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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2017

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the "**Directors**" and individually a "**Director**") of Royal Catering Group Holdings Company Limited (the "**Company**") 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 (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.*

FINANCIAL HIGHLIGHTS

- The Group recorded a revenue of approximately HK$90.6 million for the year ended 31 March 2017 (for the year ended 31 March 2016: approximately HK$125.5 million), representing a decrease of approximately 27.8% in comparison.

- The Group recorded a loss and total comprehensive loss attributable to owners of the Company of approximately HK$14.8 million for the year ended 31 March 2017 (for the year ended 31 March 2016: profit and total comprehensive income attributable to owners of the Company of approximately HK$12.6 million).

- The basic and diluted loss per share attributable to owners of the Company for the year ended 31 March 2017 was HK0.81 cents (for the year ended 31 March 2016: the basic and diluted earnings per share attributable to owners of the Company of HK0.84 cents).

ANNUAL RESULTS

The board (the "**Board**") of the Company is pleased to announce the consolidated results of the Company and the subsidiaries (collectively, the "**Group**") for the year ended 31 March 2017, together with the comparative figures for the respective corresponding year in 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	**2017** *HK\$'000*	2016 *HK\$'000*
Revenue	*4*	**90,606**	125,502
Cost of inventories sold		**(17,158)**	(27,255)
Gross profit		**73,448**	98,247
Other revenue and other income	*5*	**2,499**	4,321
Staff costs		**(31,093)**	(36,436)
Depreciation of property, plant and equipment		**(2,424)**	(3,242)
Property rentals and related expenses		**(31,024)**	(32,002)
Fuel and utility expenses		**(3,710)**	(5,112)
Administrative expenses		**(28,110)**	(19,516)
(Loss)/profit from operations		**(20,414)**	6,260
Gain on disposal of a subsidiary		**–**	636
Share of result of an associate		**6,488**	8,806
Share of result of a joint venture		**–**	(54)
Finance costs	*6*	**(228)**	(353)
(Loss)/profit before tax	*7*	**(14,154)**	15,295
Income tax expenses	*9*	**(691)**	(2,698)
(Loss)/profit and total comprehensive (loss)/income for the year		**(14,845)**	12,597
(Loss)/profit and total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(14,845)**	12,619
Non-controlling interests		**–**	(22)
		(14,845)	12,597
(Loss)/earnings per share			
Basic and diluted (HK cents)	*11*	**(0.81)**	0.84

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	*12*	**7,164**	5,466
Interests in associates		**1,560**	742
Interest in a joint venture		**–**	–
Non-current rental deposits		**1,628**	1,237
		10,352	7,445
Current assets			
Inventories		**237**	246
Trade receivables	*13*	**628**	1,188
Deposits, prepayments and other receivables		**3,195**	6,059
Prepaid tax		**255**	198
Amount due from an associate		**1,622**	34
Amount due from a joint venture		**500**	500
Fixed deposits		**17,500**	–
Cash and cash equivalents		**76,437**	16,857
		100,374	25,082
Current liabilities			
Trade payables	*14*	**2,596**	1,933
Accruals and other payables		**10,324**	6,973
Tax payables		**424**	89
Bank borrowings		**702**	8,377
Obligation under a finance lease		**256**	–
		14,302	17,372
Net current assets		**86,072**	7,710
Total assets less current liabilities		**96,424**	15,155
Non-current liability			
Obligation under a finance lease		**926**	–
Net assets		**95,498**	15,155

	Notes	**2017**	2016
		HK$'000	*HK$'000*
Capital and reserve			
Share capital		**22,028**	–
Reserves		**73,470**	15,608
Equity attributable to owners of the Company		**95,498**	15,608
Non-controlling interests		**–**	(453)
Total equity		**95,498**	15,155

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Attributable to owners of the Company						
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Share option reserve** *HK$'000* *(Note)*	**Retained earnings/ (accumulated losses)** *HK$'000*	**Sub-total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'000*
At 1 April 2015	–	–	–	46,474	46,474	(616)	45,858
Profit/(loss) and total comprehensive income/(loss) for the year	–	–	–	12,619	12,619	(22)	12,597
Acquisition of additional interests in a subsidiary	–	–	–	(485)	(485)	185	(300)
Dividend paid *(note 10)*	–	–	–	(43,000)	(43,000)	–	(43,000)
At 31 March 2016 and at 1 April 2016	–	–	–	15,608	15,608	(453)	15,155
Loss and total comprehensive loss for the year	–	–	–	(14,845)	(14,845)	–	(14,845)
Issue of shares under the capitalisation issue	15,000	(15,000)	–	–	–	–	–
Issue of shares by way of placing	5,000	70,000	–	–	75,000	–	75,000
Placing of new shares	2,028	28,392	–	–	30,420	–	30,420
Share issuing expenses	–	(10,435)	–	–	(10,435)	–	(10,435)
Dividend paid *(note 10)*	–	–	–	(3,000)	(3,000)	–	(3,000)
Recognition of equity-settled share option expenses	–	–	2,750	–	2,750	–	2,750
Non-controlling interests written off upon deregistration of a subsidiary	–	–	–	–	–	453	453
At 31 March 2017	**22,028**	**72,957**	**2,750**	**(2,237)**	**95,498**	**–**	**95,498**

Note: Share option reserve represents the fair value of services estimated to be received in exchange for the grant of the relevant share options over the relevant vesting periods, the total of which is based on the fair value of the share options at grant date. The amount for each period is determined by spreading the fair value of the share options over the relevant vesting period (if any) and is recognised as staff costs and related expenses with a corresponding increase in the share option reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

(a) General information of the Group

The Company is incorporated in Cayman Islands on 19 August 2015 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The shares of the Company have been listed on the Growth Enterprise Market ("**GEM**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") by way of placing (the "**Listing**") with effect from 8 August 2016. The address of the Company's registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business of the Company is Room 1207, 12th Floor, Wing On Kowloon Centre, No. 345 Nathan Road, Kowloon, Hong Kong. Its ultimate holding company is Fortune Round Limited, a company incorporated in British Virgin Islands ("**BVI**") with limited liability and wholly-owned by Mr. Wong Man Wai ("**Mr. Wong**"), a director of the Company.

The Company is an investment holding company and the Group is principally engaged in provision of casual dining food catering services in Hong Kong.

The consolidated financial statements are presented in Hong Kong dollar ("**HK$**"), which is also the functional currency of the Company and all values are rounded to the nearest thousand (HK$'000), unless otherwise stated.

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which is a collective term that includes all applicable individual Hong Kong Financial Reporting Standards ("**HKFRSs**"), Hong Kong Accounting Standards ("**HKASs**") and Interpretations ("**Ints**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities ("**Listing Rules**") on the GEM of the Stock Exchange and by the disclosure requirements of the Hong Kong Companies Ordinance.

(b) Reorganisation and basis of presentation

Pursuant to the reorganisation (the "**Reorganisation**") as fully explained in the paragraph headed "Reorganisation" in the section headed "History, Development and Reorganisation" of the prospectus of the Company dated 1 August 2016, the Company become the holding company of the companies now comprising the Group on 6 June 2016. Immediately prior to and after the Reorganisation, the companies now comprising the Group were under common control by Mr. Wong. The Reorganisation is merely a reorganisation of the Group with no change in management of such business and the ultimate owner of the business. Accordingly, the consolidated financial statements have been prepared on the basis by applying the principle of merger accounting, as if the Reorganisation had been completed at the beginning of the reporting period.

The consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows include the results and cash flows of the companies now comprising the Group have been prepared as if the current group structure upon completion of the Reorganisation had been in existence throughout the reporting period or since their respective date of incorporation, where there is a shorter period. The consolidated statement of financial position of the Group at 31 March 2016 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure upon completion of the Reorganisation had been in existence as at those dates, taking into account the respective dates of incorporation.

All intra-group transaction and balances have been eliminated on combination in full.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

In the current year, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (collectively referred to as the "**new and amendments to HKFRSs**") issued by the HKICPA, which are effective for the Group's financial year beginning from 1 April 2016. A summary of the new and amendments to HKFRSs applied by the Group is set out as follows:

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

The application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial position and financial performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

HKAS 7 (Amendments)	Disclosure Initiative[1]
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses[1]
HKAS 40 (Amendments)	Investment Property[2]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014-2016 Cycle[5]
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 10 and HKAS 28 (Amendments)	Sale 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]
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[2]

[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.
[5] Effective for annual period beginning on or after 1 January 2017 or 2018, as appropriate.

HKFRS 9 ***Financial Instruments***

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirement of HKFRS 9 which is relevant to the Group is in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at the end of each reporting period to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company have reviewed the Group's financial assets at 31 March 2017 and anticipate that the application of HKFRS 9 in the future may result in early recognition of credit losses based on expected loss model in relation to the Group's financial assets measured at amortised cost and is not likely to have other material impact on the financial position and financial performance of the Group based on an analysis of the Group's existing business model.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract(s)
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported as the timing of revenue recognition may be affected/and the amounts of revenue recognised are subject to variable consideration constraints, and more disclosures relating to revenue is required. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group perform a detailed review. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line at which the corresponding underlying assets would be presented if they were owned.

Furthermore, extensive disclosures are required by HKFRS 16.

At 31 March 2017, the Group has non-cancellable operating lease commitments of approximately HK$36,041,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16 and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

Except as disclosed above, the directors of the Company do not anticipate that the application of other new and amendments to HKFRSs will have material impact on the Group's financial position and financial performance.

3. SEGMENT INFORMATION

The Group is principally engaged in the provision of food catering services through a chain of casual dining food catering services restaurants. Information reported to the Group's management 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 additional reportable segment and geographical information have been presented.

4. REVENUE

	2017	2016
	HK$'000	*HK$'000*
Restaurants operations	**82,777**	114,581
Sales of food	**7,220**	10,649
Franchise fee income	**609**	272
	90,606	125,502

5. OTHER REVENUE AND OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
Interest income	**202**	2
Management fee income	**408**	408
Reversal of impairment loss recognised in respect of amount due from an associate	**–**	2,400
Sundry income	**540**	120
Tips income	**529**	655
Net foreign exchange gain	**820**	736
	2,499	4,321

6. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on bank borrowings	**211**	338
Interest on finance lease	**17**	15
	228	353

7. (LOSS)/PROFIT BEFORE TAX

(Loss)/profit before tax is arrived at after charging/(crediting):

	2017	2016
	HK$'000	*HK$'000*
Auditors' remuneration:		
— Audit services *(Note)*	**800**	283
— Non-audit services	**80**	–
	880	283
Cost of inventories sold	**17,158**	27,255
Depreciation of property, plant and equipment *(note 12)*	**2,424**	3,242
Impairment loss recognised in respect of trade receivables *(note 13)*	**1**	–
Lease payments under operating leases:		
— Minimum lease payments	**25,045**	25,795
— Contingent rents	**3,906**	4,045
	28,951	29,840
Employee benefit expenses (excluding directors' remuneration *(note 8)*):		
— Salaries, allowance and benefits in kind	**24,378**	32,938
— Equity-settled share option expenses	**916**	–
— Retirement benefit scheme contributions	**1,090**	1,876
	26,384	34,814
Listing expenses	**15,441**	8,464
Gain on disposal of a subsidiary	**–**	(636)

Note: Exclude services for the Listing of the Company.

8. DIRECTORS' REMUNERATION

The remuneration of directors were set out below:

	Year ended 31 March 2017				
	Directors' fees *HK$'000*	**Salaries, allowance, and benefits in kind** *HK$'000*	**Share option expenses** *HK$'000*	**Retirement benefit scheme contribution** *HK$'000*	**Total** *HK$'000*
Executive directors:					
Mr. Wong	**–**	**1,370**	**-**	**16**	**1,386**
Chan Chak To Raymond	**–**	**776**	**917**	**16**	**1,709**
Lam Wai Kwan	**–**	**391**	**917**	**15**	**1,323**
Independent non-executive directors:					
Ma Yiu Ho Peter	**97**	**–**	**–**	**–**	**97**
Cheng Wing Hong	**97**	**–**	**–**	**–**	**97**
Cai Chun Fai	**97**	**–**	**–**	**–**	**97**
	291	**2,537**	**1,834**	**47**	**4,709**

	Year ended 31 March 2016				
	Directors' fees *HK$'000*	Salaries, allowance, and benefits in kind *HK$'000*	Share option expenses *HK$'000*	Retirement benefit scheme contribution *HK$'000*	Total *HK$'000*
Executive directors:					
Mr. Wong	–	452	–	12	464
Chan Chak To Raymond	–	977	–	13	990
Lam Wai Kwan	–	160	–	8	168
	–	1,589	–	33	1,622

Mr. Wong is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

No directors of the Company have waived or agreed to waive any remuneration during the year ended 31 March 2017 and 2016. No remuneration was paid to the independent non-executive directors during the year ended 31 March 2016 as the independent non-executive directors have not been appointed during the year ended 31 March 2016.

During the year ended 31 March 2017 and 2016, there was no amount paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

9. INCOME TAX EXPENSES

	2017	2016
	HK$'000	*HK$'000*
Current tax:		
— Hong Kong Profits Tax	**689**	2,509
— Under-provision in prior years	**2**	189
	691	2,698

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

10. DIVIDENDS

Prior to the Reorganisation, the Company's subsidiaries had declared and paid dividend to the shareholder during the reporting period was as follows:

	2017	2016
	HK$'000	*HK$'000*
Interim dividend paid	**3,000**	43,000

On 31 May 2016, interim dividend of HK$3,000,000 was declared and paid on 1 June 2016.

On 24 November 2015, interim dividend of HK$43,000,000 was declared and subsequently used to set off the outstanding amount due from a director on 9 December 2015.

No final dividend has been paid or proposed by the Company since its incorporation. The Board does not recommend the payment of a final dividend for the year ended 31 March 2017.

11. (LOSS)/EARNINGS PER SHARE

The computations of basic and diluted (loss)/earnings per share attributable to owners of the Company are based on the following data:

	2017	2016
	HK$'000	*HK$'000*
(Loss)/earnings per share		
(Loss)/earnings for the purpose of basic and diluted (loss)/earnings per share ((loss)/profit for the year attributable to owners of the Company)	**(14,845)**	12,619

	2017	2016
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	**1,833,289**	1,500,000

The number of ordinary shares for the purpose of calculating basic and diluted earnings per share for the year ended 31 March 2016 has been determined on the assumption that the capitalisation issue had been effective on 1 April 2015.

As the Company's outstanding share options where applicable had an anti-dilutive effect to the basic loss per share calculation for the year ended 31 March 2017, the conversion of the above potential dilutive shares is not assumed in the calculation of diluted loss per share.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$'000*	**Furniture and fixtures** *HK$'000*	**Catering and other equipment** *HK$'000*	**Motor vehicles** *HK$'000*	**Total** *HK$'000*
Cost					
At 1 April 2015	17,623	2,165	12,360	962	33,110
Additions	1,883	65	524	–	2,472
Written-off	(7,179)	(1,584)	–	–	(8,763)
Derecognition upon disposal of a subsidiary	(3,483)	(35)	(5,697)	–	(9,215)
At 31 March 2016 and at 1 April 2016	8,844	611	7,187	962	17,604
Additions	2,539	–	185	1,398	4,122
At 31 March 2017	11,383	611	7,372	2,360	21,726
Accumulated depreciation					
At 1 April 2015	10,266	1,847	8,146	764	21,023
Charge for the year	2,067	103	880	192	3,242
Written-off	(7,179)	(1,584)	–	–	(8,763)
Derecognition upon disposal of a subsidiary	(784)	(16)	(2,564)	–	(3,364)
At 31 March 2016 and at 1 April 2016	4,370	350	6,462	956	12,138
Charge for the year	1,850	111	327	136	2,424
At 31 March 2017	6,220	461	6,789	1,092	14,562
Carrying amounts					
At 31 March 2017	**5,163**	**150**	**583**	**1,268**	**7,164**
At 31 March 2016	4,474	261	725	6	5,466

At 31 March 2017, the carrying amounts of motor vehicles includes an amount of approximately HK$1,268,000 (2016: nil) in respect of asset held under a finance lease.

13. TRADE RECEIVABLES

	2017 *HK$'000*	2016 *HK$'000*
Trade receivables	**629**	1,188
Less: Impairment loss recognised	**(1)**	–
	628	1,188

The Group's trading terms with its customers are mainly by cash and credit card settlement. The settlement terms of credit card companies are usually 7 days after the service rendered date. The credit terms of the Group's trade receivables granted to airlines and other corporate customers are generally ranging from 1 day to 60 days. The Group seeks to maintain strict control over its outstanding receivables to minimise the credit risk. The Group does not hold any collateral or other credit enhancement over its trade receivables balances. Trade receivables are interest-free.

The following is an aging analysis of trade receivables, presented based on the invoice dates, which approximates the respective revenue recognition dates and net of allowance for doubtful debts:

	2017	2016
	HK$'000	*HK$'000*
0-30 days	**281**	603
31-60 days	**178**	329
61-90 days	**122**	193
Over 90 days	**47**	63
	628	1,188

The movement in the allowance for doubtful debts during the reporting period is as follows:

	2017	2016
	HK$'000	*HK$'000*
At the beginning of the reporting period	**–**	4
Impairment loss recognised	**1**	–
Amounts written-off as uncollectible	**–**	(4)
At the end of the reporting period	**1**	–

Included in the allowance for doubtful debts are individually impaired trade receivable with balance of approximately HK$1,000 (2016: nil) which was past due. The individually impaired trade receivables relate to customers that were in default in principal payments and are considered irrecoverable.

The following is an aging analysis of trade receivables which are not individually nor collectively considered to be impaired:

	2017	2016
	HK$'000	*HK$'000*
Neither past due nor impaired	**332**	702
One to three months past due	**287**	423
More than three months past due	**9**	63
	628	1,188

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

14. TRADE PAYABLES

The following is an aging analysis of trade payables, based on the invoice dates:

	2017	2016
	HK$'000	*HK$'000*
0-30 days	**1,062**	1,340
31-60 days	**812**	406
61-90 days	**481**	76
Over 90 days	**241**	111
	2,596	1,933

The average credit period granted by suppliers ranging from 30 to 90 days

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Economic growth in Hong Kong

Year 2016 is the dark year for Hong Kong's retail sector, including the catering business, which suffered from the deceleration of growth in China's economy, devaluation of Renminbi ("**RMB**") and the conflicts between Hong Kong locals and mainland PRC travelers.

Encouraging figures have appeared in the first quarter of 2017. According to the Census and Statistics Department of Hong Kong, Hong Kong's economy expanded by 4.3% in real terms in the first quarter of 2017, compared with the 3.2% increase in the fourth quarter of 2016. According to the latest report in May 2017 from Knight Frank, a world's leading independent property agency, Hong Kong's retail sales rebounded 3.1% year on year in March 2017, with all categories except "consumer durable goods" recording upward movement. It indicated that Hong Kong's retail market could achieve a new growth in the short term.

Business Review

For the year ended 31 March 2017, the Group had successfully renewed the license agreement of a Group's restaurant — "*Chinese Kitchen (中國廚房)*" with Hong Kong International Airport (the "**HKIA**"). As at 31 March 2017, the Group operated four restaurants and one takeaway kiosk at HKIA as well as one restaurant in the urban area of Hong Kong. Apart from operating our own restaurants, we have also franchised our brands "*Taiwan Beef Noodle (台灣牛肉麵)*" and "*Chinese Kitchen (中國廚房)*" to our business partner for operating one restaurant located at Tsim Sha Tsui, Kowloon.

In September 2016, the Group launched a new product — mooncakes, taking pride in its traditional baking techniques and all of the mooncakes were made locally. In May 2017, the Group entered into the shareholders agreement to subscribe 60% of equity shares of DHY(HK), which was granted the sole and exclusive rights, license and franchise of the famous Taiwan catering brand "*Du Hsiao Yueh (度小月)*" to establish, manage, run and operate the various restaurants and food outlets in Hong Kong. The first *Du Hsiao Yueh (度小月)* restaurant commenced business in Tsim Sha Tsui in June 2017.

Our strategic objective is to continue to strengthen our leading position in operating restaurants at the HKIA while keep looking for suitable opportunities to extend our business in the urban area of Hong Kong, as well as tap into the casual dining market in the PRC. As disclosed in the section headed "Future Plans and Use of Proceeds" in the prospectus dated 1 August 2016 of the Company (the "**Prospectus**"), the Group's objective is to open a total of six new restaurants across Hong Kong and the PRC in the near future.

Financial Review

Revenue

The revenue of the Group decreased by approximately 27.8% from approximately HK$125.5 million for the year ended 31 March 2016 to approximately HK$90.6 million for the year ended 31 March 2017. The drop in revenue in comparison is due to the disposal of Sunny Echo Limited, a former subsidiary of the Group, on 30 October 2015, which no longer contributed any revenue to the Group during the year under review, and the temporary cessation of the operation of a takeaway kiosk and a restaurant of the Group at the HKIA in July 2016 and November 2016 respectively.

Cost of inventories sold

Cost of inventories sold primarily consists of the cost of all the food and beverages used in restaurant operations. For the years ended 31 March 2016 and 2017, the cost of materials consumed amounted to approximately HK$27.3 million and HK$17.2 million respectively, representing a drop of approximately 37.0% in comparison. Such decrease was mainly due to the disposal of Sunny Echo Limited in October 2015 and whose financial results were no longer consolidated into that of the Group during the year under review.

Gross profit and gross profit margin

The Group's gross profit, which equals to the revenue minus cost of inventories sold, for the year ended 31 March 2017 was approximately HK$73.4 million, representing a drop of approximately 25.3% from approximately HK$98.2 million for the year ended 31 March 2016. The decline in gross profit in comparison was mainly due to the disposal of Sunny Echo Limited in October 2015 which no longer contributed any revenue to the Group during the year under review, and temporary cessation of the operation of takeaway kiosk and a restaurant of the Group at the HKIA during July 2016 and November 2016 respectively.

The gross profit margin has improved to approximately 81.0% (for the year ended 31 March 2016: approximately 78.2%). This was mainly due to the disposal of Sunny Echo Limited, which had a relatively lower gross profit margin, in October 2015.

The gross profit margin for the Group's restaurants operating at the HKIA were approximately 82.0% and 81.8% for the years ended 31 March 2016 and 2017 respectively. The gross profit margin for the Group's restaurants operating in the urban area of Hong Kong were approximately 65.7% and 71.8% for the year ended 31 March 2016 and 2017 respectively.

The relatively higher gross profit margin recorded at the restaurants operating at the HKIA during the years ended 31 March 2016 and 2017 was attributable to the centralisation of purchases in bulk orders and with discounts through the Group's centralised warehouse at Tsing Yi, Hong Kong. Leveraging on the concentrated pedestrian traffic and generally quick dining manner of the travellers, the Group's restaurants at the HKIA recorded a higher seat turnover rate which enabled the Group to maximise the utilisation of food ingredients and reduce wastages.

Further, the Group's restaurants and takeaway kiosk operating at the HKIA sold more beverage items than the Group's restaurants in the urban area of Hong Kong. Apart from that, the menu items are not entirely the same at the Group's restaurants operating under the same brands "*Taiwan Beef Noodle (台灣牛肉麵)*" and "*Chinese Kitchen (中國廚房)*" at the HKIA and in the urban area of Hong Kong. The Group offers seafood in the urban area of Hong Kong which targets the tourists and mass market customers, while we generally offer simple food items to cater to the needs of the travelers who look for casual dining in a quick and convenient manner at the HKIA. We consider that the sales of beverage generally have higher gross profit margin while the sales of seafood generally have lower gross profit margin, and these lead to the generally higher gross profit margin of the Group's restaurants and takeaway kiosk at the HKIA.

Other revenue and other income

During the two years ended 31 March 2016 and 2017, the Group's other revenue and other income mainly comprised of interest income, management fee income, reversal of impairment loss recognised in respect of amount due from an associate, tips income and net foreign exchange gain.

	For the year ended 31 March	
	2017	2016
	HK$'000	*HK$'000*
Interest income	**202**	2
Management fee income	**408**	408
Reversal of impairment loss recognised in respect of amount due from an associate	**–**	2,400
Sundry income	**540**	120
Tips income	**529**	655
Net foreign exchange gain	**820**	736
	2,499	4,321

The other revenue and other income decreased from approximately HK$4.3 million for the year ended 31 March 2016 to approximately HK$2.5 million for the year ended 31 March 2017, representing a decrease of approximately 41.9%, which was mainly resulting from the absence of an one-off income from reversal of impairment loss recognised in respect of amount due from an associate recognised during the year ended 31 March 2016.

Staff costs

Staff costs primarily consist of salaries, wages and allowances, pension costs and other employee benefits. The staff costs decreased from approximately HK$36.4 million for the year ended 31 March 2016 to approximately HK$31.1 million for the year ended 31 March 2017, representing a decrease of approximately 14.6% in comparison. Such decrease was mainly due to the disposal of Sunny Echo Limited in October 2015.

Due to changes in local labour laws and the general increase in labour costs in Hong Kong, the salary level of employees in the catering industry in Hong Kong has generally increased in recent years. The Directors expect the staff costs to continue to increase as inflationary pressures in Hong Kong continue to drive up wages and as a result of the expected expansion of its business.

The Directors believe that the resulting upward pressure on the total staff costs as a percentage of total revenue could be mitigated by (i) prioritising internal transfers and re-allocations of employees from existing restaurants; (ii) increasing productivity of the staff by providing training; and (iii) minimising attrition levels by continuing to implement various employee retention initiatives to promote employee loyalty and motivate the employees.

Depreciation

The Group recorded depreciation of approximately HK$3.2 million and HK$2.4 million for the years ended 31 March 2016 and 2017, respectively for its leasehold improvements, furniture and fixtures, catering and other equipment and motor vehicles. The decrease of depreciation for the year ended 31 March 2017 as compared to that of the year ended 31 March 2016 was mainly due to the disposal of Sunny Echo Limited in October 2015.

Property rentals and related expenses

The property, rentals and related expenses for the year ended 31 March 2017 amounted to approximately HK$31.0 million, representing a decrease of approximately 3.1% as compared with that of the year ended 31 March 2016 with amounted to approximately HK$32.0 million. Such decrease was mainly due to the disposal of Sunny Echo Limited in October 2015.

As the Group intends to continue to open new restaurants and expand the restaurant network, the Directors expect the property rentals and related expenses to increase generally in the future. Besides, the Director will continue to look for better control in the property, rental and related expenses, such as entering into long-term rental agreements so as to maintain the rentals at a reasonable level.

Fuel and utility expenses

Fuel and utility expenses primarily consist of fuel expenses, electricity expenses and water supplies of the Group. For the year ended 31 March 2016 and 2017, the total fuel and utility amounted to approximately HK$5.1 million and HK$3.7 million, respectively. Such decrease was mainly due to the disposal of Sunny Echo Limited in October 2015.

Administrative expenses

The administrative expenses represent mainly expenses incurred for our operations, including cleaning expenses, consumables stores, transportation and travelling, credit card commission, entertainment, repair and maintenance, insurance, legal and professional fee and marketing and promotion expenses.

Administrative expenses increased from approximately HK$19.5 million for the year ended 31 March 2016 to approximately HK$28.1 million for the year ended 31 March 2017, representing an increase of approximately 44.1%. This was mainly attributable to the listing fee of approximately HK$15.4 million incurred during the year ended 31 March 2017.

Income tax expenses

The income tax expenses decreased from approximately HK$2.7 million for year ended 31 March 2016 to approximately HK$0.7 million for the year ended 31 March 2017.

Finance costs

The Group's finance costs slightly decreased from approximately HK$0.4 million for the year ended 31 March 2016 to approximately HK$0.2 million for the year ended 31 March 2017.

Loss

The Group recorded a loss of approximately HK$14.8 million for the year ended 31 March 2017 as compared to a profit of approximately HK$12.6 million for the corresponding year in 2016. The loss was mainly attributable to (i) the decline in revenue of approximately HK$34.9 million mainly resulted from the disposal of Sunny Echo Limited and temporary cessation of the operation of take-away kiosk and a restaurant of the Group at the HKIA during July 2016 and November 2016 respectively, (ii) the recognition of listing expenses of approximately HK$15.4 million and (iii) the recognition of share option expenses of approximately HK$2.8 million for the year ended 31 March 2017.

Use of net proceeds from the Listing

The net proceeds from the Placing (as defined in the Prospectus), after deducting the actual underwriting fees and expenses paid by the Company in connection thereto, were approximately HK$38.6 million.

	Use of proceeds as shown from the Listing Date to 31 March 2017	Actual use of proceeds from the Listing Date to 31 March 2017
	HK$'000	*HK$'000*
Renovation of existing restaurant	**3,000**	2,500
Opening new restaurants	**15,000**	–
Marketing activities (including recruitment, advertisement and promotion activities) to promote brand awareness	**600**	408
Upgrade existing restaurant facilities and system	**800**	127
	19,400	3,035

The Directors will constantly evaluate the Group's business objective and will change or modify the plans against the changing market condition to suit the business growth of the Group.

All the unutilised balances have been placed in licensed banks in Hong Kong.

Placing of new shares under general mandate

On 13 March 2017, the Company allotted and issued to not less than six placees, who were independent third parties, a total of 202,800,000 ordinary shares of nominal value of HK$0.01 each at the gross placing price of HK$0.150 per share and a net placing price of approximately HK$0.147 per share, raising a net proceeds of approximately HK$29.84 million. The market price of the shares of the Company on 17 February 2017, which being the date on which the relevant placing agreement was entered into and the placing price of HK$0.15 was fixed, was HK$0.165 per share. The placing of new shares was done because the Directors considered that the placing of shares offered a good opportunity to raise additional funds for the Company while broadening the Shareholders' and capital base of the Company. The proceeds raised from the placing of shares will be used for pursuing potential acquisition opportunities and general working capital of the Group. As at 31 March 2017, the unutilised portion of net proceeds from placing of new shares under general mandate amounted to approximately HK$29.84 million.

PRINCIPAL RISKS AND UNCERTAINTIES

The followings are the principal risks and uncertainties faced by the Group, which may materially adversely affect its business, financial condition or results of operations:

1. The Group derives most of the revenue from our restaurants operating at the HKIA, therefore the Group's operation may be affected by any future plans of the Airport Authority in respect of the HKIA.

2. Also, the Group's revenue derived from restaurants at the HKIA may experience fluctuations from period to period due to seasonality and other factors. In general, the Group derived a relatively higher monthly revenue during July and August and a relatively lower monthly revenue during April to June.

3. During the year ended 31 March 2017, the Group generated all of our revenue in Hong Kong. If Hong Kong experiences any adverse economic condition due to events beyond our control, such as natural disasters, contagious disease outbreaks or terrorist attacks, a local economic downturn, mass civil disobedience movements or if the local authorities place additional restrictions or burdens on us or on our industry in general, our overall business and results of operations may be materially and adversely affected.

Cost of inventories sold, staff cost and property rentals and related expenses contributed majority of the Group's operating cost. The following factors are uncertain and may affect the cost control measures of our Group:

1. The Group's business depends on reliable sources of large quantities of food ingredients such as vegetable and meat. The price of food ingredients may continue to rise or fluctuate.

2. Minimum wage requirements in Hong Kong was raised from HK$32.5 per hour to HK$34.5 per hour with effect from 1 May 2017, and may further increase and affect our staff costs in the future.

3. As at 31 March 2017, the Group licensed or leased all the properties for its restaurants operating at the HKIA and in the urban area of Hong Kong. Therefore, the Group is exposed to risks relating to the commercial real estate rental market, including unpredictable and potentially high occupancy costs.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Saved as disclosed in the Prospectus and in this announcement, the Group did not have other plans for material investments and capital assets as of 22 June 2017 (being the latest practicable date prior to the issue of the annual report of the Company for the year ended 31 March 2017).

Comparison of business strategies and actual business progress

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the Listing Date to 22 June 2017 (being the latest practicable date prior to the issue of the annual report of the Company for the year ended 31 March 2017) is set out below:

Business strategies as stated in the Prospectus	**Actual business progress up to 31 March 2017**
Leveraging our leading position to expand our operations at the HKIA	The Group has renovated one exisiting restaurant in the HKIA under the brand "Chinese Kitchen (中國廚房)". In addition, the Group is in progress to identify popular restaurant brands to the HKIA through franchising or other cooperation arrangement.
Strategically opening new restaurants in the urban area of Hong Kong	The Group is in the progress to identify the location.
Streamlining our operation for potential business opportunities	In May 2017, the Group has successfully obtained a franchise of a famous Taiwan catering brand "*Du Hsiao Yueh (度小月)*" by subscribing 60% of equity shares of DHY(HK), which was granted the sole and exclusive rights, license and franchise of "*Du Hsiao Yueh (度小月)*" to operate restaurants and food outlets in Hong Kong. Apart from this success, the Group will continuously to identify other suitable opportunities for franchising, joint venture or other cooperation arrangements with popular restaurant brands. In the meantime, the Group is recruiting experienced franchising managers.

Business strategies as stated in the Prospectus	Actual business progress up to 31 March 2017
Tapping into the casual dining market in the PRC	The Group keeps monitoring and researching on the PRC market opportunities for the preparation of our expansion plans in the PRC.
Continue to enhance comparable restaurant sales growth and profitability	The Group will continue to adhere to this objective by (i) increasing sales volume; (ii) optimising restaurant-level staffing; and (iii) maximising the utilisation of food ingredients.

LIQUIDITY AND FINANCIAL RESOURCES

Capital structure

The change in the capital structure of the Group from 31 March 2016 to 31 March 2017 are set out in the consolidated statement of changes in equity on page 6.

Cash position

As at 31 March 2017, the cash and cash equivalents of the Group amounted to approximately HK$76.4 million (2016: approximately HK$16.9 million), which were mainly denominated in Hong Kong dollar, representing an increase of approximately 352.1% as compared to that at 31 March 2017. The increase was mainly due to the net proceeds from the Listing and net proceeds from placing of share on 13 March 2017. The effect was partially offset by the dividend paid of HK$3.0 million on 1 June 2016.

Borrowings

As at 31 March 2017, the total borrowing of the Group, all of which were denominated in Hong Kong dollar, amounted to approximately HK$1.9 million (2016: approximately HK$8.4 million). Among the borrowing, approximately HK$0.7 million (2016: approximately HK$8.4 million) was derived from the bank borrowings which bears a floating interest rates from 4.25% to 5.25% and 4.50% to 5.00% per annum as at 31 March 2016 and 31 March 2017, respectively. Approximately HK$1.2 million was derived from obligation under a finance lease of the Group's motor vehicle (2016: Nil) at 1.99% per annum.

Pledge of assets

As at 31 March 2017, a HK$7,500,000 pledged deposits provided by the Group held at banks as security for due performance for a licence agreement for our restaurants operating at HKIA (2016: Nil).

Gearing ratio

As at 31 March 2017, the gearing ratio of the Group was approximately 2% (2016: approximately 54%). The decrease was mainly attributable to the net proceeds from Listing and net proceeds from placing of shares on 13 March 2017 and the repayment of bank borrowings during the year ended 31 March 2017. The gearing ratio is calculated based on the total borrowings, which include bank borrowings and obligation under a finance lease, divided by the equity attributable to owners of the Company at the end of the respective period.

COMMITMENTS

The Group was committed to make future minimum lease payments in respect of certain restaurants and warehouse under non-cancellable operating leases. The Group's operating lease commitments amounted to approximately HK$36.0 million as at 31 March 2017 (2016: approximately HK$40.1 million). As at 31 March 2017, the Group had outstanding capital commitments of approximately HK$1.5 million as at 31 March 2017 (2016: Nil).

SIGNIFICANT INVESTMENTS

As at 31 March 2017, the Group had interests in associates amounted to approximately HK$1.6 million (2016: approximately HK$0.7 million).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 15 April 2016, the Group de-registered Victor Inc. Limited, a former non wholly-owned subsidiary of the Company, as part of the reorganisation for the purpose of the listing of the Company.

Save and except for the deregistration of Victor Inc. Limited, the Group did not have any material acquisition nor disposal of subsidiaries or affiliated companies during the year ended 31 March 2017.

CONTINGENT LIABILITIES

As at 31 March 2017, the Group had no significant contingent liabilities.

FOREIGN EXCHANGE EXPOSURE

The Group operates in Hong Kong with majority of the transactions being settled in HKD, United States dollar ("**USD**"), Renminbi ("**RMB**") and Taiwan New Dollars ("**TWD**"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, which are denominated in a currency that is not the functional currency of the Group.

The Group is not exposed foreign exchange risk in respect of HKD against the USD as long as this currency is pegged.

The transactions and monetary assets denominated in RMB and TWD are minimal for the two years ended 31 March 2016 and 2017, the Group considers there have no significant foreign exchange risks in respect of RMB and TWD for both years.

TREASURY POLICIES AND RISK MANAGEMENT

The main objective of the Group's treasury policies to seek capital appreciation with the surplus fund in short term and non-speculative in nature. The surplus fund is the fund after reserving the working capital requirement for the next 12-month period of the Group and excluding any unused proceeds from the placing of shares by the Company pursuant to its prospectus dated 1 August 2016. The investment activities of the Group shall be undertaken by the Investment Committee. Details of the Investment Committee is set out in the section "**Corporate Governance Report**" in the Company's 2017 annual report.

As at 31 March 2017, the Group's credit risk is primarily attributable to trade receivables, fixed deposits and cash and cash equivalents.

The Group deposits its fixed deposits and cash and cash equivalents with approved and reputable banks. Bankruptcy or insolvency of the banks may cause the Group's right with respect to cash and cash equivalents held to be delayed or limited. Management monitors the credit rating of these banks on an ongoing basis, and considers that the Group's exposure to credit risk were minimal.

As at 31 March 2017, the Group has no significant concentrations of credit risk due to the customers' base being large and unrelated. For trade receivables, the customers are primarily credit card receivables and airline customers and management considers the credit risk is not high. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk.

In relation to the management of liquidity risk, the Group's policy is to regularly monitor the liquidity requirements in order to maintain sufficient reserves of cash and adequate committed lines of funding from major banks to meet the liquidity requirements in short and long term.

SHARE OPTION SCHEME

The Company had adopted a share option scheme (the "**Share Option Scheme**") on 21 July 2016.

On 5 October 2016, the Company granted share options exercisable within 10 years to two executive Directors and one eligible participant for subscription of a total of 60,000,000 ordinary shares of HK$0.01 each of the Company at the exercise price of HK$0.163 per share under the Share Option Scheme. As at the date of this announcement, no option has been exercised.

LITIGATIONS

As at 31 March 2017, the Group is not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is pending or threatened by or against any member of the Group.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2017 are set out in the consolidated statements of profit or loss and other comprehensive income on page 3.

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2017.

EVENTS AFTER THE REPORTING PERIOD

Save for the following events, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2017 and up to 22 June 2017 (being the latest practicable date prior to the issue of the annual report of the Company for the year ended 31 March 2017):

1. On 31 May 2017, Alliance Catering Company Limited ("**Alliance**"), a wholly-owned subsidiary of the Company, and Du Hsiao Yueh (Hong Kong) Company Limited ("**DHY (HK)**") entered into a shareholder agreement, pursuant to which Alliance conditionally agreed to subscribe for, and DHY (HK) conditionally agreed to allot and issue of 5,400,000 subscription shares (the "**Subscription Shares**") at total consideration of HK$5,400,000 (the "**Subscription**"). The Subscription was completed on 13 June 2017. Upon completion of the Subscription, the Group held 60% equity interest in DHY (HK) and DHY (HK) becomes a non-wholly owned subsidiary of the Company. DHY (HK) is engaged in operation of restaurants and food outlets. The directors of the Company are still assessing the impact of the Subscription to the Company up to the date of this announcement. Details of the Subscription are set out in the Company's announcement dated 2 June 2017.

2. On 13 June 2017, Palace Corporation Limited ("**Palace**"), a wholly-owned subsidiary of the Company, subscribed Allianz US High Yield Share Class AM (HKD), a sub-fund of Allianz Global Investors Fund, which is constituted as an open ended investment company in Luxembourg at an aggregate subscription amount of HK$20,000,000 (the "**Subscription of Fund**"). Details of the Subscription of Fund are set out in the Company's announcement dated 14 June 2017.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

CORPORATE GOVERNANCE PRACTICE

The shares of the Company have been successfully listed on the GEM of the Stock Exchange on 8 August 2016. The Board recognised that the transparency and accountability are important to a listed company. Therefore, the Company is committed to maintaining high standards of corporate government in order to uphold the transparency of the Group and safeguard interests of the shareholders.

The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules. In the opinion of the Board, the Company has complied with the CG Code for the year ended 31 March 2017, except for the deviations of Code Provisions A.2.1 and A.2.7.

CHAIRMAN AND CHIEF EXECUTIVE

Paragraph A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Wong Man Wai is the Chairman and the Chief Executive Officer of the Company. Considering that Mr. Wong Man Wai has been operating and managing the Group since 2004, the Board believes that it is in the best interest of the Group to have Mr. Wong Man Wai taking up both roles for effective management and business development. Therefore, the Board considers that the deviation from paragraph A.2.1 of the CG Code is appropriate in such circumstance.

Under the CG Code provision A.2.7, the chairman of the Board should at least annually hold meetings with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. During the reporting period under review, since the chairman of the Board, who was also an executive Director, did not hold such kind of private meetings with the non-executive Directors, it was impracticable for the Company to follow the requirement under CG Code provision A.2.7. The chairman of the Board further considered that it was unnecessary as it would be more transparent to let the non-executive Directors speak out their views to all executive Directors in the full Board meetings which would be held at least four times a year. Besides, the chairman of the Board, being an executive Director himself, always welcomes all non-executive Directors to directly communicate with him via his email or phone to discuss any matters of the Company from time to time.

AUDIT COMMITTEE

The Audit Committee has reviewed together with the management and external auditor the accounting principles and policies adopted by the Group, discussed internal controls and financial reporting matters and the audited consolidated financial statements for the year ended 31 March 2017.

PROSPECT

Our strategic objective is to continue to strengthen our leading position in operating restaurants at the HKIA. In particular, we have been strategically looking for opportunities to introduce popular restaurant brands to operate at the HKIA through franchising or other cooperative arrangements. In addition, to reinforce the Group's customers' perception of freshness, we continue to upgrade some of the Group's existing restaurants at the HKIA through renovation and upgrading the facilities and systems.

Apart from our business at the HKIA, to diversify the Group's revenue sources, we have been looking for suitable locations to open new restaurants in the urban area of Hong Kong. We intend to open new restaurants under the Group's self-owned brand "*Taiwan Beef Noodle (台灣牛肉麵)*" in the near future in districts with high customer traffic such as Central and Western District, Mongkok and Wanchai.

In addition to the operation of restaurants under the Group's own brands in Hong Kong, we also intend to develop a more asset-light business line which will allow the Group's flexibility to other opportunities in the constantly changing catering industry. During the period under review, we have franchised the Group's self-owned brands "*Taiwan Beef Noodle (台灣牛肉麵)*" and "*Chinese Kitchen (中國廚房)*" for the operation of a restaurant in Tsim Sha Tsui, Hong Kong. For synergy and efficiency in business growth and to fully utilise our resources, we will continue to identify suitable opportunities for not only franchising of our self-owned brands, but also joint venture and cooperation arrangements with other popular restaurant brands.

In May 2017, we entered into the shareholders agreement to subscribe 60% of equity shares DHY(HK), which was granted the sole and exclusive rights, license and franchise of the famous Taiwan catering brand "*Du Hsiao Yueh (度小月)*" to establish, manage, run and operate the various restaurants and food outlets in Hong Kong. The first *Du Hsiao Yueh (度小月)* restaurant commenced business in Tsim Sha Tsui in June 2017. We expected to open ten *Du Hsiao Yueh (度小月)* restaurants in Hong Kong within six years.

Apart from Hong Kong market, we intend to progressively expand into the PRC casual dining market. Benefiting from our long history of development in the catering industry in Hong Kong and the experience and expertise which we have accumulated throughout the years, and the ongoing growth of casual dining market in the PRC, we plan to pursue a growth strategy by opening a restaurant under the Group's self-owned brand "*Taiwan Beef Noodle (台灣牛肉麵)*" in the coming two years in first-tier cities such as Guangzhou and Shanghai in the PRC where we consider having strong market potential. We will keep monitoring and searching for market opportunities and will conduct in-depth researches and feasibility studies before embarking on our expansion plan in the PRC.

Looking ahead, the Group will endeavor to strengthen the development of its existing businesses and to provide steady return as well as growth prospects for the Company's shareholders.

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from 20 September 2017 to 25 September 2017, both days inclusive, during which period no transfer of the shares will be registered. Shareholders are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 19 September 2017.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to our valued customers, business partners, and shareholders for their persistent support, and express my appreciation to the management team and employees for their valuable contribution to the development of the Group. Finally, I would like to express my sincere appreciation to the officers of Hong Kong Stock Exchange for their guidance.

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

Hong Kong, 30 June 2017

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 will remain on the "Latest Listed Company Information" page of the Stock Exchange's website at www.hkexnews.hk 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.