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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 2023

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 2023

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 2023, together with the comparative unaudited figures for the corresponding period in 2022:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED 30 JUNE 2023

	<i>Notes</i>	For the three months ended 30 June	
		2023 <i>HK\$’000</i> (Unaudited)	2022 <i>HK\$’000</i> (Unaudited)
Revenue	4	13,720	11,716
Cost of sales/services rendered		<u>(9,806)</u>	<u>(10,626)</u>
Gross profit		3,914	1,090
Other income	5	244	353
Other gains/(losses), net	6	121	(20)
Reversal of allowance for ECL on loan and interest receivables		–	21
Allowance for ECL on trade receivables		(309)	(857)
Allowance for ECL on contract assets		(15)	(1)
Administrative expenses		(5,755)	(6,369)
Finance costs	7	<u>(163)</u>	<u>(205)</u>
Loss before tax	8	(1,933)	(5,988)
Income tax expense	9	<u>–</u>	<u>–</u>

	For the three months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
<i>Notes</i>	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company	(1,933)	(5,988)
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	<u>34</u>	<u>128</u>
Total comprehensive loss for the period attributable to owners of the Company	<u>(1,899)</u>	<u>(5,860)</u>
Loss per share		
Basic and diluted (HK\$)	<i>10</i> <u>(0.01)</u>	<u>(0.04)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 30 JUNE 2023

	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 2023</i>				
At 1 April 2023 (audited)	205,523	(157,523)	(18)	47,982
Loss for the period	–	(1,933)	–	(1,933)
Other comprehensive loss for the period	–	–	34	34
Total comprehensive loss for the period	–	(1,933)	34	(1,899)
At 30 June 2023 (unaudited)	<u>205,523</u>	<u>(159,456)</u>	<u>16</u>	<u>46,083</u>
<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)
At 30 June 2022 (unaudited)	<u>205,523</u>	<u>(138,947)</u>	<u>(26)</u>	<u>66,550</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 30 JUNE 2023

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 2023.

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the three months ended 30 June 2023 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 2023 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 2023 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 2023 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 2023 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2023, 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 2023:

Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</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-current¹</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants¹</i>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture²</i>
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback¹</i>

¹ *Effective for annual periods beginning on or after 1 January 2024*

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 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Design, fitting out and engineering services income	9,330	9,790
Rental and installation services income from leasing of construction equipment	2,996	1,660
Sale of fine and rare wines	1,260	125
Interest income from money lending	134	136
Commission income from introducing brokerage services	–	5
	13,720	11,716
Revenue from contracts with customer within HKFRS 15:		
Revenue recognised at a point in time		
– Sale of fine and rare wines	1,260	125
– Commission income from introducing brokerage services	–	5
Revenue recognised over time		
– Design, fitting out and engineering services income	9,330	9,790
– Installation services income from leasing of construction equipment	–	–
	10,590	9,920
Revenue from other sources:		
Rental income from leasing of construction equipment	2,996	1,660
Interest income from money lending	134	136
Total segment revenue	13,720	11,716

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 2023

	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>9,330</u>	<u>2,996</u>	<u>1,260</u>	<u>134</u>	<u>13,720</u>
Segment profit/(loss)	<u>(185)</u>	<u>(307)</u>	<u>331</u>	<u>(27)</u>	(188)
Unallocated:					
Other income					244
Other gains (losses), net					-
Central administrative costs					(1,948)
Finance costs					<u>(41)</u>
Loss before tax					<u>(1,933)</u>

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>

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

5. OTHER INCOME

	For the three months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Bank interest income	6	–
Rental income	229	216
Government subsidies (<i>Note</i>)	–	128
Sundry income	9	9
	<u>244</u>	<u>353</u>

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

6. OTHER GAINS/(LOSSES), NET

	For the three months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Compensation gain on disposal/ write-off of construction equipment	121	81
Gain on disposal of property, plant and equipment	–	2
Loss on dissolution of a subsidiary	–	(103)
	<u>121</u>	<u>(20)</u>

7. FINANCE COSTS

	For the three months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on:		
– Lease liabilities	99	161
– Unsecured other borrowings	64	44
	<u>163</u>	<u>205</u>

8. LOSS BEFORE TAX

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

	For the three months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Salaries and wages included in cost of sales/services rendered	519	569
Salaries and wages included in administrative expenses:		
Directors' emoluments (including contribution to defined contribution plans)	658	818
Salaries, wages and other benefits (excluding directors' emoluments)	1,677	1,474
Contribution to defined contribution plans (excluding directors' emoluments)	48	65
	<u>2,902</u>	<u>2,926</u>
Cost of inventories sold	1,928	2,100
Auditor's remuneration	–	–
Depreciation of property, plant and equipment (<i>Note</i>)	1,738	1,903
Depreciation of right-of-use assets	1,432	1,432
Compensation gain on disposal/write-off of construction equipment	(121)	(81)
Gain on disposal of property, plant and equipment	–	(2)
Lease payments under short-term leases on premises	83	136
Gross rental income less outgoings	<u>(178)</u>	<u>(183)</u>

Note:

Depreciation of property, plant and equipment for the three months ended 30 June 2023 amounted to approximately HK\$1,549,000 (three months ended 30 June 2022: HK\$1,698,000) 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	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong profits tax	–	–
Deferred tax	–	–
	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>

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 three months ended 30 June 2023 and 2022.

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	
	2023	2022
	<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>(1,933)</u>	<u>(5,988)</u>

Number of shares

	For the three months ended 30 June	
	2023	2022
	'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	
	2023	2022
	<i>HK\$</i>	<i>HK\$</i>
	(Unaudited)	(Unaudited)
Basic and diluted	<u>(0.01)</u>	<u>(0.04)</u>

Since there were no potential dilutive shares in issue during the three months ended 30 June 2023 and 2022, 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 2023 (three months ended 30 June 2022: 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	
		2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)
Hong Kong ChaoShang Group Limited ("ChaoShang"), a substantial shareholder of the Company	Rental expenses in relation to the office premises	486	486
Related companies controlled by ChaoShang	Commission income	—	(5)
		<u>486</u>	<u>(5)</u>

(b) Compensation of key management personnel

The remuneration of key management personnel of the Group during the three months ended 30 June 2023 and 2022 is as follows:

	For the three months ended 30 June	
	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)
Salaries, allowances and other benefits	1,103	1,280
Contributions to retirement benefits scheme	21	27
	<u>1,124</u>	<u>1,307</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 2023 of approximately HK\$13.7 million (three months ended 30 June 2022: HK\$11.7 million), representing an increase of approximately HK\$2.0 million as compared with the last corresponding period.

Breakdown of revenue by segments is as follows:

	For the three months ended 30 June	
	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)
Design, fitting out and engineering services	9,330	9,790
Leasing of construction equipment	2,996	1,660
Sourcing and merchandising of fine and rare wines	1,260	125
Financial services	134	141
	<u>13,720</u>	<u>11,716</u>

Breakdown of revenue by geographical locations is as follows:

	For the three months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Hong Kong	13,720	11,716
The PRC	—	—
	<u>13,720</u>	<u>11,716</u>

The increase in the Group's total revenue was mainly attributed by the increase in revenue from (i) the leasing of construction equipment business and (ii) the wine merchandising business. Whilst the revenue from the design, fitting out and engineering services business was maintained at a comparable level as that of the last corresponding period.

The design, fitting out and engineering services business recorded a revenue of approximately HK\$9.3 million for the three months ended 30 June 2023 representing a slightly decrease of approximately HK\$0.5 million from that of the last corresponding period of approximately HK\$9.8 million.

The revenue generated from the leasing of construction equipment business for the three months ended 30 June 2023 was approximately HK\$3.0 million, representing an increase of approximately HK\$1.3 million as compared with that of the last corresponding period of approximately HK\$1.7 million. Such increase was due to the confirmation of new rental orders and the delivery of the related scaffolding equipment during the current period.

Besides, the wine merchandising business recorded a revenue of approximately HK\$1.3 million for the three months ended 30 June 2023, representing an increase of approximately HK\$1.2 million as compared with that of last corresponding period of approximately HK\$0.1 million. Such increase was mainly due to the increase in the value of orders received starting from the fourth quarter of last year.

During the three months ended 30 June 2023, the financial services business remained in operating at a steady level as compared with the last corresponding period.

Gross profit for the period

For the three months ended 30 June 2023, the Group recorded a gross profit of approximately HK\$3.9 million (three months ended 30 June 2022: HK\$1.1 million), representing an increase of approximately HK\$2.8 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	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Design, fitting out and engineering services	1,973	996
Leasing of construction equipment	1,447	(100)
Sourcing and merchandising of fine and rare wines	360	53
Financial services	134	141
	<hr/>	<hr/>
	<u>3,914</u>	<u>1,090</u>

The overall increase in the Group's gross profit was mainly attributed by the increase in the gross profit from (i) the design, fitting out and engineering services business of approximately HK\$1.0 million; (ii) the leasing of construction equipment business of approximately HK\$1.5 million and (iii) the wine merchandising business of approximately HK\$0.3 million.

The increase in gross profit from the design, fitting out and engineering services business for the three months ended 30 June 2023 was mainly due to (i) the increase in gross profit margin from the fitting out projects and (ii) the improvement in cost control of 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, the leasing of construction equipment business recorded a turn-around gross profit of approximately HK\$1.4 million for the three months ended 30 June 2023 from gross loss of approximately HK\$0.1 million for the last corresponding period. Such gross profit was mainly attributed by the confirmation of new rental orders and the delivery of related scaffolding equipment, resulting with the increase 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 was increased from approximately HK\$0.1 million for the three months ended 30 June 2022 to approximately HK\$0.4 million for the current period mainly due to the increase in the value of the order received.

The gross profit from the provision of financial services business for the three months ended 30 June 2023 was maintained at a steady level as those of the last corresponding period.

Loss for the period

During the three months ended 30 June 2023, the Group recorded a loss of approximately HK\$1.9 million (three months ended 30 June 2022: HK\$6.0 million), representing a decrease of approximately HK\$4.1 million.

Such significant decrease in loss for the period was mainly attributed by the increase in the Group's overall gross profit of approximately HK\$2.8 million, the decrease in provision for allowance of expected credit losses of approximately HK\$0.5 million and the decrease in administrative costs of approximately HK\$0.6 million.

BUSINESS REVIEW AND PROSPECTS

Design, fitting out and engineering services business

During the three months ended 30 June 2023, the Group recorded a revenue of approximately HK\$9.3 million from the design, fitting out and engineering services business, representing a decrease of approximately HK\$0.5 million as compared with that of the last corresponding period.

The revenue arising from the provision of public housing maintenance, improvement and vacant flat refurbishment works and services amounted to approximately HK\$8.3 million, representing an increase of approximately HK\$1.1 million when compared with the revenue of approximately HK\$7.2 million for the last corresponding period.

Besides, the Group recorded a revenue of approximately HK\$1.1 million from other design, fitting out and engineering contracts during the three months ended 30 June 2023. The Group was continuously invited by the Hong Kong Housing Authority to submit tender(s) in respect of waterproofing and reroofing 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

During the three months ended 30 June 2023, the Group had rental income from the leasing of scaffolding equipment of approximately HK\$3.0 million which was increased 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 delivered the scaffolding equipment during the current period which attributed to the significant increase in rental income recognised. 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 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 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 2023, revenue from the wine merchandising business was increased to approximately HK\$1.3 million. The social and business environment has been improving in response to the resumption to normal after the release of the restriction of social gathering and the operations of food and beverage facilities during the COVID-19 pandemic. This led to the increase in the consumption of fine and rare wines by the end customers.

The Group had received more sales orders since the fourth quarter of last year and 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 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 with a prudent management approach and no commission income was recognised from the introducing brokerage services during the three months ended 30 June 2023.

Money lending business

The Money lending business focuses on potential corporate or personal borrowers including well-established business and wealthy and reputable individuals ranging 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 30 June 2023, 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 granted 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 forward-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\$1.5 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 basis and continuing basis, if necessary) 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 minimize any credit risk associated with these debtors. The management team will in turn report the status of the Group'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 three months ended 30 June 2023, the Group financed its operations by its internal resources and debt financing. As at 30 June 2023, the Group had net current assets of approximately HK\$30.5 million (31 March 2023: HK\$31.2 million), including cash and bank balances of approximately HK\$4.4 million (31 March 2023: HK\$5.9 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 2.1 times as at 30 June 2023 (31 March 2023: 2.1 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 2023. Total equity attributable to owners of the Company amounted to approximately HK\$46.1 million as at 30 June 2023 (31 March 2023: HK\$48.0 million).

As at 30 June 2023, the Group's borrowing comprised lease liabilities of approximately HK\$7.2 million (31 March 2023: 9.5 million) and other borrowings of HK\$5.0 million (31 March 2023: HK\$5.0 million). The Group's gearing ratio, calculated by dividing total borrowings by total equity, was approximately 26.5% (31 March 2023: 30.3%). The decrease in gearing ratio during the current period was mainly due to the decrease in lease liabilities.

DIVIDEND

The Directors do not recommend the payment of any dividend for the three months ended 30 June 2023.

CHARGES ON GROUP ASSETS

As at 30 June 2023, the Group did not pledge any of its assets.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any significant contingent liabilities.

SIGNIFICANT ACQUISITION AND DISPOSAL

Save for the disposal of investment property of approximately HK\$29.5 million on 31 March 2023 which was approved by the shareholders of the Company at an extraordinary general meeting held on 21 July 2023 and is subject to the completion on or before 29 September 2023, there has been no other significant acquisition and disposal of subsidiaries or assets of the Group during the three months ended 30 June 2023.

COMMITMENT

Capital commitments

As at 30 June 2023, the Group did not have any capital commitments.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group employed 32 (30 June 2022: 35) 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 2023 (including emoluments and salaries to staff and Directors and MPF contributions) was approximately HK\$2.9 million (three months ended 30 June 2022: HK\$2.9 million). There was no material change during the period.

DIRECTORS' RIGHT TO ACQUIRE SHARES

At no time during the three months ended 30 June 2023 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 2023.

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 2023. 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 2023.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the three months ended 30 June 2023, 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 2023.

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 2023, the Company has maintained the public float required by the GEM Listing Rules.

COMPETING INTERESTS

During the three months ended 30 June 2023 and up to the date of this announcement, a Director's interests in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business that need to be disclosed pursuant to Rule 11.04 of the GEM Listing Rules were as follows:

Director	Name of company	Nature of business	Nature of interests
Mr. Chan Chi Yuen	Hong Kong ChaoShang Group Limited ("HK ChaoShang") and its subsidiaries	Money lending business and securities and asset management business	Executive director and chief executive officer of HK ChaoShang

As the Board is independent to the boards of directors of the abovementioned companies, the Group is capable of carrying on its business independently to, and at arm's length, from the business of those companies.

Save as disclosed above, none of the Directors was interested in any business (apart from the Group's business) which competed or was likely to compete, either directly or indirectly, with the business of the Group during the three months ended 30 June 2023.

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 2023 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 2023

As at the date of this announcement, the executive Directors are Mr. Chan Chi Yuen and Mr. Wang Jun; 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.