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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)

FINAL RESULTS ANNOUNCEMENT FOR THE FIFTEEN MONTHS ENDED 31 DECEMBER 2017

The board (the “Board”) of directors (the “Directors”) of Royal China International Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the fifteen months ended 31 December 2017 (the “Period”), together with the comparative audited figures for the year ended 30 September 2016 (“FY2016”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the fifteen months ended 31 December 2017

		Fifteen months ended 31 December 2017 <i>HK\$'000</i>	Year ended 30 September 2016 <i>HK\$'000</i>
	<i>Notes</i>		
Revenue	3	157,397	116,021
Cost of sales		(106,258)	(68,376)
Gross profit		51,139	47,645
Other revenue and other gains	4	1,523	1,779
Other operating expenses		(1,954)	(1,049)
Administrative expenses		(56,998)	(20,096)
(Loss)/profit before taxation	5	(6,290)	28,279
Taxation	6	(2,982)	(4,098)
(Loss)/profit for the period/year		(9,272)	24,181
 Other comprehensive income for the period/year, net of income tax:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating of financial statements of foreign operations		1	–
Other comprehensive income for the period/year		1	–
Total comprehensive (loss)/income for the period/year		(9,271)	24,181

	Fifteen months ended 31 December 2017	Year ended 30 September 2016
<i>Notes</i>	HK\$'000	HK\$'000
(Loss)/profit for the period/year attributable to:		
Owners of the Company	(10,193)	24,181
Non-controlling interests	<u>921</u>	<u>–</u>
	<u>(9,272)</u>	<u>24,181</u>
Total comprehensive (loss)/income for the period/year attributable to:		
Owners of the Company	(10,192)	24,181
Non-controlling interests	<u>921</u>	<u>–</u>
	<u>(9,271)</u>	<u>24,181</u>
(Loss)/earnings per share:		
Basic and diluted (HK cents)	8 <u>(2.04)</u>	<u>4.84</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	<i>Notes</i>	31 December 2017 HK\$'000	30 September 2016 HK\$'000
Non-current assets			
Property, plant and equipment		5,895	3,878
Trading licence	9	10,000	–
		15,895	3,878
Current assets			
Trade receivables	10	28,602	10,276
Amounts due from customers for contract work	11	5,007	919
Deposits, prepayments and other receivables	12	16,344	3,765
Income tax recoverable		1,215	–
Cash and bank balances		134,524	154,235
		185,692	169,195
Current liabilities			
Trade payables	13	22,774	6,629
Amounts due to customers for contract work	11	374	726
Accrued expenses and other payables	14	26,197	1,448
Income tax payable		–	7,657
		49,345	16,460
Net current assets		136,347	152,735
Total assets less current liabilities		152,242	156,613
Net assets		152,242	156,613
Capital and reserves			
Share capital		5,000	5,000
Reserves		142,151	151,613
Equity attributable to owners of the Company		147,151	156,613
Non-controlling interests		5,091	–
Total equity		152,242	156,613

NOTES TO THE FINANCIAL STATEMENTS

For the fifteen months ended 31 December 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, 3 Garden Road, Central, Hong Kong.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 8 September 2015.

Pursuant to a special resolution passed on 17 March 2017, the English name of the Company 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”.

The Company is an investment holding 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, aviation and traveling services and financial services.

The Company has changed its financial year end date from 30 September to 31 December because the Group would like to align the Company’s financial year end date with that of certain subsidiaries of the Company. As a result of this, the final results covered a period of fifteen months ended 31 December 2017. The corresponding comparative amounts shown for the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover the year ended 30 September 2016 and therefore may not be comparable with amounts shown for the current period.

The 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. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The accounting policies adopted in the consolidated financial statements for the fifteen months ended 31 December 2017 are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 30 September 2016 except as described below.

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial period beginning on or after 1 October 2016.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle
HKFRS 10, 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements

In the opinion of the Directors, the application of the new and revised HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014-2016 Cycle ²
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015-2017 Cycle ³
HKFRS 2 (Amendments)	Classification and Measurement of Share-Based Payment Transactions ²
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ²
HKFRS 9	Financial Instruments ²
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation ²
HKFRS 10 and HKAS 28 (Amendments)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 Revenue from Contracts with Customers ²
HKFRS 16	Leases ³
HKFRS 17	Insurance Contracts ⁵
HKAS 7 (Amendments)	Disclosure Initiative ¹
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses ¹
HKAS 28 (Amendments)	Investments in Associates and Joint Ventures ³
HKAS 40 (Amendments)	Transfer of Investment Property ²
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration ²
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatment ³

¹ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

⁴ Effective for annual periods beginning on or after a date to be determined. Early adoption is permitted.

⁵ Effective for annual periods beginning on or after 1 January 2021.

3. 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 maker, for the purpose of resources allocation and performance assessment, focuses on the types of goods or services delivered or provided.

During the prior years, the chief operating decision-makers of the Group assessed the performance and allocated the resources of the Group as a whole, as all of the Group's activities focus on provision of construction and ancillary services. Therefore, management considered there was only one operating segment under the requirements of HKFRS 8, Operating Segments.

During the current period, the Group focuses on provision of construction and ancillary services, aviation and traveling services and financial services. Accordingly, the Group has three reportable segments under HKFRS 8 and are as follows:

- (a) Construction and ancillary services – design, fitting-out, decoration, alteration and addition, construction and other related businesses.
- (b) Aviation and traveling services – aircraft management service, service of aircraft sales and aircraft leasing ancillary service.
- (c) Financial services – precious metal trading business and financial advisory service.

Segment revenue and results

	Construction and ancillary services HK\$'000	Aviation and traveling services HK\$'000	Financial services HK\$'000	Total HK\$'000
Fifteen months ended 31 December 2017				
Segment revenue	<u>128,270</u>	<u>28,010</u>	<u>1,117</u>	<u>157,397</u>
Segment results	<u>20,416</u>	<u>8,152</u>	<u>(3,832)</u>	<u>24,736</u>
Unallocated corporate income				620
Unallocated corporate expense				<u>(31,646)</u>
Loss before taxation				(6,290)
Taxation				<u>(2,982)</u>
Loss for the period				<u><u>(9,272)</u></u>

	Construction and ancillary services <i>HK\$'000</i>	Aviation and traveling services <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 30 September 2016				
Segment revenue	<u>116,021</u>	<u>–</u>	<u>–</u>	<u>116,021</u>
Segment results	<u>33,532</u>	<u>–</u>	<u>–</u>	<u>33,532</u>
Unallocated corporate income				984
Unallocated corporate expense				<u>(6,237)</u>
Profit before taxation				28,279
Taxation				<u>(4,098)</u>
Profit for the year				<u><u>24,181</u></u>

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/year.

Segment assets and liabilities

	Construction and ancillary services <i>HK\$'000</i>	Aviation and traveling services <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2017				
Assets				
Segment assets	56,342	30,527	22,851	109,720
Unallocated assets				<u>91,867</u>
Consolidated total assets				<u><u>201,587</u></u>
Liabilities				
Segment liabilities	26,434	17,889	1,440	45,763
Unallocated liabilities				<u>3,582</u>
Consolidated total liabilities				<u><u>49,345</u></u>

	Construction and ancillary services <i>HK\$'000</i>	Aviation and traveling services <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30 September 2016				
Assets				
Segment assets	61,742	–	–	61,742
Unallocated assets				<u>111,331</u>
Consolidated total assets				<u><u>173,073</u></u>
Liabilities				
Segment liabilities	15,469	–	–	15,469
Unallocated liabilities				<u>991</u>
Consolidated total liabilities				<u><u>16,460</u></u>

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than other unallocated corporate assets (mainly comprising cash and cash equivalents and deposits and prepayment); and
- all liabilities are allocated to operating segments other than unallocated corporate liabilities (mainly comprising other payables and accruals).

Other segment information

	Construction and ancillary services <i>HK\$'000</i>	Aviation and traveling services <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Fifteen months ended					
31 December 2017					
Capital expenditure	1,473	796	125	2,549	4,943
Depreciation	1,459	83	15	1,062	2,619
Impairment loss recognised on trade receivables	1,091	–	–	–	1,091
Loss on disposal of property, plant and equipment	<u>168</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>168</u>

	Construction and ancillary services <i>HK\$'000</i>	Aviation and traveling services <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 30 September 2016					
Capital expenditure	3,394	–	–	–	3,394
Depreciation	1,291	–	–	–	1,291
Impairment loss recognised on trade receivables	162	–	–	–	162
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Revenue from major services

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

	Fifteen months ended 31 December 2017 <i>HK\$'000</i>	Year ended 30 September 2016 <i>HK\$'000</i>
Design and/or decoration service income	33,546	27,732
Design, fit out and decoration service income	94,724	88,289
Commission income from acting as an agent for purchasing business jet	7,735	–
Aircraft management service income	20,041	–
Aircraft leasing ancillary service income	234	–
Financial advisory service income	500	–
Sales of precious metal	617	–
	<u> </u>	<u> </u>
	157,397	116,021
	<u> </u>	<u> </u>

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/year is as follows:

Revenue from external customers

	Fifteen months ended 31 December 2017 HK\$'000	Year ended 30 September 2016 HK\$'000
Hong Kong	111,336	92,149
PRC	44,561	22,662
Singapore	–	1,210
Macau	1,500	–
	<u>157,397</u>	<u>116,021</u>

4. OTHER REVENUE AND OTHER GAINS

	Fifteen months ended 31 December 2017 HK\$'000	Year ended 30 September 2016 HK\$'000
Other revenue		
Bank interest income	623	833
Other operating income	823	795
Sundry income	–	130
	<u>1,446</u>	<u>1,758</u>
Other gains		
Net exchange gain	77	21
	<u>77</u>	<u>21</u>
Total	<u>1,523</u>	<u>1,779</u>

5. (LOSS)/PROFIT BEFORE TAXATION

	Fifteen months ended 31 December 2017 <i>HK\$'000</i>	Year ended 30 September 2016 <i>HK\$'000</i>
(Loss)/profit before taxation has been arrived at after charging:		
Directors' emoluments	11,081	6,043
Salaries, wages and other benefits (excluding directors' emoluments)	13,251	8,150
Pension scheme contributions (excluding directors' emoluments)	412	255
	<u>13,663</u>	<u>8,405</u>
Auditors' remuneration	850	800
Impairment loss recognised on trade receivables	1,091	162
Loss on disposal of property, plant and equipment	168	–
Depreciation of property, plant and equipment	2,619	1,291
Minimum lease payments under operating leases in respect of office premises	9,684	2,801
	<u><u>9,684</u></u>	<u><u>2,801</u></u>

6. TAXATION

	Fifteen months ended 31 December 2017 <i>HK\$'000</i>	Year ended 30 September 2016 <i>HK\$'000</i>
Current tax:		
Hong Kong		
Provision for the period/year	3,062	4,260
Over-provision in previous year	(80)	(162)
	<u>2,982</u>	<u>4,098</u>

Hong Kong Profits Tax has been provided at the rate of 16.5% (FY2016: 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.

The subsidiary of the Group established in the PRC is subject to PRC Enterprise Income Tax on its taxable income of an income tax rate of 25%.

No provision for the PRC Enterprise Income Tax has been made as the subsidiary operated in the PRC had no assessable profits for the Period (FY2016: nil).

No deferred tax has been provided for as there were no material differences.

7. DIVIDENDS

The Directors do not propose any payment of final dividend for the Period (FY2016: nil).

8. (LOSS)/EARNINGS PER SHARE

The calculation of the basic loss per share for the Period is based on the loss for the period attributable to owners of the Company of approximately HK\$10,193,000 (FY2016: profit of HK\$24,181,000) and the weighted average number of ordinary shares in issue of 500,000,000 (FY2016: 500,000,000).

Diluted (loss)/earnings per share for the fifteen months ended 31 December 2017 and the year ended 30 September 2016 were the same as the basic (loss)/earnings per share as there were no potential dilutive ordinary shares outstanding during the period/year.

9. TRADING LICENCE

	As at	
	31 December 2017 HK\$'000	30 September 2016 HK\$'000
Cost of membership for a seat at The Chinese Gold and Silver Exchange Society ("CGSE")	<u>10,000</u>	<u>–</u>

10. TRADE RECEIVABLES

	As at	
	31 December 2017 HK\$'000	30 September 2016 HK\$'000
Trade receivables	<u>28,602</u>	<u>10,276</u>

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 December 2017 <i>HK\$'000</i>	30 September 2016 <i>HK\$'000</i>
Current to 30 days	12,738	1,702
31 – 60 days	11,773	2,744
61 – 90 days	1,425	789
Over 90 days	2,666	5,041
	<u>28,602</u>	<u>10,276</u>

11. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	As at	
	31 December 2017 <i>HK\$'000</i>	30 September 2016 <i>HK\$'000</i>
Amounts due from customers for contract work		
Contract costs incurred plus recognised profits less recognised losses	8,933	7,504
Less: Progress billings received and receivables	(3,926)	(6,585)
	<u>5,007</u>	<u>919</u>

	As at	
	31 December 2017 <i>HK\$'000</i>	30 September 2016 <i>HK\$'000</i>
Amounts due to customers for contract work		
Progress billings received and receivables	22,980	9,434
Less: Contract costs incurred plus recognised profits less recognised losses	(22,606)	(8,708)
	<u>374</u>	<u>726</u>

12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at	
	31 December 2017 HK\$'000	30 September 2016 HK\$'000
Deposits	12,252	663
Prepayments	3,614	756
Interest receivables	23	157
Retention receivables	455	2,189
	<u>16,344</u>	<u>3,765</u>

13. TRADE PAYABLES

	As at	
	31 December 2017 HK\$'000	30 September 2016 HK\$'000
Trade payables	<u>22,774</u>	<u>6,629</u>

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

	As at	
	31 December 2017 HK\$'000	30 September 2016 HK\$'000
Current to 30 days	12,502	1,856
31 – 60 days	7,384	812
61 – 90 days	1,764	483
Over 90 days	1,124	3,478
	<u>22,774</u>	<u>6,629</u>

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

14. ACCRUED EXPENSES AND OTHER PAYABLES

	As at	
	31 December	30 September
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other payables	178	–
Accrued expenses	5,545	1,448
Receipt in advances	20,474	–
	<hr/>	<hr/>
	26,197	1,448
	<hr/> <hr/>	<hr/> <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to present the results of the Group for the fifteen months ended 31 December 2017 (the “Period”), together with the comparative figures for the year ended 30 September 2016 (“FY2016”).

FINANCIAL REVIEW

During the Period, the Group’s new business segments (aviation and traveling services and financial services) became growth drivers, contributed the revenue of HK\$29.1 million and resulting an increase in the revenue of the Group by 35.7% to HK\$157.4 million as compared to FY2016. The Group recorded a net loss of HK\$10.2 million for the Period mainly due to (i) the decrease in gross profit from construction and ancillary services; (ii) the increase in professional fee incurred by the Company for the mandatory cash offer for shares of the Company (the “Share(s)"); and (iii) the increase in operating expenses for preparing, setting up and operating new businesses of the Group.

BUSINESS REVIEW

The Group’s business segments include three major segments, namely construction and ancillary services, aviation and traveling services and financial services.

During the Period, the performance of Group’s business was diversified. While the revenue of construction and ancillary services was affected by intensive competition in this industry, new business segments’ performance was encouraging and contributed revenue of HK\$29.1 million. A breakdown of the revenue was listed below:

	Fifteen months ended		Year ended	
	31 December 2017		30 September 2016	
	HK\$’000	%	HK\$’000	%
Construction and ancillary services	128,270	81.5	116,021	100
Aviation and traveling services	28,010	17.8	–	–
Financial services	1,117	0.7	–	–
	<u>157,397</u>	<u>100</u>	<u>116,021</u>	<u>100</u>
Revenue	<u>157,397</u>	<u>100</u>	<u>116,021</u>	<u>100</u>

CONSTRUCTION AND ANCILLARY SERVICES

Construction and ancillary services which include design, fitting-out, decoration, alteration and addition, construction and other related businesses were the focus of our business in the Period. During the Period, the revenue from construction and ancillary services increased by 10.6% to HK\$128.3 million (FY2016: HK\$116.0 million). The increase in the revenue from this segment mainly due to the contribution from new corporate customers for our construction and ancillary services for their office premises.

In the Period, the major customers of the Group were mostly well established listed property developers based in Hong Kong. In 2017, Hong Kong property market was affected by unfavorable market conditions such as 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 Hong Kong government), and interest rate hikes in the United States of America, which may increase the cost of borrowing in Hong Kong. Moreover, the significant increase in competition from China's property developers for residential property development projects in Hong Kong may adversely affect future performance of Hong Kong based property developers which are our major customers. In the Period, the Group started to broaden the customer base to corporate customers which demand our construction and ancillary service for their office premises in Hong Kong in order to reduce heavily reliance on Hong Kong based property developers and the uncertainty in the residential property market.

AVIATION AND TRAVELING SERVICES

In response to favorable environments in aviation and traveling services industry in 2017, the Group started to explore business opportunities in aviation and traveling industry which includes but not limited to aircraft management, service of aircraft sales, aircraft leasing, pilot training school, trading of aviation fuel and trading of aviation equipment and parts. In the Period, the Group started to provide aircraft management service, service for aircraft sales and aircraft leasing ancillary services.

During the Period, the revenue from aviation and traveling services was HK\$28.0 million (FY2016: nil).

Aircraft management service

The Group provides aircraft management service to our customers including flight scheduling, aircraft maintenance and crew management. During the Period, the revenue from aircraft management service was HK\$20.0 million (FY2016: nil).

On 12 July 2017, Smart Empire Global Limited ("Smart Empire"), an indirect wholly-owned subsidiary of the Company, BAA Jet Management Limited (the "BAA"), a top business jet management company in the People's Republic of China (the "PRC") and Himalaya Business Aviation Limited ("HBA"), an indirect wholly-owned subsidiary of the Company, entered into a subscription agreement, pursuant to which Smart Empire and BAA shall subscribe for, and HBA shall allot and issue, 5,099,999 shares and 4,900,000 shares, respectively, at the aggregate subscription price of HK\$5,099,999 and HK\$4,900,000, respectively. Upon completion of the share subscription, the Group's equity interests in HBA were reduced from 100% to 51%. We believed that the Group can leverage the reputation, expertise and extensive experience of BAA to expand our aircraft management business. For details of subscription agreement, please refer to the announcement of the Company dated 12 July 2017.

After entering into the aircraft management agreements by HBA, the Group decided to subcontract part of such management service to BAA by entering into Services Framework Agreement to rely on the expertise in aircraft management of BAA and thus improve the efficiency and costs effectiveness of the provision of such service of the Group. For details of the Services Framework Agreement, please refer to the announcement of the Company dated 14 September 2017.

Service of aircraft sales

Our service of aircraft sales provides service to our customers including selection of aircraft, negotiation and execution of aircraft purchase. During the Period, the revenue from the service of aircraft sales was HK\$7.7 million (FY2016: nil). On 27 July 2017, the Company entered into an agency agreement (the “Agency Agreement”) with a connected person of the Company for acting as an exclusive purchasing agent for its purchase of a business jet and service fee was based on 1.5% of purchase price of the business jet which shall not exceed HK\$10 million. For details of the Agency Agreement, please refer to the announcement of the Company dated 27 July 2017.

Aircraft leasing ancillary services

Our aircraft leasing ancillary services provide services to our customers in relation to the advisory services for aircraft leasing financing. During the Period, the revenue from aircraft leasing ancillary services provided to a connected person of the Company was HK\$0.2 million (FY2016: nil).

FINANCIAL SERVICES

Golden opportunity brought by China’s capital market liberation has become more prominent with a number of game changers emerged in 2017. The Group is grateful to enjoy this business opportunity by commencing precious metal trading business and financial advisory service. During the Period, the revenue from financial services was HK\$1.1 million (FY2016: nil).

Precious metal trading

The Group obtained the ordinary membership (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, the revenue from precious metal trading was HK\$0.6 million (FY2016: nil).

Financial advisory service

Financial advisory service provides non-regulated advisory services to our customer. During the Period, the revenue from financial advisory service was HK\$0.5 million (FY2016: nil).

Administrative expenses

The administrative expenses increased by HK\$36.9 million from HK\$20.1 million in FY2016 to HK\$57.0 million in the Period. The increase was mainly due to the increase of professional fee incurred for the mandatory cash offer for Shares, the increase in operating expenses for preparing, setting up and operating new businesses of the Group, and effect of change in financial year end date.

Loss for the Period

The Group recorded the loss of HK\$10.2 million in the Period as compared to the profit of HK\$24.2 million in FY2016 mainly due to (i) the decrease in gross profit from construction and ancillary services; (ii) the increase in professional fee incurred by the Company for the mandatory cash offer for the Shares; and (iii) the increase in operating expenses for preparing, setting up and operating new businesses of the Group.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 31 December 2017, the Group had 40 employees (30 September 2016: 23) in Hong Kong. The total remuneration paid by the Group to its employees (including Directors) for the Period was HK\$24.7 million (FY2016: HK\$14.4 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/her own remuneration.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2017, the Group had a total cash and bank balances of HK\$134.5 million (30 September 2016: HK\$154.2 million) mainly denominated in Hong Kong dollars.

The Group continued to maintain a healthy liquidity position. As at 31 December 2017, the Group had net current assets of HK\$136.3 million (30 September 2016: HK\$152.7 million). The Group had current ratio of approximately 3.8 times as at 31 December 2017 compared to that of approximately 10.3 times 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 31 December 2017, the Group did not have any borrowing (30 September 2016: nil). Hence, as at 31 December 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 December 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 approximately HK\$100.0 million (after deducting underwriting commissions and all related expenses).

Having considered the performance and requirements of Group's construction and ancillary services and with a view to better deploy the resources of the Group, the Board resolved 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 CGSE on 9 May 2017 and HK\$5.1 million from HK\$10 million which was originally planned to be used 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 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 31 December 2017 are set out below:

Planned use of proceeds	Original allocation <i>HK\$ million</i>	Revised allocation <i>HK\$ million</i>	Utilisation <i>HK\$ million</i>	Remaining balances <i>HK\$ million</i>
Financing the potential acquisition of companies and or/businesses which are primarily engaged in DFD works and the 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 enhancing internal training to support future growth	10.0	4.9	4.9	–
Additional working capital and other general corporate purposes	10.0	10.0	10.0	–
Precious metal trading business	–	15.0	11.9	3.1
Payment of subscription agreement of HBA dated 12 July 2017	–	5.1	5.1	–
	<u>100.0</u>	<u>100.0</u>	<u>31.9</u>	<u>68.1</u>

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENTS

The Group had no significant outstanding capital commitment as at 31 December 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”.

DIVIDEND

The Directors do not recommend any payment of final dividend for the Period.

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 during the Period.

EVENTS AFTER REPORTING PERIOD

There is no significant event affecting the Group which has occurred since the end of the Period.

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 Period and up to the date of this announcement, the Company has complied with the code provisions under the CG Code, save for 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 and that certain independent non-executive Directors failed to attend certain general meetings of the Company during the Period.

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.

During the Period, certain independent non-executive Directors failed to attend certain general meetings of the Company due to personal commitment. The Company confirmed that due notice of these meetings had been given to the Directors and that the Directors had been furnished with agendas and minutes of these meetings in order to be keep informed of the views of the shareholders of the Company.

The Company periodically reviews its corporate governance practices to ensure that it continues to meet the requirements under the Code Provisions.

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 during the Period.

SCOPE OF WORK

The figures in respect of the preliminary announcement of the Group's results for the Period have been agreed by the Group's auditors, HLB Hodgson Impey Cheng Limited, to the amounts as set out in the Group's audited consolidated financial statements for the Period. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on the preliminary announcement.

AUDIT COMMITTEE

The Audit Committee has reviewed with senior management of the Group, the accounting principles and practices adopted by the Group and has discussed internal controls and financial reporting matters, including the review of Group's consolidated financial statements for the Period.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.royalchina.hk) and the Company's annual report for the fifteen months ended 31 December 2017 will be despatched to the shareholders of the Company and published on the Stock Exchange's and the Company's websites in due course.

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

Hong Kong, 23 March 2018

As at the date of this announcement, the Board comprises Mr. DENG Kui, Mr. LIU Yongsheng, 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.