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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 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 collectively (the "**Directors**" and individually a "**Director**") of Royal Catering Group Holdings Company Limited (the "**Company**", together with its subsidiaries, the "**Group**") 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 an unaudited revenue of approximately HK$51.5 million for the six-month period ended 30 September 2017 (six-month period ended 30 September 2016: approximately HK$48.3 million), representing an increase of approximately 6.6% over the same period of the previous year.

- The Group recorded an unaudited profit and total comprehensive income attributable to owners of the Company of approximately HK$2.6 million for the six-month period ended 30 September 2017 (six-month period ended 30 September 2016: unaudited loss and total comprehensive loss attributable to owners of the Company of approximately HK$10.2 million).

- The basic and diluted earnings per share attributable to owners of the Company for the six-month period ended 30 September 2017 was HK0.12 cents (six-month period ended 30 September 2016: the basic and diluted loss per share attributable to owners of the Company of HK0.51 cents).

- The Board does not recommend the payment of an interim dividend for the six-month period ended 30 September 2017.

The board (the "**Board**") of the Company is pleased to announce the unaudited condensed consolidated interim results of the Group for the six-month period ended 30 September 2017, together with the unaudited comparative figures for the respective corresponding period in 2016 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six-month period ended 30 September 2017

		For the six-month period ended 30 September	
		2017	2016
	Notes	**HK$'000**	HK$'000
		(Unaudited)	(Unaudited)
Revenue	*4*	**51,546**	48,338
Cost of inventories sold		**(9,653)**	(9,128)
Gross profit		**41,893**	39,210
Other revenue and other income		**1,781**	1,319
Staff costs		**(16,443)**	(13,962)
Depreciation of property, plant and equipment		**(2,527)**	(1,103)
Property rentals and related expenses		**(17,211)**	(15,272)
Fuel and utility expenses		**(1,763)**	(1,912)
Loss arising on change in fair value of financial assets classified as held for trading investments		**(739)**	-
Administrative expenses		**(7,674)**	(21,284)
Loss from operations		**(2,683)**	(13,004)
Gain on bargain purchase	*8*	**3,119**	-
Share of result of an associate		**3,730**	3,843
Finance costs	*5*	**(259)**	(148)
Profit/(loss) before tax	*6*	**3,907**	(9,309)
Income tax expenses	*7*	**(1,017)**	(866)
Profit/(loss) and total comprehensive income/(loss) for the year		**2,890**	(10,175)
Profit/(loss) and total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		**2,639**	(10,175)
Non-controlling interests		**251**	-
		2,890	(10,175)
Earnings/(loss) per share attributable to owners of the Company			
Basic and diluted (HK cents)	*9*	**0.12**	(0.51)

The notes on pages 6 to 14 form integral part of these unaudited condensed consolidated financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2017

	Notes	**As at 30 September 2017 HK$'000 (Unaudited)**	As at 31 March 2017 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	*11*	**7,702**	7,164
Intangible assets	*12*	**6,171**	-
Interests in associates		**2,467**	1,560
Interest in a joint venture		**-**	-
Non-current deposits and prepayment		**2,228**	1,628
		18,568	10,352
Current assets			
Inventories		**346**	237
Trade receivables	*13*	**2,148**	628
Deposits, prepayments and other receivables		**5,952**	3,195
Financial assets at fair value through profit or loss		**39,043**	-
Prepaid tax		**-**	255
Amount due from an associate		**34**	1,622
Amount due from a joint venture		**500**	500
Fixed deposits		**7,500**	17,500
Cash and cash equivalents		**76,596**	76,437
		132,119	100,374

	Notes	As at 30 September 2017 HK$'000 (Unaudited)	As at 31 March 2017 HK$'000 (Audited)
Current liabilities			
Trade payables	*14*	**3,853**	2,596
Accruals and other payables		**11,649**	10,324
Tax payables		**931**	424
Amount due to a non-controlling shareholder		**148**	-
Bank borrowings	*15*	**6,965**	702
Obligation under a finance lease		**263**	256
Unlisted corporate bonds	*16*	**21,000**	-
		44,809	14,302
Net current assets		**87,310**	86,072
Total assets less current liabilities		**105,878**	96,424
Non-current liabilities			
Obligation under a finance lease		**793**	926
Deferred tax liabilities		**1,018**	-
		1,811	926
Net assets		**104,067**	95,498
Capital and reserve			
Share capital	*17*	**22,028**	22,028
Reserves		**76,109**	73,470
Equity attributable to owners of the Company		**98,137**	95,498
Non-controlling interests		**5,930**	-
Total equity		**104,067**	95,498

The notes on pages 6 to 14 form integral part of these unaudited condensed consolidated financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was 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 of The Stock Exchange of Hong Kong Limited 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 at 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 the 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 the provision of casual dining food catering services in Hong Kong.

The unaudited condensed consolidated financial statements (the "**Interim 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.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim results have been prepared in accordance with accounting principles generally accepted in Hong Kong which include Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (collectively, "**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosures required by the GEM Listing Rules. The principal accounting policies used in the Interim Financial Statements are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31 March 2017, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 31 March 2018. Details of any changes in accounting policies are set out below.

In the current period, 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**") issue by the HKICPA, which are effective for the Group's financial period beginning from 1 January 2017. A summary of new and amendments to HKFRSs adopted by the Group is set out as follows:

HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014–2016 Cycle

The Interim Financial Statements for the six-month period ended 30 September 2017 have not been audited by the Group's auditors but have been reviewed by the Company's audit committee.

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 resource 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

Revenue represents amounts received and receivable from restaurants operations, sales of food and franchise fee income. An analysis of revenue is as follows:

	For the six-month period ended 30 September	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Restaurants operations	**48,875**	46,034
Sales of food	**2,379**	2,029
Franchise fee income	**292**	275
	51,546	48,338

5. FINANCE COSTS

	For the six-month period ended 30 September	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	**95**	148
Interest on unlisted corporate bonds	**27**	-
Interest on finance lease	**137**	-
	259	148

6. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax is arrived at after charging/(crediting):

	For the six-month period ended 30 September	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	**9,653**	9,128
Depreciation of property, plant and equipment	**2,527**	1,103
Amortisation of intangible assets	**129**	-
Lease payments under operating leases:		
— Minimum lease payments	**15,185**	12,048
— Contingent rents	**2,026**	2,181
	17,211	14,229
Employee benefit expenses (including directors' remuneration):		
— Salaries, allowance and benefits in kind	**15,774**	13,402
— Retirement benefit scheme contributions	**669**	560
	16,443	13,962
Listing expenses	**-**	15,138
Loss arising on change in fair value of financial assets classified as held for trading investments	**739**	-

7. INCOME TAX EXPENSES

	For the six-month period ended 30 September	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current tax:		
— Hong Kong Profits Tax	**1,038**	866
Deferred tax:		
— Tax credit	**(21)**	–
	1,017	866

Hong Kong Profits Tax is calculated at the rate of 16.5% on the estimated assessable profit arising in Hong Kong for both periods.

8. GAIN ON BARGAIN PURCHASE

On 31 May 2017, Alliance Catering Company Limited, a wholly-owned subsidiary of the Company ("**Alliance Catering**"), Du Hsiao Yueh (Hong Kong) Company Limited ("**DHY(HK)**") and two other independent third parties entered into the shareholders agreement, pursuant to which Alliance Catering subscribed for and DHY(HK) allotted and issued 5,400,000 of DHY(HK)'s shares (the "**Subscription Share**"), representing 60% of the share capital of DHY(HK) (the "**Subscription**"). The subscription price was HK$1.00 per Subscription Share and the consideration for the subscription was the sum of HK$5,400,000, which was paid in full on 13 June 2017. Completion of the Subscription took place on 13 June 2017 and a gain on bargain purchase for the Subscription of approximately HK$3,119,000 was recorded by the Group. DHY(HK) became a non-wholly owned subsidiary of the Company since then.

9. EARNINGS/(LOSS) PER SHARE

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

	For the six-month period ended 30 September	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Earnings/(loss) per share		
Earnings/(loss) for the purpose of basic and diluted earnings per shares	**2,639**	(10,175)

	For the six-month period ended 30 September	
	2017	2016
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	**2,202,800**	2,000,000

The number of ordinary shares for the purpose of calculating basic and diluted loss per share for the six-month period ended 30 September 2016 has been determined on the assumption that 2,000,000,000 ordinary shares of the Company have been in issue throughout the period, which had been effective on 1 April 2016.

As the Company's outstanding share options, where applicable, had an anti-dilutive effect to the basic earnings per share calculation for the six-month period ended 30 September 2017, the conversion of the above potential dilutive shares is not assumed in the calculation of diluted earnings per share.

10. DIVIDEND

No dividend has been paid or proposed by the Company during the six-month period ended 30 September 2017.

Before the Company became the holding company of the Group, a member of the Group declared an interim dividend of HK$3,000,000 on 31 May 2016 to Mr. Wong, the ultimate beneficial owner of the Group. Payment of said dividend was made on 1 June 2016.

The Board does not recommend the payment of a dividend for the six-month period ended 30 September 2017.

	For the six-month period ended 30 September	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Dividend paid	**–**	3,000

11. PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended 30 September 2017, the Group has acquired property, plant and equipment of approximately HK$3,065,000 (six-month period ended 30 September 2016: HK$95,000).

12. INTANGIBLE ASSETS

The intangible asset acquired on the acquisition of DHY(HK) represents the sole and exclusive rights, licence 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 for 15 years.

The asset is amortised on a straight-line basis over a period of 15 years. The Directors concluded that there is no impairment as at 30 September 2017.

13. TRADE RECEIVABLES

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 seven days after the service rendered date. The credit terms of the Group's trade receivables granted to airlines and other corporate customers generally ranges from one 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:

	As at 30 September 2017 HK$'000 (Unaudited)	As at 31 March 2017 HK$'000 (Audited)
0 — 30 days	**492**	281
31 — 60 days	**802**	178
61 — 90 days	**545**	122
Over 90 days	**309**	47
	2,148	628

14. TRADE PAYABLES

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

	As at 30 September 2017 HK$'000 (Unaudited)	As at 31 March 2017 HK$'000 (Audited)
0 — 30 days	**1,564**	1,062
31 — 60 days	**1,017**	812
61 — 90 days	**453**	481
Over 90 days	**819**	241
	3,853	2,596

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

15. BANK BORROWINGS

	As at 30 September 2017 HK$'000 (Unaudited)	As at 31 March 2017 HK$'000 (Audited)
Unsecured bank borrowings	**6,965**	702
Carrying amounts repayable:		
Bank borrowings		
Within one year	**6,965**	702

At 30 September 2017, the unsecured bank borrowings are interest bearing from 4.50% to 5.00% (at 31 March 2017: 4.50% to 5.00%) per annum and guaranteed by the Company.

16. UNLISTED CORPORATE BONDS

	As at 30 September 2017 HK$'000 (Unaudited)	As at 31 March 2017 HK$'000 (Audited)
Unlisted corporate bonds	**21,000**	-

During the period, the Company issued two unlisted corporate bonds at a principal amount of HK$11,000,000 on 17 August 2017 and at a principal amount of HK$10,000,000 on 18 September 2017 respectively. The two unlisted corporate bonds are unsecured, bearing a fixed interest rate of 8% per annum and are fully redeemable by the Company after one year from the issue date at its principal amount of HK$11,000,000 and HK$10,000,000 respectively.

17. SHARE CAPITAL

	Number of shares		Ordinary share capital	
	As at 30 September 2017	As at 31 March 2017	**As at 30 September 2017**	As at 31 March 2017
	'000	'000	**HK$'000**	HK$'000
Ordinary share of HK$0.01 each				
Authorised:				
At the beginning of the reporting period/ at the date of incorporation *(note (a))*	**20,000,000**	38,000	**200,000**	380
Increased on 21 July 2016 *(note (b))*	**-**	19,962,000	**-**	199,620
At the end of the reporting period	**20,000,000**	20,000,000	**200,000**	200,000
Issued and fully paid:				
At the beginning of the reporting period/ at the date of incorporation	**2,202,800**	-	**22,028**	-
Issue of shares under the capitalisation issue *(note (c))*	**-**	1,500,000	**-**	15,000
Issue of shares by way of placing *(note (d))*	**-**	500,000	**-**	5,000
Placing of new shares *(note (e))*	**-**	202,800	**-**	2,028
At the end of the reporting period	**2,202,800**	2,202,800	**22,028**	22,028

Notes:

(a) Upon incorporation of the Company on 19 August 2015, the authorised share capital of the Company at the date of its incorporation was HK$380,000 divided into 38,000,000 shares of HK$0.01 each with 1 ordinary share allotted and issued as fully paid.

(b) On 21 July 2016, Fortune Round Limited resolved to increase the authorised share capital of the Company from HK$380,000 to HK$200,000,000 by the creation of additional 19,962,000,000 ordinary shares, each carrying the same rights as the ordinary shares then in issue in all respect.

(c) On 8 August 2016, 14,999,999,998 ordinary shares of the Company were allotted and issued, credited as fully paid at par value of HK$0.01 to Fortune Round Limited, by way of capitalisation of approximately HK$15,000,000 from the share premium account. Such allotment and capitalisation were conditional on the share premium account being credited as a result of the new shares issued upon the Listing of the Company.

(d) Upon the Listing, 500,000,000 ordinary shares (at par value of HK$0.01 each) of the Company were allotted and issued pursuant to the placing of the shares of the Company at HK$0.15 per placing share for a total gross proceeds of HK$75,000,000. The proceeds were proposed to be used to finance the implementation plan as set forth in the section headed "Future Plans and Use of Proceeds" of the prospectus of the Company dated 1 August 2016.

(e) 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 placing price of HK$0.15 per share, raising a net proceeds of approximately HK$29,840,000 with the net proceeds raised per the net placing price of HK$0.147. The net proceeds raised from the placing of new shares will be used for pursuing potential acquisition opportunities and general working capital of the Group.

18. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in this Interim Financial Statements, the Group carried out the following material transactions with related parties:

	For the six-month period ended 30 September	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Management fee income received from an associate	**204**	204

The transactions were conducted at terms and conditions mutually agreed between the relevant parties. The Directors are of the opinion that those related party transactions were conducted in the normal ordinary course of business of the Group.

19. FINANCIAL INSTRUMENTS

Fair value hierarchy

	Quoted price in active market for identical assets Level 1 HK$'000	Significant other observable inputs Level 2 HK$'000	Significant unobservable inputs Level 3 HK$'000	Total HK$'000
At 30 September 2017 (Unaudited)				
Fair value on a recurring basis				
Financial assets at fair value through profit or loss	**39,043**	**–**	**–**	**39,043**
At 31 March 2017 (Audited)				
Fair value on a recurring basis				
Financial assets at fair value through profit or loss	–	–	–	–

The Group's policy is to recognise transfer into and out of fair value hierarchy at the end of the date of the events or change in circumstances that caused the transfer.

During the six-month period ended 30 September 2017 and year ended 31 March 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

Fair value of financial assets and liabilities measured at amortised costs

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in Interim Financial Statements approximately their fair values.

20. EVENTS AFTER THE REPORTING PERIOD

The Group does not have material events after the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We are a food and beverage group in Hong Kong operating casual dining restaurants under a portfolio of brands, specialising in operating restaurants at the Hong Kong International Airport (the "**HKIA**"). The Group is operating four restaurants at the HKIA. Apart from operating our own restaurants, we have also franchise our brands "Taiwan Beef Noodle (台灣牛肉麵)" and "Chinese Kitchen (中國廚房)" for the operation of a restaurant at Canton Road, Tsim Sha Tsui and operate a franchised restaurant under the famous Taiwan catering brand "Du Hsiao Yueh (度小月)" in Harbour City, Tsim Sha Tsui (the "**New Franchised Restaurant**").

The Group's strategic objective is to further strengthen its leading position in operating restaurants at the HKIA whilst continuing to look for suitable opportunities to extend its business in the urban area of Hong Kong, as well as tap into the casual dining market in the PRC. The Company was successfully listed on the GEM of the Stock Exchange on 8 August 2016 and the proceeds raised from the Listing has strengthened the Group's financial position and we will implement our future plans according to the details as disclosed in the section headed "Future Plans and Use of Proceeds" of the prospectus dated 1 August 2016 of the company (the "**Prospectus**").

FINANCIAL REVIEW

Revenue

The revenue of the Group increased by approximately 6.6% from approximately HK$48.3 million for the six-month period ended 30 September 2016 to approximately HK$51.5 million for the six-month period ended 30 September 2017. The increases in revenue was mainly attributed to the commencement of business of the New Franchised Restaurant in Harbour City, Tsim Sha Tsui during the period.

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 six-month period ended 30 September 2016 and 2017, the cost of inventories sold of the Group increased by approximately 6.6% from approximately HK$9.1 million for the six-month period ended 30 September 2016 to approximately HK$9.7 million for the six-month period ended 30 September 2017. The increases in cost of inventories sold was mainly attributed to the commencement of business of the New Franchised Restaurant in Harbour City, Tsim Sha Tsui during the period.

Gross profit and gross profit margin

The Group's gross profit, which is equal to revenue minus cost of inventories sold, for the six-month period ended 30 September 2017 was approximately HK$41.9 million, representing an increment of approximately 6.9% from approximately HK$39.2 million for the six-month period ended 30 September 2016. The increase in gross profit was mainly attributed to the commencement of business of the New Franchised Restaurant in Harbour City, Tsim Sha Tsui during the period.

The gross profit margin for the Group's restaurants operating at the HKIA were 81.9% and 81.2% for the six-month periods ended 30 September 2016 and 2017 respectively. The gross profit margin for the Group's restaurants operating in the urban area of Hong Kong were 72.3% and 81.0% for the six-month period ended 30 September 2016 and 2017 respectively.

The improvement of gross profit margin for the Group's restaurants operating in the urban area of Hong Kong was attributable to the commencement of business of the New Franchised Restaurant in Harbour City, Tsim Sha Tsui in June 2017. The New Franchised Restaurant benefited from outsourcing its procurement function to a services provider with a more sophisticated inventory management control.

The relatively high and stable gross profit margin recorded at the restaurants operating at the HKIA during the six-month periods ended 30 September 2016 and 2017 were attributable to the centralisation of purchases in bulk orders and to discounts through the centralised warehouse services from a services provider to the Group. 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 wastage.

Other revenue and other income

	For the six-month periods ended 30 September	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Tips income	**201**	285
Management fee income	**204**	204
Net foreign exchange gain	**417**	424
Dividend income from funds	**734**	–
Others	**225**	406
Total	**1,781**	1,319

Staff costs

Staff costs primarily consist of salaries, wages and allowances, pension costs and other employee benefits. The staff costs increased from approximately HK$14.0 million for the six-month period ended 30 September 2016 to approximately HK$16.4 million for the six-month period ended 30 September 2017, representing an increase of approximately 17.1%. The increase in staff costs was mainly due to increase in number of staff during the period.

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 owing to the expected expansion of its business.

The Directors believe 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 to motivate employees.

Employees and remuneration policies

At 30 September 2017, the Group had approximately 158 employees (at 30 September 2016: 149 employees). The increase in number of staff during the period was mainly attributable to the commencement of business of the New Franchised Restaurant in Harbour City, Tsim Sha Tsui in June 2017. Remuneration is determined with reference to market terms and in accordance with the performance, qualification and experience of each individual employee.

Depreciation

The Group recorded depreciation of approximately HK$1.1 million and HK$2.5 million for the six-month period ended 30 September 2016 and 2017, respectively for its leasehold improvements, furniture and fixtures, catering and other equipment and motor vehicles.

Property rentals and related expenses

The property rentals and related expenses for the six-month period ended 30 September 2017 amounted to approximately HK$17.2 million, representing an increase of approximately 12.4% as compared with that of the six-month period ended 30 September 2016 when property and related expenses amounted to approximately HK$15.3 million. The increase in property rentals and related expenses was mainly due to the commencement of business of the New Franchised Restaurant in Harbour City, Tsim Sha Tsui in June 2017.

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. Further, the Directors will continue to seek 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 six-month periods ended 30 September 2016 and 2017, the total fuel and utility expenses were stable at approximately HK$1.9 million and HK$1.8 million respectively.

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 fees and marketing and promotion expenses.

Administrative expenses decreased from approximately HK$21.3 million for the six-month period ended 30 September 2016 to approximately HK$7.7 million for the six-month period ended 30 September 2017, representing a decrease of approximately 63.8%. This was mainly attributable to the listing fee of approximately HK$15.1 million incurred during the six-month period ended 30 September 2016.

Gain on bargain purchase

Gain on bargain purchase of approximately HK$3.1 million has arisen from a subscription of 60% of the shares in DHY(HK) at a consideration of HK$5.4 million on 13 June 2017.

Income tax expenses

For the six-month period ended 30 September 2016 and 2017, the income tax expenses were stable at approximately HK$0.9 million and HK$1.0 million respectively.

Finance costs

The Group's finance costs increased from approximately HK$0.1 million for the six-month period ended 30 September 2016 to HK$0.3 million for the six-month period ended 30 September 2017.

Profit

The Group recorded a profit of HK$2.9 million for the six-month period ended 30 September 2017 as compared to a loss of HK$10.2 million for the corresponding period in 2016. The increase in profit was the result of (i) the listing fee of approximately HK$15.1 million having been incurred during the six-month period ended 30 September 2016; (ii) the commencement of business of the New Franchised Restaurant in Harbour City, Tsim Sha Tsui in June 2017 and (iii) gain on bargain purchase of approximately HK$3.1 million arising from a subscription of 60% of the shares in DHY(HK) on 13 June 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$38.0 million.

	Use of proceeds as shown from the Listing Date to the 30 September 2017 HK$'000	Actual use of proceeds from the Listing Date to 30 September 2017 HK$'000
Renovation of existing restaurant	**3,000**	2,500
Opening new restaurants	**20,000**	-
Marketing activities (including recruitment, advertisement and promotion activities) to promote brand awareness	**1,000**	744
Upgrade existing restaurant facilities and system	**900**	127
Total	**24,900**	3,371

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

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

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

On 31 May 2017, Alliance Catering, a wholly-owned subsidiary of the Company, DHY(HK) and two independent third parties entered into a shareholders agreement, pursuant to which Alliance Catering subscribed for, and DHY(HK) allotted and issued, the Subscription Shares, representing 60% of the share capital of DHY(HK) (the "**Subscription**"). The subscription price was HK$1.00 per Subscription Share and the consideration for the Subscription was the sum of HK$5.4 million, which was paid in full on 13 June 2017. Completion of the Subscription took place on 13 June 2017. DHY(HK) became a subsidiary of the Company since then.

SIGNIFICANT INVESTMENTS HELD

Except for (i) investments in its subsidiaries and (ii) interest in an associate, the Group has subscribed (iii) 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 million and (iv) AB-Global High Yield Portfolio (AT HKD), a portfolio of AB FCP I, a mutual investment fund domiciled in Luxembourg at an aggregate subscription amount of HK$20 million during the period.

Save for the above disclosure, the Group did not hold any significant investments as 30 September 2017.

LIQUIDITY AND FINANCIAL RESOURCES

Capital structure

There has been no material change in the capital structure of the Company since 31 March 2017.

Cash position

At 30 September 2017 and at 31 March 2017, the cash and cash equivalents of the Group were stable at approximately HK$76.6 million and HK$76.4 million respectively.

Borrowing

At 30 September 2017, the total borrowings of the Group, all of which were denominated in Hong Kong dollars, amounted to approximately HK$29.0 million (at 31 March 2017: approximately HK$1.9 million). Among the borrowings, approximately HK$7.0 million (at 31 March 2017: approximately HK$0.7 million) was derived from the bank borrowings which bears a floating interest rate from 4.25% to 5.25% and 4.50% to 5.00% per annum as at 30 September 2017 and 31 March 2017, respectively. Approximately HK$21.0 million was the unlisted corporate bonds issued by the Company during the period which bears a fixed interest rate at 8.00% per annum (At 31 March 2017: Nil). Approximately HK$1.1 million was derived from obligations under finance leases of the Group's motor vehicles (31 March 2017: HK$1.2 million) at 1.99% per annum.

Pledge of assets

At 30 September 2017, a HK$7.5 million pledged deposits provided by the Group was held at banks as security for due performance under a licence agreement for our restaurants operating at HKIA (at 31 March 2017: HK$7.5 million).

Gearing ratio

At 30 September 2017, the gearing ratio of the Group was approximately 29.6% (at 31 March 2017: approximately 2.0%). The increase was mainly attributable to the two unlisted corporate bonds at an aggregate principal amount of approximately HK$21 million issued by the Company during the period. The gearing ratio is calculated based on the total borrowings, which include bank borrowings, bonds and obligations under a finance lease, divided by the equity attributable to owners of the Company at the end of the respective period.

COMMITMENTS

At 30 September 2017, the Group had outstanding capital commitments of approximately HK$0.9 million (at 31 March 2017: HK$1.5 million).

CONTINGENT LIABILITIES

At 30 September 2017, the Group had no significant contingent liabilities (at 31 March 2017: Nil).

FOREIGN EXCHANGE EXPOSURE

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

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

The transactions and monetary assets denominated in RMB and TWD are minimal for year ended 31 March 2017 and six-month period ended 30 September 2017, the Group considers that there have no significant foreign exchange risks in respect of RMB and TWD for both periods.

PRINCIPAL RISKS AND UNCERTAINTIES

The following are the principal risks and uncertainties faced by the Group, which may materially and 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. 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 from April to June.

3. During the six-month period ended 30 September 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, 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 costs and property rentals and related expenses contributed the 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 30 September 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, the Group did not have other plans for material investments and capital assets at 30 September 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 the date of this announcement is set out below:

Business strategies as stated in the Prospectus	Actual business progress up to 30 September 2017
Leveraging our leading position to expand our operations at the HKIA	The Group has renovated one existing restaurant in the HKIA under the brand "Chinese Kitchen (中國廚房)". In addition, the Group is in the process of identifying 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 process of identifying the location.
Streamlining our operations 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, licence and franchise of "Du Hsiao Yueh (度小月)" to operate restaurants and food outlets in Hong Kong. The first Du Hsiao Yueh (度小月) restaurant commenced business in Harbour City, Tsim Sha Tsui in June 2017. Apart from this success, the Group will continue 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.
Tapping into the casual dining market in the PRC	The Group continues to monitor and research further 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.

PROSPECTS

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 not only for the franchising of our self-owned brands, but also for joint venture and cooperation arrangements with other popular restaurant brands.

In May 2017, we entered into the shareholders agreement to subscribe for 60% of equity shares in DHY(HK), in which DHY(HK) 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 the 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 research 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.

CORPORATE GOVERNANCE PRACTICE

During the period from 1 April 2017 to 30 September 2017, the Company has complied with all the applicable code provisions of the Corporate Governance Code (the "**Code**") contained in Appendix 15 to the GEM Listing Rules, except for the deviation from Code Provision A.2.1.

CHAIRMAN AND CHIEF EXECUTIVE

Paragraph A.2.1 of the 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 Code is appropriate in such circumstance.

INTEREST OF THE COMPLIANCE ADVISER

As advised by the Group's compliance adviser, RaffAello Capital Limited (the "**Compliance Adviser**"), at 30 September 2017, save for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 16 December 2015, none of the Compliance Adviser or its directors, employees or close associates (as defined under the GEM Listing Rules) had any interest in the share capital of the Group or in any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

COMPETING BUSINESS

During the six-month period ended 30 September 2017, none of the Directors, controlling shareholders or substantial shareholders of the Company, nor any of their respective close associates (as defined under the GEM Listing Rules) were engaged in any business that competes or may compete, directly or indirectly, with the business of the Group or had any other conflicts of interest with the Group nor were they aware of any other conflicts of interest which any such person has or may have with the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the six-month period ended 30 September 2017.

THE INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND THE CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

At 30 September 2017, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company (the "Shares"), underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in the Shares

Name of Director	Capacity	Number of ordinary shares interested	Percentage of shareholding
Mr. Wong Man Wai	Interest of controlled corporation	1,500,000,000	68.1%

These 1,500,000,000 Shares are held by Fortune Round Limited, a company incorporated in the BVI and wholly owned by Mr. Wong. Therefore, Mr. Wong is deemed to be interested in all the Shares held by Fortune Round Limited for the purpose of the SFO.

Long positions in underlying shares

Name of Director	Capacity	Number of ordinary shares interested	Percentage of shareholding
Ms. Lam Wai Kwan	Beneficial owner	20,000,000	0.91%
Mr. Chan Chak To Raymond	Beneficial owner	20,000,000	0.91%

On 5 October 2016, each of Ms. Lam Wai Kwan and Mr. Chan Chak To Raymond was granted 20,000,000 options exercisable within 10 years from 5 October 2016 to subscribe for Shares at the exercise price of HK$0.163 per Share pursuant to the Share Option Scheme.

Long positions in the shares of associated corporation

Name of Director	Name of associated corporation	Capacity	Number of ordinary shares interested	Percentage of shareholding
Mr. Wong Man Wai	Fortune Round Limited	Beneficial owner	one	100%

Save as disclosed above and so far as is known to the Directors, at 30 September 2017, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

THE INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

At 30 September 2017 and so far as is known to the Directors, the following persons (other than the Directors or chief executive of the Company) had interests and short positions in the Shares or underlying shares of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register of the Company required to be kept under Section 336 of the SFO were as follows:

Long positions in the Shares

Name of shareholders	Capacity	Number of ordinary shares in interested	Percentage of shareholding
Fortune Round Limited	Beneficial owner *(note 1)*	1,500,000,000	68.1%
Ms. Li Wing Yin	Interest of spouse *(note 2)*	1,500,000,000	68.1%

Notes:

1. Fortune Round Limited is a company incorporated in the British Virgin Islands and wholly owned by Mr. Wong Man Wai. Therefore, Mr. Wong Man Wai is deemed to be interested in all the Shares held by Fortune Round Limited for the purposes of the SFO. Mr. Wong Man Wai is the sole director of Fortune Round Limited.

2. Ms. Li Wing Yin is the spouse of Mr. Wong Man Wai. She is deemed to be interested in all the Shares in which Mr. Wong Man Wai is interested under the SFO.

Save as disclosed above, at 30 September 2017, the Directors were not aware of any interests or short positions owned by any persons (other than the Directors or chief executive of the Company) in the Shares or underlying shares of the Company which were required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company under Section 336 of the SFO.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

At 30 September 2017, the register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO shows that the Company had not been notified of any substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital, other than those of the Directors and chief executives as disclosed above.

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 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 adopted by the Company on 21 July 2016. At the date of this announcement, no option has been exercised. No share option has been granted during the six-month period ended 30 September 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standard of dealing, as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the Shares. Having made specific enquiry with all the Directors, all Directors have confirmed that they have complied with the required standard of dealing and the code of conduct for securities transactions by the Directors for the six-month period ended 30 September 2017.

AUDIT COMMITTEE

The Company has established the audit committee pursuant to a resolution of the Directors passed on 21 July 2016 in compliance with Rule 5.28 of the GEM Listing Rules. Written terms of reference in compliance with paragraph C.3.3 of the CG Code has been adopted. Among other things, the primary duties of the audit committee are to make recommendations to the Board on appointment or reappointment and removal of external auditor; review financial statements of our Company and judgments in respect of financial reporting; and oversee the effectiveness of the internal control procedures of the Group. The audit committee consists of three independent non-executive Directors, namely Mr. Ma Yiu Ho Peter, Mr. Cheng Wing Hong and Mr. Cai Chun Fai. Mr. Ma Yiu Ho Peter is the chairman of the audit committee. The audit committee has reviewed this Interim Financial Statements of the Group for the six-month period ended 30 September 2017.

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

Hong Kong, 8 November 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.