# Royal China International Holdings Limited

# 皇中國際控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1683)**

## ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2017

The board (the "**Board**") of directors (the "**Directors**") of Royal China International Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred hereafter as the "**Group**") for the six months ended 31 March 2017, together with the comparative unaudited figures for the six months ended 31 March 2016 as follows:

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

*For the six months ended 31 March 2017*

| | | Six months ended 31 March | |
|---|---|---|---|
| | | **2017** | 2016 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| | | **Unaudited** | Unaudited |
| Revenue | 4 | **43,248** | 61,950 |
| Cost of sales | | **(20,454)** | (42,091) |
| Gross profit | | **22,794** | 19,859 |
| Other revenue and other gains | 5 | **694** | 1,096 |
| Other operating expenses | | **(1,718)** | (629) |
| Administrative expenses | | **(13,189)** | (10,156) |
| Profit before taxation | 6 | **8,581** | 10,170 |
| Taxation | 7 | **(2,108)** | (1,552) |
| Profit and total comprehensive income for the period | | **6,473** | 8,618 |
| Profit and total comprehensive income for the period attributable to owners of the Company | | **6,473** | 8,618 |
| Earnings per share: | | | |
| Basic and diluted (HK cents) | 9 | **1.3** | 1.7 |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*As at 31 March 2017*

| | *Notes* | **As at 31 March 2017** *HK$'000* **Unaudited** | As at 30 September 2016 *HK$'000* Audited |
|---|---|---|---|
| **Non-current asset** | | | |
| Property, plant and equipment | | **3,069** | 3,878 |
| **Current assets** | | | |
| Trade receivables | 10 | **10,997** | 10,276 |
| Amounts due from customers for contract work | 11 | **–** | 919 |
| Deposits, prepayments and other receivables | | **4,715** | 3,765 |
| Cash and bank balances | | **156,142** | 154,235 |
| | | **171,854** | 169,195 |
| **Current liabilities** | | | |
| Trade payables | 12 | **4,846** | 6,629 |
| Amounts due to customers for contract work | 11 | **3,663** | 726 |
| Accrued expenses and other payables | | **3,049** | 1,448 |
| Income tax payable | | **279** | 7,657 |
| | | **11,837** | 16,460 |
| **Net current assets** | | **160,017** | 152,735 |
| **Total assets less current liabilities** | | **163,086** | 156,613 |
| **Net assets** | | **163,086** | 156,613 |
| **Capital and reserves** | | | |
| Share capital | | **5,000** | 5,000 |
| Reserves | | **158,086** | 151,613 |
| **Total equity** | | **163,086** | 156,613 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 31 March 2017*

## 1. GENERAL INFORMATION

Royal China International Holdings Limited (formerly known as LC Group Holdings Limited) (the "**Company**") was incorporated in Cayman Islands on 19 January 2015 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at 21/F, Wyndham Place, No. 44 Wyndham Street, Central, Hong Kong.

The Company had its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 8 September 2015.

The Company is an investment company. The Company and its subsidiaries (collectively referred hereafter as the "**Group**") are principally engaged in one-stop integrated interior design solutions including design, fit out and decoration as well as overall project management.

The condensed consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise stated.

## 2. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 31 March 2017 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 30 September 2016.

## 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 March 2017 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 September 2016. In the current period, the Group has adopted all the new and revised HKFRSs issued by HKICPA that are relevant to its operation and effective for its accounting year beginning on 1 October 2016, comprise HKFRSs; Hong Kong Accounting Standards ("**HKAS**") and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's unaudited condensed consolidated interim financial statements and amounts reported for the current period and prior years.

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective in the interim condensed consolidated financial statements:

| | |
|---|---|
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2014 – 2016 Cycle[5] |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions[2] |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2] |
| HKFRS 9 | Financial Instruments[2] |
| Amendments to HKFRS 10 and HKAS 28 (2011) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4] |
| HKFRS 15 | Revenue from Contracts with Customers[2] |
| Amendments to HKFRS 15 | Clarifications to HKFRS 15 Revenue from Contracts with Customers[2] |
| HKFRS 16 | Lease[3] |
| Amendments to HKAS 7 | Disclosure Initiatives[1] |
| Amendments to HKAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses[1] |

1 Effective for annual periods beginning on or after 1 January 2017.
2 Effective for annual periods beginning on or after 1 January 2018.
3 Effective for annual periods beginning on or after 1 January 2019.
4 No mandatory effective date yet determined but available for adoption.
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

The directors are in the process of assessing the possible impact on the future adoption of the new and revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Company's interim condensed consolidated financial statements.

## 4. REVENUE AND SEGMENT INFORMATION

The executive directors of the Company, being the chief operating decision-makers, review the Group's internal reporting in order to assess performance and allocate resources. The Group focuses on provision of design, fit out and decoration services. Information reported to the chief operating decision marker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

A brief description of each of our services is as follows:

| | |
|---|---|
| Design service | conceptual design of space's interior |
| Fit out service | coordinate, manage and arrange for fit out works to be subcontracted |
| Decoration service | accessorising of the interior space |

**Revenue from major services**

The Group's revenue from its major services during the period is as follows:

| | Six months ended 31 March | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| | **Unaudited** | Unaudited |
| Design and/or decoration service income | **19,842** | 8,502 |
| Design, fit out and decoration service income | **23,406** | 53,448 |
| | **43,248** | 61,950 |

**Geographical information**

The Group's operations are located in Hong Kong, People's Republic of China (the "**PRC**"), Singapore and Macau.

The Group's geographical segments are classified according to the location of customers. There are four customer-based geographical segments. Segment revenue from external customers by the location of customer during the period is as follows:

**Revenue from external customers**

| | Six months ended 31 March | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| | **Unaudited** | Unaudited |
| Hong Kong | **13,982** | 53,568 |
| PRC | **28,212** | 7,404 |
| Singapore | **–** | 978 |
| Macau | **1,054** | – |
| | **43,248** | 61,950 |

The Group's geographical segments are also classified by the location of assets, information about its non-current assets by geographical location are detailed below:

**Non-current assets**

| | **As at 31 March 2017** | As at 30 September 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **Unaudited** | Audited |
| Hong Kong | **3,069** | 3,878 |

**Information about major customers**

Revenue from customers of the corresponding periods contributing over 10% of the total revenue of the Group are as follows:

| | Six months ended 31 March | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| | **Unaudited** | Unaudited |
| Customer A | **–** | 30,129 |
| Customer B | **8,305** | 11,456 |
| Customer C | **12,180** | 7,766 |
| Customer D | **8,026** | – |
| Customer E | **5,803** | – |
| Customer F | **4,943** | – |

## 5. OTHER REVENUE AND OTHER GAINS

| | Six months ended 31 March | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| | **Unaudited** | Unaudited |
| **Other revenue** | | |
| Bank interest income | **144** | 367 |
| Other operating income | **550** | 478 |
| Sundry income | **–** | 131 |
| | **694** | 976 |
| **Other gains** | | |
| Exchange gain | **–** | 120 |
| | **–** | 120 |
| **Total** | **694** | 1,096 |

## 6. PROFIT BEFORE TAXATION

| | Six months ended 31 March | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| | **Unaudited** | Unaudited |
| Profit before taxation has been arrived at after charging/(crediting): | | |
| Directors' emoluments | **2,555** | 3,020 |
| Salaries, wages and other benefits (excluding directors' emoluments) | **4,716** | 4,829 |
| Pension scheme contributions (excluding directors' emoluments) | **141** | 132 |
| | **4,857** | 4,961 |
| Bad debts written off | **–** | 162 |
| Depreciation of property, plant and equipment | **554** | 684 |
| Loss on disposal of property, plant and equipment | **167** | – |
| Minimum lease payments under operating leases in respect of office premises | **1,948** | 1,464 |
| Net exchange loss/(gain) | **103** | (120) |

## 7. TAXATION

| | Six months ended 31 March | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| | **Unaudited** | Unaudited |
| Current tax: | | |
| Hong Kong | | |
| Provision for the period | **2,108** | 1,552 |
| Current tax expense | **2,108** | 1,552 |

Hong Kong Profits Tax has been provided at the rate of 16.5% (six months ended 31 March 2016: 16.5%) on the estimated assessable profits for the period.

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI during the period.

## 8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 31 March 2017 (six months ended 31 March 2016: Nil).

## 9. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 31 March 2017 is based on the profit for the period attributable to owners of the Company of HK$6,473,000 (six months ended 31 March 2016: HK$8,618,000) and the weighted average number of ordinary shares in issue of 500,000,000 (six months ended 31 March 2016: 500,000,000).

Diluted earnings per share for the six months ended 31 March 2016 and 2017 were the same as the basic earnings per share as there were no potential dilutive ordinary shares in existence during the periods.

## 10. TRADE RECEIVABLES

| | **As at 31 March 2017** | As at 30 September 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **Unaudited** | Audited |
| Trade receivables | **10,997** | 10,276 |

The Group's credit term with its customers is, in general, 7 to 45 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

The aging analysis of the trade receivables, based on the invoice date, are as follows:

| | **As at 31 March 2017** | As at 30 September 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **Unaudited** | Audited |
| Current to 30 days | **1,959** | 1,702 |
| 31 – 60 days | **2,474** | 2,744 |
| 61 – 90 days | **1,389** | 789 |
| Over 90 days | **5,175** | 5,041 |
| | **10,997** | 10,276 |

## 11. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

| | As at 31 March 2017 *HK$'000* Unaudited | As at 30 September 2016 *HK$'000* Audited |
|---|---|---|
| **Amounts due from customers for contract work** | | |
| Contract costs incurred plus recognised profits less recognised losses | **–** | 7,504 |
| Less: Progress billings received and receivable | **–** | (6,585) |
| | **–** | 919 |

| | As at 31 March 2017 *HK$'000* Unaudited | As at 30 September 2016 *HK$'000* Audited |
|---|---|---|
| **Amounts due to customers for contract work** | | |
| Progress billings received and receivable | **7,855** | 9,434 |
| Less: Contract costs incurred plus recognised profits less recognised losses | **(4,192)** | (8,708) |
| | **3,663** | 726 |

All gross amounts due from/to customers for contract work are expected to be recovered/settled within one year.

As at 31 March 2017, retention held by customers for contract work amounted to HK$825,000 (30 September 2016: HK$2,189,000).

## 12. TRADE PAYABLES

| | **As at 31 March 2017** *HK$'000* **Unaudited** | As at 30 September 2016 *HK$'000* Audited |
|---|---|---|
| Trade payables | **4,846** | 6,629 |

The aging analysis of trade payables, based on the invoice date are as follows:

| | **As at 31 March 2017** *HK$'000* **Unaudited** | As at 30 September 2016 *HK$'000* Audited |
|---|---|---|
| Current to 30 days | **680** | 1,856 |
| 31 – 60 days | **313** | 812 |
| 61 – 90 days | **414** | 483 |
| Over 90 days | **3,439** | 3,478 |
| | **4,846** | 6,629 |

The credit period on purchases of certain goods and services is within 7 to 90 days.

## 13. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 9 May 2017, Right Power Ventures Limited (the "**Purchaser**"), an indirectly wholly-owned subsidiary of the Company, entered into an agreement with Asian Pacific Capital Company Limited (the "**Vendor**") relating to the sale and purchase of the membership (the "**Membership**") of the Chinese Gold & Silver Exchange Society ("**CGSE**") (the "**Agreement**"). The consideration of HK$10 million shall be paid in cash by the Purchaser as follows:

(i) the deposit, being HK$2 million, shall be paid in cash to a solicitor firm to hold in escrow upon the signing of the Agreement; and

(ii) the balance of HK$8 million shall be paid to the solicitor firm to hold in escrow on the date following the Executive and Supervisory Committees of CGSE approves the transfer of the Membership.

For details of the acquisition of the Membership, please refer to the announcement of the Company dated 9 May 2017.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the six months ended 31 March 2017, Hong Kong property market sentiment turned downward by certain unfavorable market conditions such as the Government's demand curb measures (including sharp rise in property stamp to 15% adopt by the Hong Kong Government) and interest rate hikes in the United States of America which may increase the cost of borrowing in Hong Kong. As a result, the turnover of the Group decreased by HK$18.8 million from HK$62.0 million for the six months ended 31 March 2016 to HK$43.2 million for the six months ended 31 March 2017. However, the overall gross profit and the gross margin increased by HK$2.9 million and 20.6% from HK$19.9 million and 32.1% in the six months ended 31 March 2016 to HK$22.8 million and 52.7% in the six months ended 31 March 2017. The increase was mainly due to the strategical change by the Group to allocate more manpower and resources towards the design and/or decoration ("**DD**") projects which had higher profit margin.

The Group recorded a consolidated net profit of HK$6.5 million for the six months ended 31 March 2017, representing a decrease of HK$2.1 million as compared with consolidated net profit of HK$8.6 million for the six months ended 31 March 2016. The decrease in consolidated net profit was mainly due to the professional fee incurred for the transaction of mandatory unconditional cash offer for shares in the six months ended 31 March 2017.

### FINANCIAL REVIEW

#### Revenue

The Group is a one-stop integrated interior design solutions provider based in Hong Kong. Our integrated interior design solutions include design, fit out, and decoration. We are also responsible for the overall project management. Our customers can choose from one or a combination of our solutions. The provision of our services to our customers can be broadly classified into two major types of projects, (i) DD and (ii) design, fit out and decoration ("**DFD**").

During the six months ended 31 March 2017, the revenue of the Group decreased by 30.2% to HK$43.2 million (six months ended 31 March 2016: HK$62.0 million) from provision of one-stop integrated interior design services.

The following table set forth the breakdown of our Group's revenue by type of projects and by geographical locations:

| | **Six months ended 31 March 2017** | | Six months ended 31 March 2016 | |
|---|---|---|---|---|
| | ***HK$'000*** | *%* | *HK$'000* | *%* |
| | **Unaudited** | | Unaudited | |
| **DD** | | | | |
| PRC | **13,521** | **31.2%** | 7,404 | 12.0% |
| Hong Kong | **5,267** | **12.2%** | 120 | 0.2% |
| Singapore | **–** | **–** | 978 | 1.5% |
| Macau | **1,054** | **2.4%** | – | – |
| Subtotal | **19,842** | **45.8%** | 8,502 | 13.7% |
| **DFD** | | | | |
| PRC | **461** | **1.1%** | – | – |
| Hong Kong | **22,945** | **53.1%** | 53,448 | 86.3% |
| Subtotal | **23,406** | **54.2%** | 53,448 | 86.3% |
| Total | **43,248** | **100.0%** | 61,950 | 100.0% |

During the six months ended 31 March 2017, the major customers of the Group were mostly well established listed property developers based in Hong Kong. The revenue derived from the DFD projects in Hong Kong was the key component to the overall revenue, which amounted to HK$22.9 million for the six months ended 31 March 2017 (six months ended 31 March 2016: HK$53.4 million) representing 53.1% (six months ended 31 March 2016: 86.3%) of the overall revenue of the Group for the six months ended 31 March 2017. The revenue derived from the DFD project in Hong Kong decreased due to the Hong Kong market sentiment turned amid, the possibility for increase in US interest rate and uncertain in the economic outlook resulting in a decline in the number of sizeable DFD projects in Hong Kong.

As a result of the Hong Kong property market sentiment, the competition in the interior design industry became more keen. Therefore, DFD projects with higher the contract sum was encountered a greater extent of cut off. In order to avoid to compete with market participants for DFD projects in Hong Kong with too low profit margin, the Group strategically allocated more manpower and resources towards the DD projects in Hong Kong which involved few subcontract works and had a stable return to our Group. The revenue from the DD projects in Hong Kong increased by HK$5.2 million from HK$0.1 million for the six months ended 31 March 2016 to HK$5.3 million for the six months ended 31 March 2017.

The revenue derived from the DD projects in the PRC increased by HK$6.1 million from HK$7.4 million for the six months ended 31 March 2016 to HK$13.5 million for the six months ended 31 March 2017. There was recurring trend for the PRC customers for engaging us for our DD services without requiring fix out services.

### Gross profit and gross profit margin

The following table set forth the breakdown of our Group's gross profit and gross profit margin by type of projects and by geographical locations:

| | **Six months ended 31 March 2017** | | Six months ended 31 March 2016 | |
|---|---|---|---|---|
| | ***HK$'000*** | ***Margin (%)*** | *HK$'000* | *Margin (%)* |
| | **Unaudited** | | Unaudited | |
| **DD** | | | | |
| PRC | **10,685** | **79.0%** | 7,020 | 94.8% |
| Hong Kong | **3,781** | **71.8%** | 115 | 95.8% |
| Singapore | **–** | **–** | 325 | 33.2% |
| Macau | **980** | **93.0%** | – | – |
| Subtotal | **15,446** | **77.8%** | 7,460 | 87.7% |
| **DFD** | | | | |
| PRC | **117** | **25.4%** | – | – |
| Hong Kong | **7,231** | **31.5%** | 12,399 | 23.2% |
| Subtotal | **7,348** | **31.4%** | 12,399 | 23.2% |
| Total | **22,794** | **52.7%** | 19,859 | 32.1% |

The overall gross profit increased by HK$2.9 million from HK$19.9 million for the six months ended 31 March 2016 to HK$22.8 million for the six months ended 31 March 2017. The increase in the overall gross profit was mainly due to the significant increase in portion of total revenue derived from DD projects which had higher profit margin.

For six months ended 31 March 2017, the gross profit margin of the DD projects was 77.8%, while the gross profit margin of the DFD projects was at 31.4%. The gross profit margin of the DD projects was generally higher than that of DFD projects which require our fix out service. The DD projects involved fewer sub-contractors than the DFD projects allowing rooms for higher mark-up in consideration of the quality of our interior design solution services; and the major cost components of the DD projects were direct staff costs and drafting subcontractors cost, which were common cost components shared among all of our projects, resulting in a relatively higher gross profit margin to the DD projects. The overall gross profit margin increased by 20.6% from 32.1% in the six months ended 31 March 2016 to 52.7% in the six months ended 31 Mach 2017 due to the significant increase in portion of total revenue derived from DD projects which had high profit margin.

**Administrative expenses**

The administrative expenses increased by HK$3.0 million from HK$10.2 million for the six months ended 31 March 2016 to HK$13.2 million for the six months ended 31 March 2017. This was mainly due to the professional fee incurred in the transaction of mandatory unconditional cash offer for shares.

**Profit for the period**

As a result of the foregoing, the profit for the period decreased by HK$2.1 million from HK$8.6 million for the six months ended 31 March 2017 to HK$6.5 million for the six months ended 31 March 2017. The decrease was mainly due to the increase in the administrative expenses as explained in the section headed "Administrative expenses".

## PROSPECT

The principal risks and uncertainties of our business are highly affected by the development and growth in the property development industry as well as the performance of the property developers, and the demand for our services from the property developers could be volatile.

Uncertainty in Hong Kong property development industry is detrimental to the demand for our services from the property developers. In response to these challenges and to alleviate the possible impact from the uncertainty in Hong Kong property development industry, the Group decided to explore business opportunities in aviation and traveling business and financing services. The aviation business includes but not limited to business jet management, service of aircraft sales and pilot training service. The financing services include but not limited to aircraft leasing, assets management and precious metal trading business.

In accordance with initiative of "one belt, one road", it aims to promote the connection of infrastructure construction, strengthen economic, trade and industrial cooperation, and boost the integration in financial and other industries among more than 60 economic entities along "one belt, one road". The aviation industry will become the carrier of and be benefited from the Air Silk Road and play an important role among countries along "one belt, one road". There are tremendous development opportunities. Hence, we will pay close attention on development opportunities in the aviation industry chain and are confident in our business plan.

## HUMAN RESOURCES AND REMUNERATION POLICIES

As at 31 March 2017, the Group had 24 employees (30 September 2016: 23) in Hong Kong. The total remuneration paid by the Group to its employees (including directors) for the current financial period was HK$7.4 million (six months ended 31 March 2016: HK$8.0 million).

The objective of the Group's remuneration policy is to maintain fair and competitive packages based on business requirements and industry practice. In order to determine the level of remuneration paid to its employees (including directors and senior management), the following factors are considered:

- workload, responsibility and job complexity;
- business requirements;
- individual performance and contribution to results;
- company performance and profitability;
- retention considerations and the potential of individuals;
- corporate goals and objectives;
- market rates and changes in relevant markets, including supply and demand fluctuations and changes in competitive conditions; and
- general economic situation.

In addition to salaries, provident fund scheme and medical insurance coverage and discretionary bonuses are available to employees. Level of remuneration is reviewed annually. During the review process, no individual director is involved in decisions relating to his own remuneration.

## MATERIAL ACQUISITIONS OR DISPOSALS

During the six months ended 31 March 2017, there was no material acquisition or disposal of subsidiaries and associated companies by the Group.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2017, the Group had a total cash and bank balances of HK$156.1 million (30 September 2016: HK$154.2 million) mainly denominated in Hong Kong dollars.

The Group continued to maintain a healthy liquidity position. At as 31 March 2017, the Group had net current assets of HK$160.0 million (30 September 2016: HK$152.7 million). The Group had current ratio of approximately 14.5 times as at 31 March 2017 compared to that of approximately 10.3 times at 30 September 2016. The improvement in the Group's liquidity position was mainly attributable to the net cash generated from operating activities.

The gearing ratio of the Group is defined as a percentage of interest-bearing liabilities divided by total equity. As at 31 March 2017, the Group did not have any borrowing (30 September 2016: Nil). Hence, as at 31 March 2017, the gearing ratio was Nil (30 September 2016: Nil). The Group's working capital requirements were mainly financed by internal resources.

## FOREIGN EXCHANGE EXPOSURE

The Group mainly earns revenue in Hong Kong dollars and Renminbi and also incurs cost in Hong Kong dollars and Renminbi. The Group is exposed to foreign exchange risk with respect mainly to Renminbi which may affect the Group's performance. The management is aware of the possible exchange rate exposure due to the continuing fluctuation of Renminbi and will closely monitor its impact on the performance of the Group to see if any hedging policy is necessary. The Group currently does not have any foreign currency hedging policy.

## PLEDGE OF ASSETS

There was no pledged asset as at 31 March 2017 (30 September 2016: Nil).

## USE OF PROCEEDS FROM THE SHARE OFFER

The net proceeds from the Company's share offer in September 2015 amounted to HK$100.0 million (after deducting underwriting commissions and all related expenses). As at 31 March 2017, the Company did not utilise any of the net proceeds and deposited the entire amount of the net proceeds in bank accounts.

As disclosed in the announcement of the Company dated 9 May 2017, having considered the performance and requirements of the Group's one-stop integrated interior design solutions business and with a view to better deploy the resources of the Group, the Board has decided to re-allocate HK$15 million, representing 15% of the net proceeds from the Company's share offer, for the payment of the consideration of acquisition of ordinary membership of the Chinese Gold & Silver Exchange Society (the "**Acquisition**"), the agency and professional fee of the Acquisition and for working capital of the precious metal trading business. The originally planned usage of such amount for promoting the Group's brand by strengthening marketing efforts will be withheld and/or financed by internally generated resources of the Group.

## CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 March 2017 (30 September 2016: Nil).

## CAPITAL COMMITMENTS

The Group had no significant outstanding capital commitment as at 31 March 2017 (30 September 2016: Nil).

## CHANGE OF COMPANY NAME

With effect from 28 March 2017, the English name of the Company has changed from "LC Group Holdings Limited" to "Royal China International Holdings Limited" and the dual foreign name in Chinese of the Company has changed from "良斯集團控股有限公司" to "皇中國際控股有限公司".

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 March 2017 (six months ended 31 March 2016: Nil).

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standard of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and responsibility. The Board comprises four executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code ("**CG Code**") set out in Appendix 14 to the Listing Rules. During the six months ended 31 March 2017 and up to the date of this announcement, the Company has complied with the code provisions under the CG Code, with the deviation that the roles of the chairman of the Board (the "**Chairman**") and the chief executive officer of the Company (the "**CEO**") have not been segregated as required by code provision A.2.1 of the CG Code.

The Board is of the opinion that it is appropriate and in the best interests of the Company at the present stage for Mr. Liu Yong Sheng to continue to hold both the positions of the Chairman and the CEO as it would help to maintain the continuity of the strategy execution and stability of the operations of the Company.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Directors have adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in dealing in the Company's securities. Specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code for the six months ended 31 March 2017.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the six months ended 31 March 2017.

## AUDIT COMMITTEE

The audit committee (the "**Audit Committee**") of the Board was established on 13 August 2015. The Audit Committee comprises three independent non-executive Directors, namely Mr. YU Haizong, Mr. LIU Gang and Ms. AU Yiqing.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the unaudited condensed consolidated financial statements of the Group for the six months ended 31 March 2017.

By Order of the Board
**Royal China International Holdings Limited**
**LIU Yong Sheng**
*Chairman and Chief Executive Officer*

Hong Kong, 23 May 2017

*As at the date of this announcement, the Company's board of directors comprises Mr. LIU Yong Sheng, Mr. ZHOU Hucheng, Mr. LEONG Hing Loong Rudoff and Ms. CHEW Christina Mooi Chong as executive Directors, and Mr. LIU Gang, Mr. YU Haizong and Ms. AN Yiqing as independent non-executive Directors.*