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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 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.

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 2022 (the “Period”), 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 NINE MONTHS ENDED 31 DECEMBER 2022

	Notes	For the three months ended 31 December		For the nine months ended 31 December	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	4	17,248	13,802	42,438	46,446
Cost of sales		(15,741)	(10,752)	(38,308)	(37,472)
Gross profit		1,507	3,050	4,130	8,974
Other income	5	311	237	1,054	723
Other gains or losses, net	6	15	259	98	1,147
Allowance for ECL on loan and interest receivables		(18)	(10)	(14)	(30)
Allowance for ECL on trade receivables		(378)	(233)	(1,509)	(1,485)
Allowance for ECL on contract assets		(20)	(13)	(33)	(23)
Administrative expenses		(6,433)	(6,256)	(20,276)	(18,818)
Finance costs	7	(196)	(138)	(621)	(431)
Loss before tax	8	(5,212)	(3,104)	(17,171)	(9,943)
Income tax expense	9	–	–	–	–
Loss for the period attributable to owners of the Company		(5,212)	(3,104)	(17,171)	(9,943)
Other comprehensive loss for the period <i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising on translation of foreign operations		(12)	(2)	141	(23)
Total comprehensive loss for the period attributable to owners of the Company		(5,224)	(3,106)	(17,030)	(9,946)
		HK\$ (Unaudited)	HK\$ (Unaudited)	HK\$ (Unaudited)	HK\$ (Unaudited)
Loss per share					
– Basic and diluted	10	(0.03)	(0.02)	(0.11)	(0.06)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 31 DECEMBER 2022

	Share capital <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2022 (audited)	205,523	(132,959)	(154)	72,410
Loss for the period	–	(17,171)	–	(17,171)
Other comprehensive loss for the period	–	–	141	141
Total comprehensive loss for the period	–	(17,171)	141	(17,030)
At 31 December 2022 (unaudited)	205,523	(150,130)	(13)	55,380
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)
Total comprehensive loss for the period	–	(9,943)	(3)	(9,946)
At 31 December 2021 (unaudited)	205,523	(121,834)	(151)	83,538

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 31 December 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 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 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 February 2023.

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the nine months ended 31 December 2022 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 have been prepared on the historical cost basis except for investment property which 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 has delivered 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).

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. PRINCIPAL ACCOUNTING POLICIES AND 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 nine months ended 31 December 2022 are consistent with those adopted 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 standards and interpretations 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 Hong Kong Accounting Standards (“HKAS(s)”) and HKFRSs has had no material effect on the amounts reported 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:

Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current¹</i>
Amendments to HKAS 1	<i>Disclosure of Accounting Policies¹</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates¹</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction¹</i>
HKFRS 17	<i>Insurance Contracts¹</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information¹</i>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture²</i>

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

² *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:

	For the three months ended 31 December		For the nine months ended 31 December	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Design, fitting out and engineering services income	14,698	9,294	35,408	26,828
Rental and installation services income from leasing of construction equipment	1,600	4,261	5,501	11,113
Sale of fine and rare wines	807	109	1,090	8,088
Interest income from money lending	137	135	409	407
Commission income from introducing brokerage services	6	3	30	10
	<u>17,248</u>	<u>13,802</u>	<u>42,438</u>	<u>46,446</u>
Revenue from contracts with customer within HKFRS 15:				
Revenue recognised at a point in time				
– Sale of fine and rare wines	807	109	1,090	8,088
– Commission income from introducing brokerage services	6	3	30	10
Revenue recognised over time				
– Design, fitting out and engineering services income	14,698	9,294	35,408	26,828
– Installation services income from leasing of construction equipment	–	2,229	–	2,796
	<u>15,511</u>	<u>11,635</u>	<u>36,528</u>	<u>37,722</u>
Revenue from other sources				
Rental income from leasing of construction equipment	1,600	2,032	5,501	8,317
Interest income from money lending	137	135	409	407
	<u>17,248</u>	<u>13,802</u>	<u>42,438</u>	<u>46,446</u>
Total segment revenue	<u>17,248</u>	<u>13,802</u>	<u>42,438</u>	<u>46,446</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 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").

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 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 <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue	<u>35,408</u>	<u>5,501</u>	<u>1,090</u>	<u>439</u>	<u>42,438</u>
Segment profit/(loss)	<u>(3,691)</u>	<u>(7,963)</u>	<u>134</u>	<u>(512)</u>	(12,032)
Unallocated:					
Other income					862
Other gains or losses, net					(103)
Central administrative costs					(5,728)
Finance costs					<u>(170)</u>
Loss before tax					<u>(17,171)</u>

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 <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>

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	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Bank interest income	3	1	3	1
Rental income	223	222	662	648
Government subsidies	38	–	327	–
Sundry income	<u>47</u>	<u>14</u>	<u>62</u>	<u>74</u>
	<u>311</u>	<u>237</u>	<u>1,054</u>	<u>723</u>

6. OTHER GAINS OR LOSSES, NET

	For the three months		For the nine months	
	ended 31 December		ended 31 December	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Compensation gain on disposal/write-off of construction equipment	15	259	199	1,147
Gain on disposal of property, plant and equipment	–	–	2	–
Loss on dissolution of a subsidiary	–	–	(103)	–
	<u>15</u>	<u>259</u>	<u>98</u>	<u>1,147</u>

7. FINANCE COSTS

	For the three months		For the nine months	
	ended 31 December		ended 31 December	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
Interest on:				
– Unsecured other borrowings	63	–	170	–
– Lease liabilities	133	138	451	431
	<u>196</u>	<u>138</u>	<u>621</u>	<u>431</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	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Salaries and wages included in cost of sales	629	799	1,782	1,712
Salaries and wages included in administrative expenses:				
Directors' emoluments (including contribution to defined contribution plans)	826	818	2,453	2,459
Salaries, wages and other benefits (excluding directors' emoluments)	1,275	1,653	4,132	4,791
Contribution to defined contribution plans (excluding directors)	66	62	189	175
	<u>2,796</u>	<u>3,332</u>	<u>8,556</u>	<u>9,137</u>
Cost of inventories sold	3,341	628	8,367	10,368
Auditor's remuneration	–	–	–	–
Depreciation of property, plant and equipment (Note)	1,866	2,018	5,639	6,099
Depreciation of right-of-use assets	1,431	1,590	4,296	5,086
Compensation gain on disposal/write-off of construction equipment	(15)	(259)	(199)	(1,147)
Gain on disposal of property, plant and equipment	–	–	(2)	–
Lease payments under short-term leases on premises	116	53	356	160
Gross rental income less outgoings arising from investment property	<u>(191)</u>	<u>(191)</u>	<u>(567)</u>	<u>(559)</u>

Note:

Depreciation of property, plant and equipment for the nine months ended 31 December 2022 amounted to approximately HK\$5,042,000 (nine months ended 31 December 2021: HK\$5,179,000) 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	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (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 rates regime, the first HK\$2,000,000 of profits of a qualifying group entity are taxed at 8.25% and profits above HK\$2,000,000 are taxed at 16.5%. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime continue to be taxed at a flat rate of 16.5%.

No Hong Kong profits tax has been provided as the Group has no estimated assessable profits for the nine months ended 31 December 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 information:

Loss for the period

	For the three months ended 31 December		For the nine months ended 31 December	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Loss for the purpose of basic and diluted loss per share	<u>(5,212)</u>	<u>(3,104)</u>	<u>(17,171)</u>	<u>(9,943)</u>

Number of shares

	For the three months ended 31 December		For the nine months ended 31 December	
	2022 '000 (Unaudited)	2021 '000 (Unaudited)	2022 '000 (Unaudited)	2021 '000 (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>	<u>156,780</u>	<u>156,780</u>

	For the three months ended 31 December		For the nine months ended 31 December	
	2022 <i>HK\$</i> (Unaudited)	2021 <i>HK\$</i> (Unaudited)	2022 <i>HK\$</i> (Unaudited)	2021 <i>HK\$</i> (Unaudited)
Basic and diluted	<u>(0.03)</u>	<u>(0.02)</u>	<u>(0.11)</u>	<u>(0.06)</u>

Since there were no potential dilutive shares in issue during the nine months ended 31 December 2022 and 2021, 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 2022 (nine months ended 31 December 2021: Nil).

12. SHARE CAPITAL

	Number of ordinary shares '000	Share capital HK\$'000
Issued and fully paid: As at 1 April 2021, 31 December 2021, 1 April 2022 and 31 December 2022 (unaudited)	<u>156,780</u>	<u>205,523</u>

13. CAPITAL COMMITMENT

The Group did not have any significant capital commitments as at the end of the reporting period.

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:

Related party relationship	Nature of transaction	For the nine months ended 31 December	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Hong Kong ChaoShang Group Limited ("ChaoShang"), a substantial shareholder of the Company	Rental payable in relation to the office premises	1,778	162
Related companies controlled by ChaoShang	Commission income	<u>(30)</u>	<u>(10)</u>

(b) Compensation of key management personnel

The remuneration of key management personnel of the Group during the nine months ended 31 December 2022 and 2021 is as follows:

	For the nine months ended 31 December	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Salaries, allowances and other benefits	3,839	3,839
Contributions to retirement benefits scheme	<u>81</u>	<u>87</u>
	<u>3,920</u>	<u>3,926</u>

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 and provision of related installation services, (iii) sourcing and merchandising of fine and rare wines and (iv) provision of financial services comprising securities and money lending business.

FINANCIAL REVIEW

Revenue

The Group recorded a total revenue for the nine months ended 31 December 2022 of approximately HK\$42.4 million (nine months ended 31 December 2021: HK\$46.4 million), representing a decrease of approximately HK\$4.0 million as compared with the last corresponding period.

Breakdown of revenue by segments is as follows:

	For the nine months ended 31 December	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Design, fitting out and engineering services	35,408	26,828
Leasing of construction equipment	5,501	11,113
Wines merchandising	1,090	8,088
Financial services	439	417
	<u>42,438</u>	<u>46,446</u>

Breakdown of revenue by geographical locations is as follows:

	For the nine months ended 31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Hong Kong	41,466	45,125
The PRC	972	1,321
	<u>42,438</u>	<u>46,446</u>

The revenue generated from the design, fitting out and engineering services amounted to approximately HK\$35.4 million for the nine months ended 31 December 2022, representing an increase of approximately HK\$8.6 million when compared with the revenue for the nine months ended 31 December 2021 of approximately HK\$26.8 million. Such increase was mainly attributed to the increase in number of the public housing estates awarded alongside with the commencement of a new 3-year term contract during the period.

The revenue arising from the leasing of construction equipment was decreased from approximately HK\$11.1 million for the nine months ended 31 December 2021 to approximately HK\$5.5 million for the nine months ended 31 December 2022, representing a decrease of approximately HK\$5.6 million. The decrease was mainly attributed to the slowdown of the economic recovery of Hong Kong, due to the erratic development of the COVID-19 pandemic, which affects the lease out rate of the scaffolding equipment of the Group. The decrease was also caused by the consequential decrease in the related installation services work rendered by the Group during the period.

There was a drop in the wines merchandising from approximately HK\$8.1 million for the nine months ended 31 December 2021 to approximately HK\$1.1 million for the nine months ended 31 December 2022. The decrease was mainly due to fewer orders from the existing customers during the period as a result of the erratic development of the COVID-19 pandemic 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 2022, the Group recorded a gross profit of approximately HK\$4.1 million (nine months ended 31 December 2021: HK\$9.0 million) representing a decrease of approximately HK\$4.9 million as compared with the last corresponding period. The Group's overall gross profit margin was approximately 10% (nine months ended 31 December 2021: 19%).

Gross profit by segments is as follows:

	Gross profit for the nine months ended 31 December	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Design, fitting out and engineering services	3,201	4,850
Leasing of construction equipment	299	3,489
Wines merchandising	191	218
Financial services	439	417
	<u>4,130</u>	<u>8,974</u>

The decrease in the Group's gross profit of approximately HK\$4.9 million was mainly attributed to a drop in the gross profit of approximately HK\$1.7 million from the design, fitting out and engineering services together with a drop in the gross profit of approximately HK\$3.2 million from the leasing of construction equipment when compared with that of the last corresponding period. Such decrease in gross profit was mainly due to (i) the increase in cost of design, fitting out and engineering services rendered and the increase in proportion of revenue generated from public housing maintenance, improvement and vacant flat refurbishment works and services which has lower gross profit margin as compared with other design, fitting out and engineering services projects; and (ii) the fierce industry competition in the leasing of construction equipment business and the slowdown of the local economy recovery resulting from the erratic development of the COVID-19 pandemic, which in turn, affects the lease out rate of the scaffolding equipment and the provision of the related installation services by the Group.

The gross profit from the two segments of the wines merchandising and the financial services businesses was maintained at the similar level when compared with that of the last corresponding period.

Loss for the period

During the nine months ended 31 December 2022, the Group recorded a loss for the period of approximately HK\$17.0 million, representing an increase of approximately HK\$7.1 million when compared with the loss of approximately HK\$9.9 million for the last corresponding period.

The increase in the Group's loss for the period was mainly attributed to (i) the decrease in gross profit generated from the design, fitting out and engineering services and the leasing of construction equipment of approximately HK\$4.9 million; (ii) the increase in project management fee of approximately HK\$2.0 million for supervision and provision of management and administration services including insurance coverage, quantity surveying, etc. in relation to the increase in public housing estate works and maintenance services provided and (iii) the one-off allowance for settlement of trade and other receivables of approximately HK\$1.0 million.

BUSINESS REVIEW AND PROSPECTS

Design, fitting out and engineering services

During the nine months ended 31 December 2022, the Group recorded revenue from the design, fitting out and engineering services of approximately HK\$35.4 million, of which, revenue generated from the provision of public housing maintenance, improvement and vacant flat refurbishment works and services amounted to approximately HK\$27.4 million, representing an increase of approximately 119% when compared with that of the last corresponding period. Such increase was mainly attributable to the increase in number of the public housing estates awarded alongside with the commencement of the new 3-year term contract during the period.

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.

Besides the public housing maintenance, improvement and vacant flat refurbishment works and services, the Group continues to establish and maintain business relationship with the existing individual or commercial customers as well as other contractors for the provision of design, fitting out and engineering services. Apart from fitting out works, the Group has commenced a waterproofing works and maintenance services contract from the Housing Authority which is expected to be completed in the coming quarter or early next financial year. The Group has further been invited to submit tenders and is optimistic to secure further waterproofing works and maintenance services contracts from the Housing Authority.

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 from the private sector were with lower contract sum when compared with the corresponding period in the last year. Nevertheless, following the relaxation and resumption to normal in response to the COVID-19 pandemic, the management is optimistic on the recovery of the local economy and the business opportunities arising therefrom.

Leasing of construction equipment

Due to the erratic development of the COVID-19 pandemic leading to the slowdown of the local economic recovery, the progress of certain construction projects has been delayed, which affects the lease out rate of the Group's scaffolding equipment. During the nine months ended 31 December 2022, rental income from the leasing of scaffolding equipment was decreased by HK\$5.6 million as compared with that of the last corresponding period.

The Group has been actively seeking for potential customer(s) and negotiating with both existing and potential customers for new rental orders during the period. Although the Group has concluded certain rental orders with customers, the project size was smaller than those of the last corresponding period.

The Group has been making effort in fostering and maintaining the business relationship and cooperations with the existing customers in order to have recurring orders from the existing customers. Following the relaxation and resumption to normal in response to the COVID-19 pandemic, the Group is optimistic that the local economy would be recovered and construction works will gradually be increased over time. The management expects certain of the lag-up construction projects would catch up their progress, leading to increase in demand for the scaffolding equipment.

Wines merchandising

Despite certain measures in response to the COVID-19 pandemic on restriction of social gathering and operation of food and beverage facilities have been relaxed during the period, the end customers' consumption of fine and rare wines had been affected, resulting with a decrease of the Group's revenue from the wines merchandising.

As previously reported, the reallocation of the Group's resources to the design, fitting out and engineering services business and the leasing of construction equipment further compounded the decrease in revenue from the wines merchandising.

The Group expects the wines merchandising would be carried out at a moderate level in the short run.

Financial services

The provision of financial services business comprises securities business and money lending business.

Securities business

The Group is engaged in the securities business through its wholly owned subsidiary, which is a licensed corporation regulated by the Securities and Futures Commission of Hong Kong.

The Group continues to carry out the securities business at a prudent management approach and recognises commission income from the introducing brokerage services during the nine months ended 31 December 2022.

Money lending business

The money lending business was carried out by a wholly owned subsidiary (the “Subsidiary”) of the Company under the money lenders licence granted by the licensing court in Hong Kong pursuant to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).

The Subsidiary focuses on potential corporate or personal borrowers including well-established business and wealthy and reputable individuals ranged from executives, businessmen and professionals. The potential borrower(s) are generally induced through (i) the management team of the Group; (ii) direct approaches from potential borrowers; and (iii) referral from existing borrower(s). The Group adopts a prudent approach to carry out the money lending business with sourcing of its funds from internally generated cash resources.

Before granting loans to potential borrower(s), the Group uses an internal credit assessment process to assess the potential borrower’s credit quality and defines credit limits granted to borrowers. Limits attributed to borrowers are reviewed by the management regularly.

As at 31 December 2022, the loan portfolio consisted of two unsecured loans with principal amount of HK\$3 million each. All the borrowers, and their ultimate beneficial owners (if applicable), of the outstanding loans are independent third parties of the Group. The loans were made in prior year which are unsecured, interest-bearing at 9% per annum and have been matured for repayment.

The Group has established its money lending policies/manuals (the “Manuals”), including the procedures in relation to the implementation of Anti-Money Laundering and Counter-Terrorist Financing System and credit assessment procedure to regulate the money lending business operation to ensure a comprehensive risk management so as to safeguard the Group’s and, most importantly, the shareholders’ interest.

In general, each loan application must go through three stages before granting to the borrower, namely (i) document collection and verification; (ii) credit risk assessment; and (iii) approval. The Manuals has set out, among others, (i) a list of documents and information required for each loan application; (ii) the general framework of the credit assessment process including but not limited to the factors to be considered such as the applicant's background, financial and repayment abilities, credit worthiness and intended use of the loan; and (iii) the approval authorisation for each type of loan application.

All loans being granted should be approved, on a case-by-case basis including a set of standardised know-your-customer procedures and due diligence process. During the process, the management team of the Subsidiary should obtain and verify the income proof/cash flow proof of the applicant, and if securities/collateral involved, the asset proof.

The Manuals further provide the guideline for dealing with loan and interest repayment of default. Generally, the designated officer of the Subsidiary shall first remind the borrower prior to the due date of the loan. Should the borrower fail to repay the loan and interests promptly, the Manuals set out the loan collection procedure to monitor the recoverability of the loan on an ongoing basis.

The Group recognises the impairment loss under HKFRS 9 expected credit loss ("ECL") model on loans and interest receivables for each of the reporting periods. When estimating the ECL on loan and interest receivables, the Group has considered the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis by comparing the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. The Group has also taken into account forwarding-looking information including actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparties' ability to meet its obligations. As at the end of the reporting period, a provision for ECL of approximately HK\$0.8 million was recognised.

The Board is of the view that the above-mentioned methodology and the basis applied were common and widely used in the market and such approach in measuring the ECL on loan and interest receivables is consistent with practice adopted by Group. The Board considers such methodology and the basis applied are fair and reasonable.

The Group would conduct regular review and carry out follow up actions (on a quarterly and continuing basis) in respect of overdue amounts to minimise the Group's exposure to credit risk and follow up closely with its borrowers as to the deadlines in payment of interest of the loans. An aging analysis of the debtors is prepared on a monthly basis and is closely monitored to minimise any credit risk associated with these debtors. The management team will in turn report the status of the Subsidiary's loan portfolio to the Board monthly, such that the Board may closely monitor the loan portfolio and continue to adopt risk control and management strategies while broadening the customer base.

LIQUIDITY AND FINANCIAL RESOURCES

During the nine months ended 31 December 2022, the Group financed its operations by its internal resources and interest-bearing borrowings. As at 31 December 2022, the Group had net current assets of approximately HK\$7.6 million (31 March 2022: HK\$14.0 million), including cash and bank balances of approximately HK\$6.0 million (31 March 2022: HK\$6.2 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 1.3 times as at 31 December 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 nine months ended 31 December 2022. Total equity attributable to owners of the Company amounted to approximately HK\$55.4 million as at 31 December 2022 (31 March 2022: HK\$72.4 million).

As at 31 December 2022, the Group's borrowings comprised lease liabilities of approximately HK\$10.2 million (31 March 2022: HK\$15.4 million) and interest-bearing borrowings of HK\$5 million (31 March 2022: Nil). The Group's gearing ratio, calculated by dividing total borrowings by total equity, was approximately 27.4% (31 March 2022: 21.3%). The increase in the gearing ratio was mainly attributable to the increase in interest-bearing borrowings during the current period.

DIVIDEND

The Directors do not recommend the payment of any dividend for the nine months ended 31 December 2022.

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 2022, the Group did not pledge any of its assets.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any significant contingent liabilities.

COMMITMENTS

The Group did not have any significant commitments as at 31 December 2022.

SIGNIFICANT ACQUISITION AND DISPOSAL

There has been no significant acquisition and disposal of subsidiaries or assets of the Group during the nine months ended 31 December 2022.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group employed 35 (31 December 2021: 45) 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 2022 (including emoluments and salaries to staff and Directors and MPF contributions) was approximately HK\$8.6 million (nine months ended 31 December 2021: HK\$9.1 million). The slight decrease in the remuneration was mainly due to decrease 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 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 nine months ended 31 December 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 nine months ended 31 December 2022. 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 2022.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

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

COMPETING INTERESTS

During the nine months ended 31 December 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:

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 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 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 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 February 2023

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 for at least 7 days from the date of its posting and on the website of the Company at www.royalcentury.hk.