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ROYAL CATERING GROUP HOLDINGS COMPANY LIMITED

皇璽餐飲集團控股有限公司

(incorporated in Cayman Islands with limited liability)

(Stock Code: 8300)

DISCLOSEABLE TRANSACTION

SUBSCRIPTION OF SHARES IN DU HSIAO YUEH (HONG KONG) COMPANY LIMITED

THE SHAREHOLDERS AGREEMENT

On 31 May 2017 (after trading hours), Subscriber A, Subscriber B, Subscriber C and the Target Company entered into the Shareholders Agreement, pursuant to which Subscriber A, Subscriber B and Subscriber C conditionally agreed to subscribe for and the Target Company conditionally agreed to allot and issue 5,400,000, 2,699,999 and 900,000 Subscription Shares, respectively, representing 60%, 29% and 10% of the share capital of the Target Company as enlarged by the Subscription, respectively.

THE MANAGEMENT AGREEMENT

On 31 May 2017 (after trading hours), Subscriber B and the Target Company entered into the Management Agreement, pursuant to which Subscriber B agreed to provide Management Services to the Target Company.

IMPLICATIONS UNDER THE GEM LISTING RULES

As the highest applicable percentage ratio (as defined in the GEM Listing Rules) in respect of the Subscription exceed 5% but is less than 25%, the Subscription constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules, and is therefore subject to the reporting and announcement requirement thereunder.

As all applicable percentage ratios in respect of the annual caps with respect to the management service fee is less than 5% and HK\$3,000,000, the Management Agreement is fully exempted from independent shareholders' approval, annual review and all disclosure requirements pursuant to Rule 20.74 of the GEM Listing Rules.

The Shareholders Agreement

Date

31 May 2017

Parties

- (i) The Target Company;
- (ii) Subscriber A;
- (iii) Subscriber B; and
- (iv) Subscriber C.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Target Company, Subscriber B and Subscriber C and their ultimate beneficial owners are Independent Third Parties.

Subject matter

Subscriber A, Subscriber B and Subscriber C conditionally agreed to subscribe for 5,400,000, 2,699,999 and 900,000 Subscription Shares, respectively, representing 60%, 29% and 10% of the share capital of the Target Company as enlarged by the Subscription.

Consideration

The Subscription Price is HK\$1.00 per Subscription Share and the total consideration payable by Subscriber A is HK\$5,400,000, which shall be paid in full upon completion of the Subscription.

Basis of determining the consideration

The terms of the Shareholders Agreement, including the Subscription Price, under the Shareholders Agreement, were determined after arm's length negotiations between the Subscribers and the Target Company with reference to the projected financial needs of the Target Company.

Ranking of the Subscription Shares

The Subscription Shares, when issued and fully paid, will rank *pari passu* among themselves and with the existing shares of the Target Company.

Condition precedent and completion of the Subscription

Completion of the Subscription is conditional upon the Subscription by all the Subscribers within 14 days of the date of the Shareholder Agreement.

Directors of the Target Company

The board of directors of the Target Company shall consist of 5 directors. Subscriber A, Subscriber B and Subscriber C shall have the right to nominate 3 directors, 1 director and 1 director, respectively. Each director shall have one vote in a meeting of the board of directors of the Target Company.

Matters requiring unanimous consent of all shareholders

Matters that required to be dealt with by consent of all shareholders of the Target Company at a general meeting are summarized as below:

- (i) amendment of memorandum and articles of association of the Target Company;
- (ii) change of share capital of the Target Company;
- (iii) creation of mortgage or charges over any of the assets of the Target Company that may cause material adverse change to the business of the Target Company;
- (iv) creation of loan that may cause material adverse change to the business of the Target Company;
- (v) entering into contracts that are not in the ordinary course of business and may cause material adverse change to the business of the Target Company;
- (vi) transfer of property or assets that are not in the ordinary course of business and may cause material adverse change to the business of the Target Company;
- (vii) winding-up or merger;
- (viii) change of name or trade-name of the Target Company; and
- (ix) formation of partnership or joint venture that may cause material adverse change to the business of the Target Company.

Right of first refusal

In the case that any party to the Shareholders Agreement intends to assign or sell all or part of the shares held by it, the other party shall have a right of first refusal for the acquisition of such shares in proportion to the number of shares held by it.

The Management Agreement

Date

31 May 2017

Parties

- (i) The Target Company; and
- (ii) Subscriber B.

Subject matter

Subscriber B shall provide back-office supporting services to the running and operation of various restaurants and food outlets to be opened and operated by the Target Company from time to time in Hong Kong.

Management service fee

The Target Company agreed to pay a monthly management service fee in the sum equivalent to 3% per month of the consolidated monthly gross sales turnover of the business of the Target Company commencing on 31 May 2017 for a consecutive period of 3 years.

Basis of Determining the Management Service Fee

The terms of the Management Agreement, including the management service fee, under the Management Agreement, were determined after arm's length negotiations between the Target Company and Subscriber B with reference to the projected turnover of the Target Company and the prevailing management service fee in catering business.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND THE MANAGEMENT AGREEMENT

The Group's principal line of business is the provision of casual dining food catering services in Hong Kong. The Directors are of the view that the Subscription and the Management Agreement would strongly complement the Group's food catering services and provide both synergistic benefits as well as a way to establish horizontal integration of its activities.

The Company is of the view that the Subscription and the Management Agreement will fit into the Group's business activities. The Directors hold a positive view towards the investment in the Target Company and the Directors believe that such investment would bring positive returns to the Group in the long run. Therefore, the Board considers that the terms of the Shareholders Agreement and the Management Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

FINANCIAL INFORMATION OF THE TARGET COMPANY

As the Target Company was established on 15 December 2016 and no audited financial statements have been prepared, the unaudited loss of the Target Company (before and after taxation) for the four months ended 30 April 2017 is approximately HK\$39,000 and its liabilities as at 30 April 2017 is approximately HK\$39,000.

INFORMATION OF THE PARTIES

The Company is an exempted company incorporated in the Cayman Islands with limited liability. The Group is principally engaged in provision of casual dining food catering services in Hong Kong.

The Target Company is a company incorporated in Hong Kong. As at the date of this announcement, the Target Company has one share in issue, which is legally and beneficially owned by Subscriber B. The Target Company is principally engaged in operation of restaurants and food outlets in Hong Kong.

On 27 February 2017, the Target Company entered into a franchising agreement with the Franchisor, pursuant to which the Franchisor agreed to grant to the Target Company the sole and exclusive rights, license and franchise to establish, manage, run and operate the various restaurants and food outlets to be opened and operated by the Target Company from time to time in Hong Kong under the trademarks owned by the Franchisor.

Subscriber A is a company incorporated in Hong Kong and is a wholly-owned subsidiary of the Company. Subscriber A is principally engaged in provision of casual dining food catering services in Hong Kong.

Subscriber B is a company incorporated in Hong Kong. Subscriber B is principally engaged in investment holding, provision of management and promotion services, trading of food and other operating items to restaurant operations and property investment.

Subscriber C is a company incorporated in Hong Kong and is principally engaged in provision of hospitality management and consultancy services.

IMPLICATIONS UNDER THE GEM LISTING RULES

The Shareholders Agreement

As the highest applicable percentage ratio (as defined in the GEM Listing Rules) in respect of the Subscription exceed 5% but is less than 25%, the Subscription constitutes a discloseable transaction under Chapter 19 of the GEM Listing Rules, and is therefore subject to the reporting and announcement requirements thereunder.

The Management Agreement

Immediately after the Subscription, the Target Company will become a non wholly-owned subsidiary of the Company, and Subscriber B will become a substantial shareholder of the Target Company and a connected person of the Company. The Management Agreement will therefore constitute a continuing connected transaction for the Company under Chapter 20 of the GEM Listing Rules.

As all applicable percentage ratios in respect of the annual caps with respect to the management service fee is less than 5% and HK\$3,000,000, the Management Agreement is fully exempted from independent shareholders' approval, annual review and all disclosure requirements pursuant to Rule 20.74 of the GEM Listing Rules. In case the annual

management service fee to be paid under the Management Agreement exceeds HK\$3,000,000, the Group will re-comply with the announcement and independent shareholders' approval requirements pursuant to Rule 20.52 of the GEM Listing Rules.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions have the following meanings:

“Board”	the board of Directors
“Company”	Royal Catering Group Holdings Company Limited (皇爾餐飲集團控股有限公司), a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the GEM of the Stock Exchange (Stock Code: 8300)
“Connected person”	has the meaning described to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Franchisor”	a company incorporated under the laws of Hong Kong with Limited Liability on 16 August 2013 and an Independent Third Party
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company together with its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a third party which is independent of and not connected with the Company and its connected persons and not otherwise a connected person of the Company
“Management Agreement”	the management agreement entered into between the Target Company and Subscriber B dated 31 May 2017 in respect of the Management Services
“Management Services”	provision of the back-office supporting services by Subscriber B to the Target Company, in particular, running and operation of various restaurants and food outlets to be opened and operated by the Target Company from time to time in Hong Kong

“Shareholders Agreement”	the shareholders agreement entered into among the Subscribers and the Target Company dated 31 May 2017 in respect of the Subscription
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber A”	Alliance Catering Company Limited (飲食聯盟有限公司), a company incorporated under the laws of Hong Kong with limited liability on 19 January 2017 and a wholly-owned subsidiary of the Company as at the date of this announcement
“Subscriber B”	a company incorporated under the laws of Hong Kong with limited liability on 26 September 1995
“Subscriber C”	a company incorporated under the laws of Hong Kong with limited liability on 1 September 2016
“Subscribers”	collectively, Subscriber A, Subscriber B and Subscriber C
“Subscription”	the subscription of the Subscriptions Shares by the Subscribers pursuant to the terms and conditions of the Shareholders Agreement
“Subscription Price”	HK\$1.00 per Subscription Share
“Subscription Shares”	the 8,999,999 new ordinary shares in the Target Company to be allotted and issued by the Target Company to the Subscribers pursuant to the Shareholders Agreement
“Target Company”	Du Hsiao Yueh (Hong Kong) Company Limited (度小月(香港)有限公司), a company incorporated in Hong Kong with limited liability on 15 December 2016

By order of the Board
Royal Catering Group Holdings Company Limited
Wong Man Wai
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 2 June 2017

As at the date of this announcement, the executive Directors are Mr. Wong Man Wai, Mr. Chan Chak To Raymond and Ms. Lam Wai Kwan; and the independent non-executive Directors are Mr. Ma Yiu Ho Peter, Mr. Cheng Wing Hong and Mr. Cai Chun Fai.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting. This announcement will also be published on the Company’s website at www.hkrcg.com.