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## **Royal Century Resources Holdings Limited**

**仁德資源控股有限公司**

*(incorporated in Hong Kong with limited liability)*

**(Stock code: 8125)**

### **SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2023**

Reference is made to the annual report (the “**Annual Report**”) of Royal Century Resources Holdings Limited (the “**Company**”, together with its subsidiaries as the “**Group**”) for the year ended 31 March 2023 (the “**Year**”) published on 30 June 2023. Unless the context otherwise requires, capitalised terms used in this announcement shall have the same meanings as those defined in the Annual Report.

The Board wishes to provide additional information in relation to the money lending business (the “**Money Lending Business**”) of the Group, in particular, (i) the credit approval processes; (ii) the ageing analysis of the outstanding loans; and (iii) the basis of the impairment of loan receivables for the Year.

#### **Credit Approval Processes**

The following is a summary of the general guidelines of assessing loan applications by the management team (the “**Management Team**”) of the Money Lending Business:

- (A) Identity proof – identity card and passport from individuals and business registration certificate, certificate of incorporation and the constitutional documents from corporate entities must be provided for verification;
- (B) Address proof – utility bills, bank/credit card statements or formal correspondence issued by either a governmental department or statutory body is required to be produced;
- (C) Repayment ability assessment – to assess the repayment ability of each borrower, in addition to the background search, the Management Team checks the availability of guarantor, where applicable, past payment record and any other available information to evaluate the repayment ability of the borrower(s); and
- (D) Credit worthiness assessment – Searches and background checks would be conducted upon potential clients such as bankruptcy or winding up search and litigation search; background search and media searches.

Based on the above procedures, the Group considers that the credit risk and the risk of breaching the relevant laws and regulations in connection with anti-money laundering or antiterrorist financing are relatively low. Nonetheless, the Group has in place all necessary measures to mitigate the risk of money laundering or terrorist financing risk of potential borrowers' businesses, such as the nature and details of the business/occupation/employment of the potential borrower; the anticipated level and nature of the activity; location of potential borrower; the expected source and origin of the funds; and the initial and ongoing source(s) of wealth or income.

After credit assessment and review of the loan applications, with the loan terms determined (having taken into consideration factors such as the credit risks of the borrowers, their recoverability and the prevalent market interest rates), loan documents will be prepared by the Management Team and the loans will be recommended for the review of the director(s) of the Money Lending Business prior to reporting to the Board or approval (as the case may be). The director(s) of the Money Lending Business, will be responsible for the approval of loans in relatively smaller amount, and reporting the same to the Board.

The Management Team would report the potential loan(s) to the Company and the Board for the consideration by its members, if it is of larger amount (i.e. by assessment of size tests under chapter 19 of the GEM Listing Rules, may constitute a discloseable transaction or above), in which case, such potential loan(s) shall be reported by the director(s) of the Money Lending Business who will elaborate to the Board such potential loan(s) in contemplation and the recommendations therewith for discussion and approval, the Directors (including the independent non-executive Directors) shall then consider whether such loans are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole. Moreover, for any potential loan(s) which may involve connected person(s) as defined under chapter 20 of the GEM Listing Rules, such loan(s) will be reported to the Board immediately for assessment with respect to size tests and assessment by the Board as elaborated above.

### **Ageing analysis of the outstanding loans**

The loan portfolios of the Group consist of 2 personal loans with principal amount of HK\$3 million each. The loans were granted in prior year and were renewed with a term of 1 year in March 2021. The Group has set up guideline for dealing with outstanding loan and interest repayment. Generally, the Group shall first remind the borrower prior to the due date of the loan. Should the borrower fail to repay the loan and interests promptly, the Manuals set out the loan collection procedure to monitor the recoverability of the loan on an ongoing basis. While the Group has been in negotiation with the borrowers on the repayments of the outstanding loans, the Group has issued monthly repayment notices to the borrowers and demanding for the repayment of the outstanding principal and interest. Up to the date of this announcement, the borrowers have settled partial of the principal amounts together with the accrued interest thereon. The Group would make endeavour effort to collect the outstanding principal in due course.

The aged analysis of loan and interest receivables (net of impairment) that is not considered to be impaired is as follows:

	2023 HK'000	2022 HK\$'000
Neither past due nor impaired	-	-
Past due but not impaired		
0 to 30 days	-	5,451
more than 180 days	4,770	-
	<u>4,770</u>	<u>5,451</u>

### **Basis of Impairment Loss**

As included in notes 6(b) and 23 to the consolidated financial statements in the Annual Report, the Company recognised a provision for impairment loss of approximately HK\$721,000 on loan and interest receivables (the “**Impairment Loss**”) for the year ended 31 March 2023.

The Group recognised the Impairment Loss under HKFRS 9 expected credit loss (“**ECL**”) model on loan and interest receivables. The ECL model is a probability-weighted estimate of credit losses, which are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flow due to the Group in accordance with the contract and the cash flows that the Group expects to receive), discounted at original effective interest rate, where the effect of discounting is material.

When estimating the ECL on loan and interest receivables, the Group has considered the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis by comparing the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. The Group has also taken into account forwarding-looking information including actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparties’ ability to meet its obligations.

Under the general approach of the ECL model, the assumptions underpinning the Group's for the loan and interest receivables are set out below:

<b>Category</b>	<b>Definition of category</b>	<b>Basis for recognition of ECL provision</b>
Stage 1	Exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination.	Portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.
Stage 2	Exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired.	Lifetime expected losses (i.e. reflecting the remaining lifetime of the financial asset) is recognised.
Stage 3	Exposures are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.	Lifetime expected losses is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

Practically, in setting the stage for the loan and interest receivables, the Group will consider the characteristic of the loan and interest receivables and recognise the ECL provision according to the respective accounting practice of the Group. The loans have been assessed individually based on the probability of default and exposure of default. Since the loans have been overdue for repayment as at 31 March 2023, the probability of default would have increased. However, considering the credit worthiness and by reviewing the past repayment history of the borrowers where accrued interests have been settled during the year and/or subsequent to the year, the Group considers the loans are not credit-impaired and are categorised as Stage 2 for ECL assessment.

The Group would conduct regular review and carry out follow up actions (on a quarterly and continuing basis) in respect of overdue amounts to minimise the Group's exposure to credit risk and follow up closely with its borrowers as to the deadlines in payment of interest of the loans. An aging analysis of the debtors is prepared on a monthly basis and is closely monitored to minimise any credit risk associated with these debtors. The Management Team will in turn report the status of the loan portfolio to the Board, such that the Board may closely monitor the loan portfolio and continue to adopt risk control and management strategies while broadening the customer base.

The Group has standard procedures in dealing with default in payment. In case there are any minor defaults, its management will send reminder and/or demand letters to its borrowers. In case the default for loans persists (i.e. delay in repayment has exceeded for three months or above), the collection procedure will consider to commence and the Group will consider to engage lawyers in advising on the loan, its recovery and enforcement action.

## GENERAL

The information contained in this supplemental announcement does not affect other information contained in the Annual Report and save as disclosed above, all other information in the Annual Report remains unchanged.

By order of the Board  
**Royal Century Resources Holdings Limited**  
**Chan Chi Yuen**  
*Chairman*

Hong Kong, 2 November 2023

*As at the date of this announcement, the executive Directors are Mr. Chan Chi Yuen, Mr. Wang Jun and Mr. Yau Yan Yuen; and the independent non-executive Directors are Mr. Wu Zhao, Mr. Lam Cheok Va and Ms. Tsang Hau Wai.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (“HKEx”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

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