and rare wines and (iv) provision of financial services.

### FINANCIAL REVIEW

#### Revenue

The Group recorded a total revenue for the three months ended 30 June 2022 of approximately HK\$11.7 million (three months ended 30 June 2021: HK\$16.2 million), representing a decrease of approximately HK\$4.5 million as compared with last corresponding period.

Breakdown of revenue by segments is as follows:

	<b>For the three months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Design, fitting out and engineering services	<b>9,790</b>	8,746
Leasing of construction equipment	<b>1,660</b>	3,325
Sourcing and merchandising of fine and rare wines	<b>125</b>	3,991
Financial services	<b>141</b>	143
	<b>11,716</b>	<b>16,205</b>

Breakdown of revenue by geographical locations is as follows:

	<b>For the three months ended 30 June</b>	
	<b>2022</b>	2021
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Hong Kong	<b>11,716</b>	14,967
The PRC	<u>–</u>	<u>1,238</u>
	<b><u>11,716</u></b>	<b><u>16,205</u></b>

The decrease in the Group's total revenue was mainly attributed by the drop in the revenue from (i) the leasing of construction equipment business and (ii) the wine merchandising business.

The revenue arising from the leasing of construction equipment business for the three months ended 30 June 2022 was approximately HK\$1.7 million, representing a drop of approximately HK\$1.6 million as compared with that of the last corresponding period of approximately HK\$3.3 million. Such decrease in revenue was due to the continuous precautions controls and measures in response to the erratic development of the COVID-19 pandemic which caused delay and postponement of certain projects in respect of the leasing of construction equipment business.

Besides, the sale of fine and rare wine business was also suffered from the COVID-19 pandemic. The concentration of the resources to the Group's design, fitting out and engineering services business and the leasing of construction equipment business further compounded the effect, resulting with a substantial decrease in revenue for the three months ended 30 June 2022 by approximately HK\$3.9 million.

On the contrary, although the Group faced with fierce competition from the industry resulting from the erratic development of the COVID-19 pandemic and the uncertainty of the end customers' motivation in the planning of design and fitting out activities, there was an increase in the revenue generated from the design, fitting out and engineering services business for the three months ended 30 June 2022 by approximately HK\$1.0 million to approximately HK\$9.8 million when compared with that of the last corresponding period of approximately HK\$8.8 million. Such increase was mainly contributed by the increase in the number of public housing estates awarded to the Group in relation to the public housing maintenance, improvement and vacant flat refurbishment works and services.

The revenue from the financial services business for the three months ended 30 June 2022 remained at a steady level as that of the last corresponding period.

## Gross profit (loss) for the period

For the three months ended 30 June 2022, the Group recorded a gross profit of approximately HK\$1.1 million (three months ended 30 June 2021: HK\$2.7 million), representing a decrease of approximately HK\$1.6 million as compared with the last corresponding period.

Gross profit by segments is as follows:

	Gross profit/(loss) for the three months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Design, fitting out and engineering services	996	1,381
Leasing of construction equipment	(100)	1,112
Sourcing and merchandising of fine and rare wines	53	84
Financial services	141	143
	<u>1,090</u>	<u>2,720</u>

The overall decrease in the Group's gross profit was mainly attributed by the decrease in the gross profit from (i) the design, fitting out and engineering services business of approximately HK\$0.4 million and (ii) the leasing of construction equipment business of approximately HK\$1.2 million.

The decrease in the gross profit from the design, fitting out and engineering services business for the three months ended 30 June 2022 was mainly due to the decrease in the gross profit margin from the new contracts in order to maintain the competitiveness and cope with the fierce industry competition. Such decrease was also attributed by the increase in proportion of revenue generated from the public housing maintenance, improvement and vacant flat refurbishment works and services which has lower gross profit margin as compared with the design, fitting out and engineering services provided for other private customers.



Meanwhile, a gross loss from the leasing of construction equipment business of approximately HK\$0.1 million was recorded for the three months ended 30 June 2022. Such loss was mainly attributed by the delay and postponement of certain projects due to the erratic development of the COVID-19 pandemic, resulting with the decrease in rental income generated whilst the major components of the operating costs, including the depreciation and warehouse rental for the scaffolding equipment are rather fixed in nature.

The gross profit from the wine merchandising business and the provision of financial services business for the three months ended 30 June 2022 were at a steady level as those of the last corresponding period.

### **Loss for the period**

During the three months ended 30 June 2022, the Group recorded a loss for the period of approximately HK\$6.0 million (three months ended 30 June 2021: HK\$3.4 million), representing an increase in the loss for the period of approximately HK\$2.6 million.

Such increase in loss for the period was mainly attributed by the decrease in gross profit of approximately HK\$1.6 million as mentioned above and the increase in provision for allowance of expected credit losses of approximately HK\$0.6 million. Meanwhile, the Group had managed to maintain the administrative expenses at a steady level as that of the prior period.

## **BUSINESS REVIEW AND PROSPECTS**

### **Design, fitting out and engineering services business**

Although the erratic development of the COVID-19 pandemic had hindered the provision of the design, fitting out and engineering services, the Group had managed to record a revenue of approximately HK\$9 million for the three months ended 30 June 2022 from the design, fitting out and engineering services business, representing an increase of approximately HK\$1 million as compared with that of the last corresponding period.

During the three months ended 30 June 2022, the Group had completed the existing term contract and commenced a new 3-year term contract with the contractor in respect of the provision of public housing maintenance, improvement and vacant flat refurbishment works and services. Under the new term contract, the Group is now engaged in provision of works and services for three public housing estates. The revenue arising from such services amounted to approximately HK\$7 million, representing an increase of approximately HK\$3 million when compared with the revenue of approximately HK\$4 million for the last corresponding period. Accordingly, the revenue from the provision of public housing maintenance, improvement and vacant flat refurbishment works and services would be a steady and sustainable stream of income attributable to the Group in the long run.

Besides, the Group recorded revenue of approximately HK\$2 million from other design, fitting out and engineering contracts during the three months ended 30 June 2022 whilst the Group was invited by the Hong Kong Housing Authority to submit tender(s) in respect of waterproofing and re-roofing works and by certain contractors and customers for design, fitting out and engineering services. The Group has been proactively seeking for and negotiating with potential contractors/customers in respect of design, fitting out and engineering services for both residential and commercial projects.

It is the Group's strategy to develop business relationship with the existing contractors and customers to coordinate and negotiate for further works and services as well as for introducing new contractor(s) and customer(s). The Group expects such exploration and development will further broaden and strengthen the income stream and the sustainability of the Group's design, fitting out and engineering services business.

### **Leasing of construction equipment business**

Due to the erratic development of the COVID-19 pandemic and the uncertainty of the local economic situation, the progress of certain construction projects have been delayed, resulting with the decrease in lease out rate of the Group's scaffolding equipment since the last quarter of the previous year. During the three months ended 30 June 2022, rental income from the leasing of scaffolding equipment was decreased by HK\$1.6 million as compared with that of the last corresponding period.

The management has been proactively negotiating with the contractors for new projects in order to improve the lease out rate of the scaffolding equipment. The Group has concluded certain project(s)/order(s) and commenced to deliver the scaffolding equipment during the current period.

The Group continues to seek for potential contractors/customers and negotiate with both the existing and potential contractors/customers to provide scaffolding equipment. The Group is in negotiation with certain contractor(s) and aims to conclude the project(s)/order(s) in due course. Once the projects/orders are concluded, the Group will arrange with the contractor(s) for the delivery of the scaffolding equipment to the working sites.

The Group is aiming to build and pursuit business relationship/co-operation with the existing customers in order to develop steady and sustainable business operations. The Group would coordinate/negotiate with the existing customers for further projects/orders and for introducing potential customers.

The Group expects the leasing of scaffolding equipment would be a steady and sustainable business once the COVID-19 pandemic is stabilised and the local economy is recovered. The Group is foreseeing a growth in the rental income from the leasing of scaffolding equipment and the leasing of construction equipment business would be a major source of income attributable to the Group in the future.

## **Sourcing and merchandising of fine and rare wines business**

During the three months ended 30 June 2022, the revenue from the wine merchandising business was substantially decreased when compared with that of the last corresponding period. The end customers' consumption has been affected by the continuous measures in response to the COVID-19 pandemic on the restriction of social gathering and the operations of food and beverage facilities. The reallocation of resources from the wine merchandising business to the design, fitting out and engineering business and the leasing of construction equipment further compounded the decrease in revenue from the wine merchandising business. The Group would continue to negotiate with the existing customers for the sale of fine and rare wines and seek for potential customers.

## **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 2022.

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 2022, the Group financed its operations by its internal resources and debt financing. As at 30 June 2022, the Group had net current assets of approximately HK\$15.0 million (31 March 2022: HK\$14.0 million), including cash and bank balances of approximately HK\$7.8 million (31 March 2022: HK\$6.2 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 1.8 times as at 30 June 2022 (31 March 2022: 1.7 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 2022. Total equity attributable to owners of the Company amounted to approximately HK\$66.6 million as at 30 June 2022 (31 March 2022: HK\$72.4 million).

As at 30 June 2022, the Group's borrowing comprised lease liabilities of approximately HK\$14.8 million (31 March 2022: 15.4 million) and other borrowings of HK\$5.0 million (31 March 2022: Nil). The Group's gearing ratio, calculated by dividing total borrowings by total equity, was approximately 29.7% (31 March 2022: 21.3%). The increase in the gearing ratio was mainly attributable to the addition of other borrowings during the current period.

## **DIVIDEND**

The Directors do not recommend the payment of any dividend for the three months ended 30 June 2022.

## **CHARGES ON GROUP ASSETS**

As at 30 June 2022, the Group did not pledge any of its assets.

## **CONTINGENT LIABILITIES**

As at 30 June 2022, 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 2022.

## **COMMITMENT**

### **Capital commitments**

As at 30 June 2022, the Group did not have any capital commitments.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2022, the Group employed 35 (30 June 2021: 39) 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 2022 (including emoluments and salaries to staff and Directors and MPF contributions) was approximately HK\$2.9 million (three months ended 30 June 2021: HK\$2.9 million). There was no material changes in the remuneration during the period.

## **DIRECTORS' RIGHT TO ACQUIRE SHARES**

At no time during the three months ended 30 June 2022 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 2022.

## **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 2022. 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 2022.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

During the three months ended 30 June 2022, 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 2022.

## **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 2022, the Company has maintained the public float required by the GEM Listing Rules.

## **COMPETING INTERESTS**

During the three months ended 30 June 2022 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:

<b>Director</b>	<b>Name of company</b>	<b>Nature of business</b>	<b>Nature of interests</b>
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 2022.

## **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 condensed consolidated financial statements of the Group for the three months ended 30 June 2022 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 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.*

*This announcement will remain on the “Latest Listed Company Information” page of the HKEx website at [www.hkex.com.hk](http://www.hkex.com.hk) for at least 7 days from the date of its posting and on the website of the Company at [www.royalcentury.hk](http://www.royalcentury.hk).*