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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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

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 30 June 2019, together with the comparative unaudited figures for the six months ended 30 June 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

	Notes	Six months ended 30 June 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited and restated)
Continuing Operations			
Revenue	4	**48,082**	105,846
Cost of sales		**(33,476)**	(90,238)
Gross profit		**14,606**	15,608
Other revenue and other gains	5	**1,046**	727
Other operating expenses		**(610)**	(708)
Administrative expenses		**(15,879)**	(27,399)
Finance costs	6	**(77)**	–
Loss before taxation from continuing operations	7	**(914)**	(11,772)
Taxation	8	**(689)**	(596)
Loss for the period from continuing operations		**(1,603)**	(12,368)
Discontinued Operation			
Profit for the period from a discontinued operation	9	**12,361**	2,945
Profit/(loss) for the period		**10,758**	(9,423)
Profit/(loss) for period attributable to:			
Owners of the Company			
– from continuing operations		**(1,603)**	(12,368)
– from discontinued operation		**12,361**	2,199
		10,758	(10,169)
Non-controlling interests			
– from continuing operations		**–**	–
– from discontinued operation		**–**	746
		–	746
		10,758	(9,423)
Earnings/(loss) per share attributable to the owners of the Company	11		
Basic and diluted (HK cents)			
– from continuing operations		**(0.32)**	(2.47)
– from discontinued operation		**2.47**	0.44
– from continuing and discontinued operations		**2.15**	(2.03)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited and restated)
Profit/(loss) for the period	**10,758**	(9,423)
Other comprehensive income for the period, net of income tax:		
Items that may be classified subsequently to profit or loss:		
Exchange differences on translating of financial statements of foreign operations	**–**	3
Other comprehensive income for the period	**–**	3
Total comprehensive income/(loss) for the period	**10,758**	(9,420)
Total comprehensive income/(loss) for the period attributable to:		
Owners of the Company	**10,758**	(10,167)
Non-controlling interests	**–**	747
	10,758	9,420

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	**As at 30 June 2019** ***HK$'000*** **(Unaudited)**	As at 31 December 2018 *HK$'000* (Audited)
Non-current assets			
Property, plant and equipment		**2,519**	3,688
Trading licence		**10,000**	10,000
Right-of-use assets		**4,976**	–
		17,495	13,688
Current assets			
Trade receivables	12	**12,836**	14,780
Loans and interest receivables		**65,108**	–
Contract assets		**12,455**	3,964
Deposits, prepayments and other receivables	13	**7,687**	21,613
Income tax recoverable		**228**	177
Cash and bank balances		**45,819**	105,783
		144,133	146,317
Current liabilities			
Trade payables	14	**5,884**	16,021
Contract liabilities		**6,496**	873
Accrued expenses and other payables	15	**2,805**	12,401
Lease liabilities		**2,843**	–
		18,028	29,295
Net current assets		**126,105**	117,022
Total assets less current liabilities		**143,600**	130,710
Non-current liabilities			
Lease liabilities		**2,132**	–
		2,132	–
Net assets		**141,468**	130,710
Capital and reserves			
Share capital		**5,000**	5,000
Reserves		**136,468**	125,710
Equity attributable to owners of the Company		**141,468**	130,710
Non-controlling interests		**–**	–
Total equity		**141,468**	130,710

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. GENERAL INFORMATION

Royal China International 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 construction and ancillary services which include design, fitting-out, decoration, alteration and addition, construction and other related businesses, financial services and health business.

The condensed consolidated financial statements for the six months ended 30 June 2019 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 30 June 2019 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 for the six months ended 30 June 2019 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 31 December 2018.

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2018, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA for the first time for the current period's condensed consolidated financial statements:

HKAS 19 (Amendments)	*Plan Amendment, Curtailment or Settlement*
HKAS 28 (Amendments)	*Long-term Interests in Associates and Joint Ventures*
HKFRSs (Amendments)	*Annual Improvements to HKFRSs 2015-2017 Cycle*
HKFRS 9 (Amendments)	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

Impacts and changes in accounting policies of application of HKFRS 16 Leases

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustment arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019.

(a) Adjustment recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principal of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weight average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.125%.

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

– the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;

– reliance on previous assessments on whether leases are onerous;

– the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application; and

– the use of hindsight in determining the lease terms where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date of the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*.

As a lessee, the Group's leases are mainly rentals of offices, quarters and a car park. The right-of-use assets were measured at the amount equal to the lease liability and there were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

Condensed consolidated interim statement of financial position (extract)

	31 December 2018 As originally presented	**HKFRS 16**	**1 January 2019 Restated**
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Right-of-use assets	–	711	711
Current liabilities			
Lease liabilities	–	711	711

(b) The Group's leasing activities and how these accounted for

The Group's leases are mainly rentals of offices, quarters and a car park. Rental contracts are typically made for fixed periods of 1 to 2 years. Lease terms are negotiated on an individual basis and contains a wide range of different terms and conditions. The lease arrangements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, the leases of office, quarters and a car park were classified as operating leases and the payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as right-of-use assets and a corresponding liability at the date at which the leased assets is available for the use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter period of the asset's use life and the lease term on a straight-line-basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments: fixed payments (including in-substance fixed payments) and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the followings:

– the amount of the initial measurement of lease liability

– any lease payment made at or before the commencement date less any lease incentives received

– any initial direct costs, and

– restoration cost

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

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. Information reported to the chief operating decision marker, for the purpose of resources allocation and performance assessment, focuses on the types of goods or services delivered or provided.

The Group has three reportable segments under HKFRS 8 are as follows:

(a) Construction and ancillary services – design, fitting-out, decoration, alteration and addition, construction and other related businesses.

(b) Financial services – precious metal trading business, financial advisory service and money lending business.

(c) Health business – provision of health related services and products.

An analysis of revenue is as follows:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
Construction and ancillary services	**46,190**	105,846
Financial service	**1,558**	–
Health business	**334**	–
	48,082	105,846
Timing of revenue recognition:		
Over time	**47,748**	105,846
At a point in time	**334**	–
	48,082	105,846

Segment revenue and results

	Construction and ancillary services *HK$'000* (Unaudited)	Financial Services *HK$'000* (Unaudited)	Health business *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Six months ended 30 June 2019				
Segment revenue	**46,190**	**1,558**	**334**	**48,082**
Segment Result from continuing operations	**4,838**	**(1,362)**	**11**	**3,487**
Unallocated corporate income				**322**
Unallocated corporate expense				**(4,723)**
Loss before taxation from continuing operations				**(914)**
Taxation				**(689)**
Loss for the period from continuing operations				**(1,603)**

	Construction and ancillary services *HK$'000* (Unaudited)	Financial services *HK$'000* (Unaudited)	Health business *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited and Restated)
Six months ended 30 June 2018				
Segment revenue from continuing operations	105,846	–	–	105,846
Segment Result	7,407	(1,303)	–	6,104
Unallocated corporate income				231
Unallocated corporate expense				(18,107)
Loss before taxation from continuing operations				(11,772)
Taxation				(596)
Loss for the period from continuing operations				(12,368)

Segment results represent the profit earned by or loss from each segment without allocation of unallocated corporate income and unallocated corporate expenses. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the period.

Geographical information

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

The Group's geographical segments are classified according to the location of customers. There are two 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 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited and restated)
Hong Kong	**43,592**	102,267
PRC	**4,490**	3,579
	48,082	105,846

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

Non-current assets

	As at 30 June 2019	As at 31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Hong Kong	**17,495**	13,688

Information about major customers

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

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited and restated)
Customer A	**20,145**	35,668
Customer B	**10,909**	–
Customer C	**6,490**	–
Customer D	**–**	45,886
Customer E	**–**	16,953

5. OTHER REVENUE AND OTHER GAINS

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited and restated)
Other revenue		
Bank interest income	**390**	232
Gain on disposal of property, plant and equipment	**–**	150
Other operating income	**361**	272
Sundry income	**96**	21
	847	675
Other gains		
Net exchange gain	**–**	52
Reversal of allowance for expected credit losses	**199**	–
	199	52
Total	**1,046**	727

6. FINANCE COST

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interest expense on lease liabilities	**77**	–
	77	–

7. LOSS BEFORE TAXATION FROM CONTINUING OPERATIONS

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited and restated)
Loss before taxation from continuing operations has been arrived at after charging/(crediting):		
Directors' emoluments	**3,140**	4,657
Salaries, wages and other benefits (excluding directors' emoluments)	**5,353**	10,487
Pension scheme contributions (excluding directors' emoluments)	**122**	243
	5,475	10,730
Depreciation of property, plant and equipment	**1,169**	1,332
Depreciation of right-of-use assets	**1,422**	–
Gain on disposal of property, plant and equipment	**–**	(150)
Loss on disposal of subsidiaries	**14**	–
Minimum lease payments under operating leases in respect of office premises *(Note)*	**1,809**	5,201
Net exchange gain	**–**	(52)

Note: Minimum lease payments under operating leases are payments for short-term leases which are not required to be capitalised under HKFRS 16.

8. TAXATION

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited and restated)
Current tax:		
Hong Kong		
Provision for the period	**689**	596
Current tax expense	**689**	596

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entities will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%.

The Group considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax has been provided at the rate of 16.5% (six months ended 30 June 2018: 16.5%) on the estimated assessable profits for the period.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Island ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI during the period.

The subsidiary of the Group established in the PRC is subject to PRC Enterprise Income Tax on its taxable income tax at an income tax rate of 25% (six months ended 30 June 2018: 25%).

9. DISCONTINUED OPERATION

On 23 January 2019, Thousand Profit International Limited ("Thousand Profit"), a wholly-owned subsidiary of the Company entered into the sales and purchase agreement with an independent third party pursuant to which Thousand Profit agreed to sell and independent third party agreed to acquire the entire issued share capital of Smart Empire Global Limited ("Smart Empire") for an aggregate consideration approximately HK$13,579,000. The completion of the sales and purchase agreement has been taken place on 28 January 2019 (the "Completion"). Upon the Completion, Smart Empire had ceased to be an indirect wholly-owned subsidiary of the Company and the Company had ceased to have any interests in Smart Empire and the results of Smart Empire and its subsidiaries had been no longer be consolidated with results of the Group.

The results of the discontinued operation for the period are presented below:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue	**–**	33,775
Cost of sales	**–**	(27,958)
Gross profit	**–**	5,817
Administrative expenses	**(41)**	(2,258)
(Loss)/profit before taxation from the discontinued operation	**(41)**	3,559
Taxation	**–**	(614)
(Loss)/profit after taxation for the period from the discontinued operation	**(41)**	2,945
Gain on disposal of subsidiaries	**12,402**	–
Profit for the Period from the discontinued operation	**12,361**	2,945
Attributable to:		
Owners of the Company	**12,361**	2,199
Non-controlling interests	**–**	746
	12,361	2,945

The net cashflows incurred by the discontinued operation are as follows:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Operating activities	**(374)**	(13,441)
Investing activities	**–**	(4,919)
Financing activities	**–**	15,563
	(374)	(2,797)

10. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

11. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the period attributable to the owners of the Company and the weighted average number of ordinary shares in issue of 500,000,000 (six month ended 30 June 2018: 500,000,000).

The calculation of basic and diluted earnings/(loss) per share amounts are based on:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited and restated)
Profit/(loss)		
Profit/(loss) attributable to the owners of the Company, used in the basic and diluted earnings/(loss) per share calculation		
From continuing operations	**(1,603)**	(12,368)
From a discontinued operation	**12,361**	2,199
	10,758	(10,169)

Diluted earnings/(loss) per share for the six months ended 30 June 2018 and 2019 were the same as the basic earnings/(loss) per share as there were no potential dilutive ordinary shares in existence during the periods.

12. TRADE RECEIVABLES

	As at 30 June 2019	As at 31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**12,838**	14,982
Less: Allowance for expected credit losses	**(2)**	(202)
	12,836	14,780

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, net of allowance for expected credit losses, based on the invoice date, are as follows:

	As at 30 June 2019	As at 31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current to 30 days	**10,287**	7,338
31 – 60 days	**1,034**	1,563
61 – 90 days	**1,330**	4,476
Over 90 days	**185**	1,403
	12,836	14,780

13. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2019	As at 31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Deposits	**5,630**	9,945
Prepayments	**2,034**	3,657
Other receivables	**38**	8,026
	7,702	21,628
Less: Allowance for expected credit losses	**(15)**	(15)
	7,687	21,613

14. TRADE PAYABLES

	As at 30 June 2019 *HK$'000* (Unaudited)	As at 31 December 2018 *HK$'000* (Audited)
Trade payables	**5,884**	16,021

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

	As at 30 June 2019 *HK$'000* (Unaudited)	As at 31 December 2018 *HK$'000* (Audited)
Current to 30 days	**5,033**	955
31 – 60 days	**21**	2,703
61 – 90 days	**240**	788
Over 90 days	**590**	11,575
	5,884	16,021

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

15. ACCRUED EXPENSES AND OTHER PAYABLES

	As at 30 June 2019 *HK$'000* (Unaudited)	As at 31 December 2018 *HK$'000* (Audited)
Accrued expenses	**2,605**	5,039
Other payables	**200**	7,362
	2,805	12,401

16. EVENTS AFTER THE REPORTING PERIOD

On 5 July 2019, Royal China Bullion Investment Limited ("Royal China Bullion"), an indirect wholly-owned subsidiary of the Company entered into an agreement (the "Agreement") relating to the sales and purchase of the ordinary membership (the "Membership") of the Chinese Gold & Silver Exchange Society (the "CGSE") with an independent third party pursuant to which Royal China Bullion agreed to sell and the independent third party agreed to acquire the Membership of CGSE for the consideration of HK$10 million. For details of the Agreement, please refer to the announcement of the Company dated 5 July 2019. The disposal of Membership of the CGSE was completed on 9 August 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2019 (the "Period"), the revenue of the Group from continuing operations decreased by 54.6% to HK$48.1 million (six months ended 30 June 2018: HK$105.8 million) and the overall gross profit of the Group from continuing operations decreased by 6.4% to HK$14.6 million (six months ended 30 June 2018: HK$15.6 million). Such decrease was mainly due to the decrease in the revenue contributed from the construction and ancillary services of non-residential projects. The Group recorded a net loss of HK$1.6 million (six months ended 30 June 2018: HK$12.4 million) from continuing operations for the Period mainly due to the decrease in administrative expenses in the Period. The Group recorded a profit for the Period of approximately HK$10.8 million, as compared to a loss of approximately HK$10.2 million for the six months ended 30 June 2018 was mainly attributable to the gain of HK$12.4 million from the disposal of the entire issued capital of Smart Empire Global Limited as well as its subsidiaries (the "Disposal Group") and the decrease in administrative expenses.

BUSINESS REVIEW

The Group's business segments include three major segments, namely construction and ancillary services, financial services and health business.

A breakdown of the revenue was listed below:

	Six months ended 30 June 2019		Six months ended 30 June 2018	
	HK$'000	*%*	*HK$'000* (Restated)	*%*
Construction and ancillary services	**46,190**	**96.1**	105,846	100
Financial Services	**1,558**	**3.2**	–	–
Health business	**334**	**0.7**	–	–
Revenue	**48,082**	**100**	105,846	100

CONSTRUCTION AND ANCILLARY SERVICES

Construction and ancillary services which include design, fitting out, decoration, alteration and addition, construction and other related business were the focus of our business in the Period. During the Period, the revenue from construction and ancillary services decreased by 56.4% to HK$46.2 million (six months ended 30 June 2018: HK$105.8 million). The decrease in revenue from this segment mainly due to the decrease in revenue contributed from the construction and ancillary services of non-residential projects.

FINANCIAL SERVICES

Precious metal trading

The Group obtained the Membership of CGSE on 6 September 2017. Found in 1910, CGSE is the sole exchange in Hong Kong which trades physical gold and silver. Run on a membership-based system, CGSE provides an exchange, facilities and related services for its members for transaction of precious metals. The Membership allows its holder to provide trading services of gold, silver and precious metals for its customers and molding of physical gold/silver bullion under physical gold and silver. During the Period, no revenue was generated from the business of precious metal trading (six months ended 30 June 2018: nil). As disclosed in the announcement of the Company dated 5 July 2019, the Group was on 5 July 2019 entered into agreement to dispose of the Membership.

Financial Advisory Services

On 14 March 2018, the Group has obtained the licenses for regulated activities under SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities (as defined in the SFO). During the Period, no revenue generated from financial advisory services (six months ended 30 June 2018: nil).

Money Lending Business

The Group holds a money lenders licence in Hong Kong and provides loan facilities to prospective customers including enterprises and individuals.

Revenue from money lending business amounted to HK$1.6 million (six months ended 30 June 2018: nil). As at 30 June 2019, the gross loans and interest receivable amounted to HK$65.1 million (31 December 2018: nil).

On 28 February 2019, the Group and a borrower entered into the loan agreement pursuant to which the Group has agreed to grant the loan in the amount of HK$40,000,000 to the borrower for a term of twelve months from the effective date. For details of the loan agreement, please refer to the announcement dated 28 February 2019.

HEALTH BUSINESS

Health business include provision of health related services and products to customers. During the Period, revenue from the health business amounted to HK$0.3 million (six months ended 30 June 2018: nil).

Administrative expenses

The administrative expenses decreased by HK$11.5 million from HK$27.4 million for the six months ended 30 June 2018 to HK$15.9 million for the six months ended 30 June 2019. This was mainly attributable to the decrease in the operating expenses for the Period.

Loss for the period from continuing operations

As a result of the foregoing, the Group recorded a consolidated net loss of HK$1.6 million from continuing operations for the Period as compared with a consolidated net loss of HK$12.4 million from continuing operations for the six months ended 30 June 2018.

Profit for the period

The Group recorded the profit of HK$10.8 million for the Period as compared to the loss of HK$10.2 million for the six months ended 30 June 2018 mainly due to the gain of HK$12.4 million from the disposal of the Disposal Group and the decrease in administrative expenses.

PROSPECT

In the first half of 2019, Hong Kong property market was negatively affected by trade war between United States of America and China and certain issues in Hong Kong. Uncertainty in Hong Kong property market may affect the demand from the property developers for our construction and ancillary services. The Group has started to explore other business opportunities in order to reduce our reliance on Hong Kong property markets. As the income of the Chinese people grows, the demand for various health services continues to increase and it brings huge business opportunities to the health industry. The Group is exploring business opportunities in the health industry, financial services and other businesses to broaden the revenue and profit base of the Group.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 30 June 2019, the Group had 28 employees (31 December 2018: 26) in Hong Kong and the PRC. The total remuneration paid by the Group to its employees (including directors) for the current financial period was HK$8.6 million (six months ended 30 June 2018: HK$15.4 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

On 23 January 2019, Thousand Profit International Limited ("Thousand Profit"), a wholly-owned subsidiary of the Company entered into the sales and purchase agreement with an independent third party pursuant to which Thousand Profit agreed to sell and independent third party agreed to acquire the entire issued share capital of Smart Empire Global Limited ("Smart Empire") for an aggregate consideration approximately HK$13,579,000. The completion of the sales and purchase agreement has been taken place on 28 January 2019 (the "Completion"). Upon the Completion, Smart Empire had ceased to be an indirect wholly-owned subsidiary of the Company and the Company had ceased to have any interests in Smart Empire and the results of Smart Empire and its subsidiaries had been no longer be consolidated with results of the Group. For details of the sales and purchase agreement, please refer to the announcement of the Company dated 23 January 2019.

On 28 February 2019, Sincere Sword International Limited ("Sincere Sword"), an indirect wholly-owned subsidiary of the Company and a borrower entered into the loan agreement pursuant to which Sincere Sword has agreed to grant the loan in the amount of HK$40,000,000 to the borrower for a term of twelve months from the effective date. For details of the loan agreement, please refer to the announcement of the Company dated 28 February 2019.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2019, the Group had total cash and bank balances of HK$45.8 million (31 December 2018: HK$105.8 million) mainly denominated in Hong Kong dollars.

The Group continued to maintain a healthy liquidity position. At as 30 June 2019, the Group had net current assets of HK$126.1 million (31 December 2018: HK$117.0 million). The Group had current ratio of approximately 7.99 times as at 30 June 2019 compared to that of approximately 4.99 times as at 31 December 2018.

The gearing ratio of the Group is defined as a percentage of interest-bearing liabilities divided by total equity. As at 30 June 2019, the Group did not have any borrowing (31 December 2018: Nil). Hence, as at 30 June 2019, the gearing ratio was Nil (31 December 2018: 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 30 June 2019 (31 December 2018: Nil).

USE OF PROCEEDS FROM THE SHARE OFFER

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 1 April 2019, 13 April 2018, 12 July 2017 and 9 May 2017. As at 1 April 2019, 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 proposed use of net proceeds from the listing, and details of the original allocation of the net proceeds, and the utilisation of the net proceeds as at 30 June 2019 are set out below:

Planned use	**Original allocation** *HK$ million*	**Revised allocation** *HK$ million*	**Utilisation** *HK$ million*	**Remaining balances** *HK$ million*
Financing the potential acquisition of companies and or/businesses which are primary engaged in DFD works and that complement our existing business so as to expand our contracting capabilities	45.0	–	–	–
Financing the establishment of new regional offices in the PRC	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 enhance internal training to support future growth	10.0	4.9	4.9	–
Additional working capital and other general corporate purposes	10.0	52.5	52.5	–
Precious metal trading business	–	12.5	12.5	–
Payment of the subscription price under the subscription agreement as disclosed in the announcement 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	100.0	–

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2019 (31 December 2018: Nil).

CAPITAL COMMITMENTS

The Group had no significant outstanding capital commitment as at 30 June 2019 (31 December 2018: Nil).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (Six months ended 30 June 2018: 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 three 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 30 June 2019 and up to the date of this announcement, the Company has complied with the code provisions under the CG Code, except for the following deviation:

Pursuant to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Ms. SHEN Jie ("**Ms. SHEN**") has been appointed as the chairman of the Board (the "**Chairman**") and the chief executive officer of the Company (the "**CEO**") on 6 June 2019 after resignation of Ms. CHEW Christina Mooi Chong as executive director and the CEO of the Company on 6 June 2019. Since 6 June 2019, the roles of the Chairman and the CEO of the Company has not been segregated as required by code provision of the CG Code. Notwithstanding the deviation from code provision A.2.1, the Board believes that with the support of the management, vesting the roles of both Chairman and CEO on the same person can facilitate execution of the Group's business strategies and provide a strong and consistent leadership to the Group. The Board considers that the appointment of Ms. SHEN as the Chairman and the CEO will not impair the balance of power as all major decisions are made in consultation with members of the Board. In addition, under the supervision by the Board which currently consists of three executive Directors and three independent non-executive Directors, the interests of the shareholders of the Company will be adequately and fairly represented.

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 30 June 2019.

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 30 June 2019.

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. LU Zhuohui, Mr. CHAN Kwong Ming Johnny and Ms. XIE Yanbin.

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 30 June 2019. The unaudited condensed consolidated financial statements for the six months ended 30 June 2019 were approved and authorised for issue by the Directors on 23 August 2019.

By Order of the Board
Royal China International Holdings Limited
SHEN Jie
Chairman

Hong Kong, 23 August 2019

As at the date of this announcement, the Board comprises Ms. SHEN Jie, Mr. LEONG Hing Loong Rudoff and Ms. GAO Jinyi as executive Directors; and Mr. CHAN Kwong Ming Johnny, Mr. LU Zhuohui and Ms. XIE Yanbin as independent non-executive Directors.