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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)

CHANGE IN USE OF PROCEEDS

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With a view to better deploy the resources of the Group, the Board has decided to re-allocate approximately HK\$22.5 million, representing approximately 22.5% of the net proceeds from the Company's Share Offer in September 2015, towards its working capital and other general corporate purposes.

UPDATE ON USE OF PROCEEDS

Reference is made to section headed "Future plans and use of proceeds" of the prospectus of the Company dated 21 August 2015 and the announcements of the Company (the "Announcements") dated 13 April 2018, 12 July 2017 and 9 May 2017 respectively. Unless the context requires otherwise, capitalised terms used herein shall bear the same meanings as defined in the prospectus and the Announcements.

As at the date of this announcement, the Board would like to provide an update on the use of proceeds as follows:

Planned use of proceeds	Original allocation as disclosed in the prospectus of the Company <i>HK\$' million</i>	Revised allocation as announced on 13 April 2018 <i>HK\$' million</i>	Utilisation up to the date of this announcement <i>HK\$' million</i>	Remaining unutilized balances as at the date of this announcement <i>HK\$' million</i>	Proposed revised allocation as at the date of this announcement <i>HK\$' million</i>
Financing the potential acquisitions of companies and/or businesses which are primarily engaged in DFD works that complement our existing business to expand our contracting capabilities	45.0	–	–	–	–
Financing the establishment of new regional offices in the PRC	20.0	20.0	–	20.0	–
Promoting our brand by strengthening our marketing efforts to increase our market share	15.0	–	–	–	–
Recruiting high caliber talents in management, design, decoration, finance, sales and marketing and enhancing internal training to support future growth	10.0	4.9	4.9	–	–
Additional working capital and other general corporate purposes	10.0	30.0	30.0	–	22.5 (in addition to HK\$30.0 million utilized)
Precious metal trading business	–	15.0	12.5	2.5	–

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Payment of the subscription agreement of HBA dated 12 July 2017	-	5.1	5.1	-	-
Working capital for awarded, ongoing and future construction and ancillary services projects of the Group	-	25.0	25.0	-	-
	100.0	100.0	77.5	22.5	22.5
	100.0	100.0	77.5	22.5	22.5

PROPOSED CHANGE IN USE OF PROCEEDS

As shown above, part of the proceeds of approximately HK\$22.5 million from listing in September 2015 remains unutilized due to the change in corporate strategies of the Group in expansion of the PRC market. In order to take advantage of recent favorable policies by PRC government to cut company taxes and fees, the Board decided that the Group may expand the PRC market by the establishment of a subsidiary in the PRC instead of through the establishment of PRC regional offices. The business of precious metal trading has been ceased since 2018.

In order to better deploy the resources of the Group, the Board decided to re-allocate HK\$20.0 million which is originally planned for financing the establishment of new regional offices in the PRC and revised allocation of HK\$2.5 million for precious metal trading business towards the general working capital and other general corporate purposes which include rental expenses for office premise, directors' remuneration, staff salary and other corporate expenses of HK\$22.5 million. The original plans for the establishment of new regional offices in the PRC and precious metal trading business will be suspended and/or financed by internally generated resources of the Group.

The Board considers that the aforesaid proposed change in use of proceeds is in the interests of the Group and the Shareholders as a whole.

By order of the Board
Royal China International Holdings Limited
Chairman
LEONG Hing Loong Rudoff

Hong Kong, 1 April 2019

As at the date of this announcement, the Board comprises Mr. LEONG Hing Loong Rudoff, Ms. CHEW Christina Mooi Chong, Mr. SHIH Steven Chun Ning and Ms. GAO Jinyi as executive Directors; and Mr. HO Hin Yip, Mr. CHAN Kwong Ming Johnny and Mr. LU Zhuohui as independent non-executive Directors.