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 SECOND INTERIM RESULTS FOR THE NINE MONTHS ENDED 30 JUNE 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 nine months ended 30 June 2017, together with the comparative unaudited figures for the nine months ended 30 June 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30 June 2017

		Nine months ended 30 June	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
		Unaudited	Unaudited
Revenue	4	**74,412**	94,623
Cost of sales		**(46,002)**	(52,894)
Gross profit		**28,410**	41,729
Other revenue and other gains	5	**969**	1,294
Other operating expenses		**(1,487)**	(740)
Administrative expenses		**(22,122)**	(14,234)
Profit before taxation	6	**5,770**	28,049
Taxation	7	**(2,574)**	(4,460)
Profit and total comprehensive income for the period		**3,196**	23,589
Profit and total comprehensive income for the period attributable to owners of the Company		**3,196**	23,589
Earnings per share:			
Basic and diluted (*HK cents*)	9	**0.6**	4.7

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	**As at 30 June 2017 *HK$'000* Unaudited**	As at 30 September 2016 *HK$'000* Audited
Non-current asset			
Property, plant and equipment		**6,184**	3,878
Current assets			
Trade receivables	10	**13,261**	10,276
Amounts due from customers for contract work	11	**–**	919
Deposits, prepayments and other receivables		**6,620**	3,765
Cash and bank balances		**156,189**	154,235
		176,070	169,195
Current liabilities			
Trade payables	12	**5,861**	6,629
Amounts due to customers for contract work	11	**13,483**	726
Accrued expenses and other payables		**2,355**	1,448
Income tax payable		**746**	7,657
		22,445	16,460
Net current assets		**153,625**	152,735
Total assets less current liabilities		**159,809**	156,613
Net assets		**159,809**	156,613
Capital and reserves			
Share capital		**5,000**	5,000
Reserves		**154,809**	151,613
Total equity		**159,809**	156,613

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 June 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 Suites 2608-11, 26th Floor, Champion Tower, Three Garden Road, 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 for the nine months ended 30 June 2017 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 nine months ended 30 June 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 for the nine months ended 30 June 2017 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 for the nine months ended 30 June 2017 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 nine months ended 30 June 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 by the HKICPA but are not yet effective for the current accounting period:

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	Leases[3]
Amendments to HKAS 7	Disclosure Initiatives[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[2]
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments[3]

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 condensed consolidated financial statements for the nine months ended 30 June 2017.

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 maker, 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:

	Nine months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Design and/or decoration service income	**23,664**	26,357
Design, fit out and decoration service income	**50,748**	68,266
	74,412	94,623

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

	Nine months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Hong Kong	**50,594**	72,126
PRC	**22,764**	21,287
Singapore	**–**	1,210
Macau	**1,054**	–
	74,412	94,623

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	As at
	30 June	30 September
	2017	2016
	HK$'000	*HK$'000*
	Unaudited	Audited
Hong Kong	**6,184**	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:

	Nine months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Customer A	–	33,596
Customer B	**15,224**	21,640
Customer C	**13,358**	18,638
Customer D*	**12,366**	–
Customer E	**9,717**	–
Customer F*	**8,157**	–

* The corresponding revenue did not contribute over 10% of the total revenue of the Group for the respective period.

5. OTHER REVENUE AND OTHER GAINS

	Nine months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Other revenue		
Bank interest income	**217**	535
Other operating income	**752**	604
Sundry income	**–**	131
	969	1,270
Other gains		
Exchange gain	**–**	24
	–	24
Total	**969**	1,294

6. PROFIT BEFORE TAXATION

	Nine months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Profit before taxation has been arrived at after charging/(crediting):		
Directors' emoluments	**4,473**	4,355
Salaries, wages and other benefits (excluding directors' emoluments)	**7,089**	6,441
Pension scheme contributions (excluding directors' emoluments)	**206**	193
	7,295	6,634
Bad debts written off	–	162
Depreciation of property, plant and equipment	**816**	1,027
Loss on disposal of property, plant and equipment	**167**	–
Minimum lease payments under operating leases in respect of office premises	**4,237**	2,141
Net exchange loss/(gain)	**76**	(24)

7. TAXATION

	Nine months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	Unaudited	Unaudited
Current tax:		
Hong Kong		
Provision for the period	**2,574**	4,460
Current tax expense	**2,574**	4,460

Hong Kong Profits Tax has been provided at the rate of 16.5% (nine months ended 30 June 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 nine months ended 30 June 2017 (nine months ended 30 June 2016: Nil).

9. EARNINGS PER SHARE

The calculation of the basic earnings per share for the nine months ended 30 June 2017 is based on the profit for the period attributable to owners of the Company of HK$3,196,000 (nine months ended 30 June 2016: HK$23,589,000) and the weighted average number of ordinary shares in issue of 500,000,000 (nine months ended 30 June 2016: 500,000,000).

Diluted earnings per share for the nine months ended 30 June 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 30 June 2017 *HK$'000* Unaudited	As at 30 September 2016 *HK$'000* Audited
Trade receivables	**13,261**	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 30 June 2017 *HK$'000* Unaudited	As at 30 September 2016 *HK$'000* Audited
Current to 30 days	**5,176**	1,702
31 – 60 days	**2,848**	2,744
61 – 90 days	**120**	789
Over 90 days	**5,117**	5,041
	13,261	10,276

11. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	As at 30 June 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 30 June 2017 HK$'000 Unaudited	As at 30 September 2016 HK$'000 Audited
Amounts due to customers for contract work		
Progress billings received and receivable	**43,585**	9,434
Less: Contract costs incurred plus recognised profits less recognised losses	**(30,102)**	(8,708)
	13,483	726

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

As at 30 June 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 30 June 2017 HK$'000 Unaudited	As at 30 September 2016 HK$'000 Audited
Trade payables	**5,861**	6,629

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

	As at 30 June 2017 HK$'000 Unaudited	As at 30 September 2016 HK$'000 Audited
Current to 30 days	**2,461**	1,856
31 – 60 days	**2,020**	812
61 – 90 days	**361**	483
Over 90 days	**1,019**	3,478
	5,861	6,629

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

13. CAPITAL COMMITMENTS

	As at 30 June 2017 *HK$'000* **Unaudited**	As at 30 September 2016 *HK$'000* Audited
Capital expenditure contracted for but not provided for in the condensed consolidated financial statements in respect of:		
– acquisition of the membership of The Chinese Gold and Silver Exchange Society *(Note)*	**8,000**	–
– acquisition of property, plant and equipment	**1,254**	–

Note:

On 9 May 2017, Right Power Ventures Limited (the "**Purchaser**"), an indirect wholly-owned subsidiary of the Company entered into an agreement with Asian Pacific Capital Company Limited (the "**Vendor**") relating to acquisition of the membership (the "**Membership**") of The Chinese Gold and 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, was 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.

14. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 12 July 2017, Smart Empire Global Limited ("**Smart Empire**"), an indirect wholly-owned subsidiary of the Company, BAA Jet Management Limited ("**BAA**") and Himalaya Business Aviation Limited ("**HBA**"), an indirect wholly-owned subsidiary of the Company, entered into a subscription agreement. Smart Empire and BAA will subscribe for, and HBA shall allot and issue, 5,099,999 shares and 4,900,000 shares in HBA, respectively, at the aggregate subscription price of HK$5,099,999 and HK$4,900,000, respectively (the "**Subscription**").

Upon the completion of the Subscription on 18 July 2017, Smart Empire and BAA own 5,100,000 shares and 4,900,000 shares of HBA, respectively, representing 51% and 49% of the issued share capital of HBA, respectively.

For details of the Subscription, please refer to the announcement of the Company dated 12 July 2017.

On 27 July 2017, the Company and Royal China Group International Holdings Limited ("**RCG**") entered into an agency agreement (the "**Agency Agreement**") for the provision of agency service (the "**Agency Service**") by the Company to act as an exclusive purchasing agent for RCG in its purchase of a business jet (the "**Business Jet**"). RCG is an indirect subsidiary of National Business Holdings Group Co. Limited which is a controlling shareholder of the Company and as such, RCG is a connected person of the Company under the Listing Rules. Pursuant to the Agency Agreement, RCG shall pay service fee to the Company on a one-off basis equivalent to 1.5% of the purchase price of the Business Jet, which does not include miscellaneous expenses and business jet transportation fee in relation to the purchase of the Business Jet. The maximum consideration in respect of Agency Service is less than HK$10 million and the transaction under the Agency Agreement constitutes a connected and disclosable transaction under the Listing Rules.

For details of the Agency Agreement, please refer to the announcement of the Company dated 27 July 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the nine months ended 30 June 2017, Hong Kong property market sentiment turned downward by certain unfavorable market conditions such as the Hong Kong government's demand curb measures (including the tightening of the mortgage for residential properties and sharp rise in property stamp duty to 15% adopted 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$20.2 million from HK$94.6 million for the nine months ended 30 June 2016 to HK$74.4 million for the nine months ended 30 June 2017. The overall gross profit and the gross profit margin decreased by HK$13.3 million and 5.9% from HK$41.7 million and 44.1% for the nine months ended 30 June 2016 to HK$28.4 million and 38.2% for the nine months ended 30 June 2017. The decrease was mainly attributable to the decrease in total revenue and the decrease in gross profit margin by intensive competition in interior design industry.

The Group recorded a consolidated net profit of HK$3.2 million for the nine months ended 30 June 2017, representing a decrease of HK$20.4 million as compared with consolidated net profit of HK$23.6 million for the nine months ended 30 June 2016. The decrease in consolidated net profit was mainly attributable to: (i) the substantial decrease in revenue and gross profit of one-stop integrated interior design solutions arisen from intensive competition in the interior design industry; (ii) the increase of professional fees incurred for the mandatory unconditional cash offer for the shares of the Company; and (iii) the increase in the operating expenses for preparing new businesses and general administrative purpose.

On 9 May 2017, the Group entered into an agreement with Asian Pacific Capital Company Limited (the "**Vendor**") relating to the purchase of the membership (the "**Membership**") of The Chinese Gold and Silver Exchange Society ("**CGSE**"). The Group is the progress of transfer of the Membership of CGSE from the Vendor.

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) design and/or decoration ("**DD**") and (ii) design, fit out and decoration ("**DFD**").

During the nine months ended 30 June 2017, the revenue of the Group decreased by 21.4% to HK$74.4 million (nine months ended 30 June 2016: HK$94.6 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:

	Nine months ended 30 June 2017		Nine months ended 30 June 2016	
	HK$'000	*%*	*HK$'000*	*%*
	Unaudited		Unaudited	
DD				
PRC	**17,334**	**23.3%**	21,287	22.5%
Hong Kong	**5,276**	**7.1%**	3,860	4.1%
Singapore	**–**	**–**	1,210	1.3%
Macau	**1,054**	**1.4%**	–	–
Subtotal	**23,664**	**31.8%**	26,357	27.9%
DFD				
PRC	**5,430**	**7.3%**	–	–
Hong Kong	**45,318**	**60.9%**	68,266	72.1%
Subtotal	**50,748**	**68.2%**	68,266	72.1%
Total	**74,412**	**100.0%**	94,623	100.0%

During the nine months ended 30 June 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$45.3 million for the nine months ended 30 June 2017 (nine months ended 30 June 2016: HK$68.3 million) representing 60.9% (nine months ended 30 June 2016: 72.1%) of the overall revenue of the Group for the nine months ended 30 June 2017. The revenue derived from the DFD projects in Hong Kong decreased due to the Hong Kong market sentiment turned amid, the possibility for increase in US interest rate and uncertainty 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 has become more keen. Therefore, DFD projects with higher contract sum suffered larger downward price negotiation. In order to avoid competition with market participants for DFD projects in Hong Kong with too low profit margin, the Group has strategically allocated more manpower and resources towards the DD projects in Hong Kong which involved fewer subcontract works and had a stable return to the Group. The revenue from the DD projects in Hong Kong increased by HK$1.4 million from HK$3.9 million for the nine months ended 30 June 2016 to HK$5.3 million for the nine months ended 30 June 2017.

The revenue derived from the DD projects in the PRC decreased by HK$4.0 million from HK$21.3 million for the nine months ended 30 June 2016 to HK$17.3 million for the nine months ended 30 June 2017. The decrease in the DD projects in the PRC is because the growth in PRC property market has slowed down after the introduction of tightening policies by the PRC authorities.

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:

	Nine months ended 30 June 2017		Nine months ended 30 June 2016	
	HK$'000	***Margin (%)***	*HK$'000*	*Margin (%)*
DD				
PRC	**12,825**	**74.0%**	18,492	86.9%
Hong Kong	**5,027**	**95.3%**	3,756	97.3%
Singapore	**–**	**–**	408	33.7%
Macau	**970**	**92.0%**	–	–
Subtotal	**18,822**	**79.5%**	22,656	86.0%
DFD				
PRC	**299**	**5.5%**	–	–
Hong Kong	**9,289**	**20.5%**	19,073	27.9%
Subtotal	**9,588**	**18.9%**	19,073	27.9%
Total	**28,410**	**38.2%**	41,729	44.1%

The overall gross profit decreased by HK$13.3 million from HK$41.7 million for the nine months ended 30 June 2016 to HK$28.4 million for the nine months ended 30 June 2017. The decrease in the overall gross profit was mainly due to the decrease in the total revenue.

For the nine months ended 30 June 2017, the gross profit margin of the DD projects was 79.5%, while the gross profit margin of the DFD projects was at 18.9%. 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 decreased by 5.9% from 44.1% for the nine months ended 30 June 2016 to 38.2% for the nine months ended 30 June 2017 due to the decrease in gross profit margin for both DD and DFD in the current period.

Administrative expenses

The administrative expenses increased by HK$7.9 million from HK$14.2 million for the nine months ended 30 June 2016 to HK$22.1 million for the nine months ended 30 June 2017. This was mainly attributable to (i) the increase of professional fee incurred in the transaction of mandatory unconditional cash offer for the shares of the Company; and (ii) the increase in the operating expenses for preparing new businesses and general administrative purpose.

Profit for the period

As a result of the foregoing, the profit for the period decreased by HK$20.4 million from HK$23.6 million for the nine months ended 30 June 2016 to HK$3.2 million for the nine months ended 30 June 2017.

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 has 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.

On 29 June 2017, Hong Kong Exchanges and Clearing Limited and CGSE signed a Memorandum of Understanding (the "**MOU**") to consider cooperation on matters ranging from product promotion to storage vaults. The signing of MOU signifies a strategic partnership which aims to build a major gold and commodities trading center in Asia Pacific. We are optimistic about the prospects of precious metal trading market in Hong Kong and the PRC and our precious metal trading business.

On 12 July 2017, our indirect wholly owned subsidiary, Himalaya Business Aviation Limited (the "**HBA**") and a lessee (the "**Lessee**") of a Gulfsteam model of G550 aircraft entered into an aircraft (the "**Aircraft**") management agreement, pursuant to which the Lessee has agreed to engage HBA to manage an Aircraft. On 12 July 2017, the Group entered into subscription agreement (the "**Subscription Agreement**") with BAA Jet Management Limited ("**BAA**"), a top business jet management company in the PRC for subscription of 49% shares in HBA. We believe that the Group can leverage on the reputation, expertise and extensive experience of BAA to expand our business jet management business and bring positive returns to the Group. The Group is actively looking for and negotiating for potential business opportunities for our business jet management service.

On 27 July 2017, the Company and Royal China Group International Holdings Limited ("**RCG**") entered into an agency agreement for the provision of agency service by the Company to act as an exclusive purchase agent for RCG in its purchasing of a business jet. We believe that our agency service on business jet purchase would provide an opportunity for the Group to diversify our business into service of aircraft sales and broaden our sources of income.

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 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 are exploring development opportunities in the aviation industry value chain and are confident in our business plan.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 30 June 2017, the Group had 28 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$11.8 million (nine months ended 30 June 2016: HK$11.0 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

On 9 May 2017, Right Power Ventures Limited (the "**Purchaser**"), an indirect wholly-owned subsidiary of the Company entered into an agreement with Asian Pacific Capital Company Limited (the "**Vendor**") relating to the purchase of the membership (the "**Membership**") of The Chinese Gold and 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, was 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 date following the Executive and Supervisory Committee 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.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2017, the Group had total cash and bank balances of HK$156.2 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 30 June 2017, the Group had net current assets of HK$153.6 million (30 September 2016: HK$152.7 million). The Group had current ratio of approximately 7.8 times as at 30 June 2017 compared to that of approximately 10.3 times as at 30 September 2016.

The gearing ratio of the Group is defined as a percentage of interest-bearing liabilities divided by total equity. As at 30 June 2017, the Group did not have any borrowing (30 September 2016: Nil). Hence, as at 30 June 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 30 June 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 million (after deducting underwriting commissions and all related expenses).

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 resolved that to re-allocate HK$15 million which was originally planned for promoting the Group's brand by strengthening marketing efforts for the payment of the consideration, agency and professional fee on the acquisition of the membership of the CGSE on 9 May 2017 and HK$5.1 million from HK$10 million which was originally planned to be used for recruiting high caliber talents in management, design, decoration, finance, sales and marketing and enhance internal training to support future growth for the business of business jet management on 12 July 2017. The proposed use of the net proceeds from the listing, and details of the original allocation of the net proceeds, the revised allocation of the net proceeds, and the utilisation of the net proceeds as at 30 June 2017 are set out below:

Planned use	**Original allocation**	**Revised allocation**	**Utilisation**	**Remaining balances**
	HK$ million	*HK$ million*	*HK$ million*	*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	45.0	–	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 enhance internal training to support future growth	10.0	10.0	–	10.0
Additional working capital and other general corporate purposes	10.0	10.0	6.6	3.4
Precious metal trading business	–	15.0	2.2	12.8
	100.0	100.0	8.8	91.2

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENTS

Please refer to note 13 to the Group's condensed consolidated financial statements for capital commitments.

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 nine months ended 30 June 2017 (nine months ended 30 June 2016: Nil).

SHARE OPTION SCHEME

The Company adopted share option scheme on 14 August 2015, the terms of which are set in accordance with the provision of Chapter 17 of the Listing Rules.

No share option had been granted since the adoption of the Scheme and there was no share option outstanding as at 30 June 2017.

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 five 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 nine months ended 30 June 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 during the period from 28 March 2017 to 5 July 2017, 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.

With effect from 6 July 2017, Mr. LIU Yong Sheng has ceased to be, and Mr. DENG Kui has been appointed as, the Chairman. Mr. LIU Yong Sheng remains as an executive Director and CEO. The code of provision A.2.1 of the CG Code is therefore complied with.

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 nine months ended 30 June 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 nine months ended 30 June 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. AN 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 nine months ended 30 June 2017. The unaudited condensed consolidated financial statements for the nine months ended 30 June 2017 were approved and authorised for issue by the Directors on 18 August 2017.

By Order of the Board
Royal China International Holdings Limited
DENG Kui
Chairman

Hong Kong, 18 August 2017

As at the date of this announcement, the Company's board of directors comprises Mr. DENG Kui, 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.