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## **Royal Catering Group Holdings Company Limited**

**皇璽餐飲集團控股有限公司**

*(incorporated in Cayman Islands with limited liability)*

**(Stock Code: 8300)**

### **THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 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.**

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*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\$77.8 million for the nine-month period ended 31 December 2017 (nine-month period ended 31 December 2016: approximately HK\$69.0 million), representing an increase of approximately 12.8% 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\$2.0 million for the nine-month period ended 31 December 2017 (nine-month period ended 31 December 2016: unaudited loss and total comprehensive loss attributable to owners of the Company of approximately HK\$12.7 million).
- The basic and diluted earnings per share attributable to owners of the Company for the nine-month period ended 31 December 2017 was HK0.09 cents (nine-month period ended 31 December 2016: the basic and diluted loss per share attributable to owners of the Company of HK0.63 cents).

The board (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and the subsidiaries (collectively, the “**Group**”) for the nine-month period ended 31 December 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 three-month and nine-month period ended 31 December 2017

	Notes	Three-month period ended 31 December		Nine-month period ended 31 December	
		2017	2016	2017	2016
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Revenue</b>	3	<b>26,227</b>	20,634	<b>77,773</b>	68,972
Cost of inventories sold		<b>(4,702)</b>	(4,085)	<b>(14,355)</b>	(13,213)
<b>Gross profit</b>		<b>21,525</b>	16,549	<b>63,418</b>	55,759
Other revenue and other income		<b>1,225</b>	577	<b>3,006</b>	1,896
Staff costs		<b>(8,214)</b>	(9,544)	<b>(24,657)</b>	(23,506)
Depreciation of property, plant and equipment		<b>(1,569)</b>	(581)	<b>(4,096)</b>	(1,684)
Property rentals and related expenses		<b>(7,482)</b>	(7,176)	<b>(24,693)</b>	(22,448)
Fuel and utility expenses		<b>(845)</b>	(836)	<b>(2,608)</b>	(2,748)
Loss arising on change in fair value of financial assets classified as held for trading investments		<b>(367)</b>	–	<b>(1,106)</b>	–
Administrative expenses		<b>(4,831)</b>	(2,859)	<b>(12,505)</b>	(24,143)
<b>(Loss)/profit from operations</b>		<b>(558)</b>	(3,870)	<b>(3,241)</b>	(16,874)
Gain on bargain purchase	7	–	–	<b>3,119</b>	–
Share of result of an associate		<b>1661</b>	1,605	<b>5,391</b>	5,448
Finance costs	4	<b>(502)</b>	(42)	<b>(761)</b>	(190)
<b>Profit/(loss) before tax</b>	5	<b>601</b>	2,307	<b>4,508</b>	(11,616)
Income tax expenses	6	<b>(538)</b>	(194)	<b>(1,555)</b>	(1,060)
<b>Profit/(loss) and total comprehensive income/(loss) for the period</b>		<b>63</b>	(2,501)	<b>2,953</b>	(12,676)
<b>Profit/(loss) and total comprehensive income/(loss) for the period attributable to:</b>					
Owners of the Company		<b>(642)</b>	(2,501)	<b>1,997</b>	(12,676)
Non-controlling interests		<b>705</b>	–	<b>956</b>	–
		<b>63</b>	(2,501)	<b>2,953</b>	(12,676)
<b>(Loss)/earnings per share attributable to owner of the Company</b>					
Basic and diluted (loss)/earnings per share (HK cents)	8	<b>(0.03)</b>	(0.13)	<b>0.09</b>	(0.63)

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine-month period ended 31 December 2017

	Attributable to owners of the Company						
	Share capital	Share premium	Share option reserve	Retained earnings/ (accumulated losses)	Sub-total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Note)				
At 1 April 2016 (Audited)	–	–	–	15,608	15,608	(453)	15,155
Loss and total comprehensive loss for the period	–	–	–	(12,676)	(12,676)	–	(12,676)
Dividend paid	–	–	–	(3,000)	(3,000)	–	(3,000)
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
Share issuing expenses	–	(9,760)	–	–	(9,760)	–	(9,760)
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 December 2016 (Unaudited)	20,000	45,240	2,750	(68)	67,922	–	67,922
At 1 April 2017 (Audited)	22,028	72,957	2,750	(2,237)	95,498	–	95,498
Profit and total comprehensive income or the period	–	–	–	1,997	1,997	956	2,953
Acquisition of a subsidiary	–	–	–	–	–	5,679	5,679
At 31 December 2017 (Unaudited)	22,028	72,957	2,750	(240)	97,495	6,635	104,130

The notes on pages 5 to 9 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 (the “**Shares**”) have been listed on the GEM of the Stock Exchange by way of placing (the “**Listing**”) with effect from 8 August 2016 (the “**Listing Date**”). 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 Unit 1901, 19/F, The Sun’s Group Centre, 200 Gloucester Road, Wanchai, 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.

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 “**Quarterly 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 Quarterly Financial Statements for the nine-month period ended 31 December 2017 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 Quarterly Financial Statements for the nine-month period ended 31 December 2017 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 Quarterly Financial Statements for the nine-month period ended 31 December 2017 have not been audited by the Group’s auditors but have been reviewed by the Company’s audit committee.

### 3. REVENUE

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

	Three-month period ended 31 December		Nine-month period ended 31 December	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Restaurants operations	<b>25,151</b>	19,875	<b>74,026</b>	65,909
Sales of food	<b>903</b>	583	<b>3,282</b>	2,612
Franchise fee income	<b>173</b>	176	<b>465</b>	451
	<b>26,227</b>	20,634	<b>77,773</b>	68,972

### 4. FINANCE COSTS

	Three-month period ended 31 December		Nine-month period ended 31 December	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on bank borrowings	<b>67</b>	42	<b>162</b>	190
Interest on unlisted corporate bonds	<b>423</b>	–	<b>560</b>	–
Interest on finance lease	<b>12</b>	–	<b>39</b>	–
	<b>502</b>	42	<b>761</b>	190

## 5. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging:

	Three-month period ended 31 December		Nine-month period ended 31 December	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cost of inventories sold	<b>4,702</b>	4,085	<b>14,355</b>	13,213
Depreciation of property, plant and equipment	<b>1,569</b>	581	<b>4,096</b>	1,684
Amortisation of intangible assets	<b>109</b>	–	<b>238</b>	–
Lease payments under operating leases:				
– Minimum lease payments	<b>7,048</b>	6,527	<b>22,233</b>	18,575
– Contingent rents	<b>434</b>	134	<b>2,460</b>	2,315
	<b>7,482</b>	6,661	<b>24,693</b>	20,890
Employee benefit expenses (including directors' remuneration):				
– Salaries, allowance and benefits in kind	<b>7,909</b>	9,266	<b>23,683</b>	22,668
– Retirement benefit scheme contributions	<b>305</b>	278	<b>974</b>	838
	<b>8,214</b>	9,544	<b>24,657</b>	23,506
Listing fee	–	–	–	15,138
Loss arising on change in fair value of financial assets classified as held for trading investments	<b>367</b>	–	<b>1,106</b>	–

## 6. INCOME TAX EXPENSES

	Three-month period ended 31 December		Nine-month period ended 31 December	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax:				
— Hong Kong Profits Tax	556	194	1,594	1,060
Deferred tax:				
— Tax credit	(18)	—	(39)	—
	538	194	1,555	1,060

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

## 7. GAIN ON BARGAIN PURCHASE

On 31 May 2017, Alliance Catering Company Limited (“**Alliance Catering**”), a wholly-owned subsidiary of the Company, 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 total consideration for the Subscription was 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.



## 8. (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:

Three-month period ended 31 December		Nine-month period ended 31 December	
2017	2016	2017	2016
HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)

### (Loss)/earnings per share

— (Loss)/earnings for the purpose of basic and diluted (loss)/earnings per shares	(642)	(2,501)	1,997	(12,676)
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Three-month period ended 31 December		Nine-month period ended 31 December	
2017	2016	2017	2016
'000	'000	'000	'000
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)

### Number of shares

— Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	2,202,800	2,000,000	2,202,800	2,000,000
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The number of ordinary shares for the purpose of calculating basic and diluted loss per share for the nine-month period ended 31 December 2016 and 2017 have been determined on the assumption that 2,000,000,000 and 2,202,800,000 ordinary shares, respectively of the Company have been in issue throughout the period, which had been effective on 1 April 2016 and 2017, respectively.

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

## 9. EVENTS AFTER THE REPORTING PERIOD

On 5 January 2018, the Company allotted and issued to not less than six placees, who were independent third parties, a total of 440,560,000 Shares at the placing price of HK\$0.105 per share, raising a net proceeds of approximately HK\$45,200,000. Hence, the net proceeds raised per placing share was approximately HK\$0.103. The net proceeds raised from the placing of new Shares will be used for acquiring a property in the urban area of Hong Kong to operate a new restaurant by the Group and opening "Du Hsiao Yueh (度小月)" restaurants in Hong Kong.

# 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 franchised 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 have operated 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**”) and the announcements of the Company dated 28 December 2017 and 29 December 2017.

## FINANCIAL REVIEW

### Revenue

The revenue of the Group increased by approximately 12.8% from approximately HK\$69.0 million for the nine-month period ended 31 December 2016 to approximately HK\$77.8 million for the nine-month period ended 31 December 2017. The increases in revenue was mainly attributed to the commencement of business of the New Franchised Restaurant in June 2017.

### 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 nine-month period ended 31 December 2016 and 2017, the cost of inventories sold of the Group increased by approximately 9.1% from approximately HK\$13.2 million for the nine-month period ended 31 December 2016 to approximately HK\$14.4 million for the nine-month period ended 31 December 2017. The increase in cost of inventories sold was mainly attributed to the commencement of business of the New Franchised Restaurant in June 2017.

### Gross profit and gross profit margin

The Group’s gross profit, which is equal to revenue minus cost of inventories sold, for the nine-month period ended 31 December 2017 was approximately HK\$63.4 million, representing an increment of approximately 13.6% from approximately HK\$55.8 million for the nine-month period ended 31 December 2016. The increase in gross profit was mainly attributed to the commencement of business of the New Franchised Restaurant in June 2017.

The gross profit margin for the Group’s restaurants operating at the HKIA were 81.6% and 81.1% for the nine-month periods ended 31 December 2016 and 2017, respectively. The gross profit margin for the Group’s restaurants operating in the urban area of Hong Kong were 71.3% and 82.3% for the nine-month period ended 31 December 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 June 2017. The better margin of New Franchised Restaurant was resulted from outsourcing its procurement function to a service 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 nine-month periods ended 31 December 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

	<b>For the nine-month period ended 31 December</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Tips income	<b>293</b>	416
Bank interest income	<b>327</b>	141
Management fee income	<b>306</b>	306
Net foreign exchange gain	<b>619</b>	595
Dividend income from funds	<b>1,434</b>	–
Others	<b>27</b>	438
Total	<b>3,006</b>	1,896

## Staff costs

Staff costs primarily consist of salaries, wages and allowances, pension costs and other employee benefits. The staff costs increased from approximately HK\$23.5 million for the nine-month period ended 31 December 2016 to approximately HK\$24.7 million for the nine-month period ended 31 December 2017, representing an increase of approximately 5.1%. 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 31 December 2017, the Group had approximately 177 employees (at 31 December 2016: 146 employees). The increase in number of staff during the period was mainly attributable to the commencement of business of the New Franchised Restaurant 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 depreciation for the nine-month period ended 31 December 2017 amounted to approximately HK\$4.1 million, representing an increase of approximately 141.2% as compared with that of the nine-month period ended 31 December 2016 when depreciation amounted to approximately HK\$1.7 million. The increase in depreciation was mainly due to the commencement of business of the New Franchised Restaurant in June 2017.

### **Property rentals and related expenses**

The property rentals and related expenses for the nine-month period ended 31 December 2017 amounted to approximately HK\$24.7 million, representing an increase of approximately 10.3% as compared with that of the nine-month period ended 31 December 2016 when property and related expenses amounted to approximately HK\$22.4 million. The increase in property rentals and related expenses was mainly due to the commencement of business of the New Franchised Restaurant in June 2017.

As the Group intends to continue to open new restaurants and expand the restaurant network, the Directors expect that the property rentals and related expenses will increase gradually 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 nine-month periods ended 31 December 2016 and 2017, the total fuel and utility expenses were stable at approximately HK\$2.7 million and HK\$2.6 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\$24.1 million for the nine-month period ended 31 December 2016 to approximately HK\$12.5 million for the nine-month period ended 31 December 2017, representing a decrease of approximately 48.1%. This was mainly attributable to the listing fee of approximately HK\$15.1 million incurred during the nine-month period ended 31 December 2016.

### Gain on bargain purchase

The Group recorded a gain on bargain purchase of approximately HK\$3.1 million for the nine-month period ended 31 December 2017 (nine-month period ended 31 December 2016: nil) due to the subscription of 60% of the share capital of DHY(HK) at a consideration of HK\$5.4 million on 13 June 2017.

### Income tax expenses

The income tax expenses for the nine-month period ended 31 December 2017 amounted to approximately HK\$1.6 million, representing an increase of approximately 45.5% as compared with that of the nine-month period ended 31 December 2016 when depreciation amounted to approximately HK\$1.1 million. The increase in income tax expenses was mainly due to the commencement of business of the New Franchised Restaurant in Harbour City, Tsim Sha Tsui in June 2017.

### Finance costs

The Group's finance costs increased from approximately HK\$0.2 million for the nine-month period ended 31 December 2016 to HK\$0.8 million for the nine-month period ended 31 December 2017.

### Profit

The Group recorded a profit of HK\$3.0 million for the nine-month period ended 31 December 2017 as compared to a loss of approximately HK\$12.7 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 nine-month period ended 31 December 2016; (ii) the commencement of business of the New Franchised Restaurant in June 2017 and (iii) gain on bargain purchase of approximately HK\$3.1 million arising from the subscription of 60% of the share capital of 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\$37.7 million and the use of proceeds from the Listing Date to 31 December 2017 is set forth below:

	<b>Use of proceeds as shown in the Prospectus from the Listing Date to 31 December 2017 HK\$'000</b>	<b>Actual use of proceeds from the Listing Date to 31 December 2017 HK\$'000</b>
Renovation of existing restaurant	<b>3,000</b>	2,500
Opening new restaurants	<b>20,000</b>	–
Marketing activities (including recruitment, advertisement and promotion activities) to promote brand awareness	<b>1,000</b>	961
Upgrade existing restaurant facilities and system	<b>900</b>	127
Total	<b>24,900</b>	3,588

The Directors will constantly evaluate the Group's business objectives and will change or modify the plans in accordance with 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 investments in its subsidiaries and interest in an associate, the Group has subscribed for (i) 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 (ii) 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 investments, the Group did not hold any significant investments as 31 December 2017.

## **LIQUIDITY AND FINANCIAL RESOURCES**

### **Capital structure**

The change in the capital structure of the Group from 31 December 2016 to 31 December 2017 are set out in page 92 of the annual report dated 30 June 2017 and page 4 to this announcement.

### **Cash position**

At 31 December 2017 and at 31 December 2016, the cash and cash equivalents of the Group were at approximately HK\$79.8 million and HK\$65.8 million, respectively.

### **Borrowing**

At 31 December 2017, the total borrowings of the Group, all of which were denominated in Hong Kong dollars, amounted to approximately HK\$28.4 million (at 31 December 2016: approximately HK\$3.8 million). Among the borrowings, approximately HK\$6.4 million (at 31 December 2016: approximately HK\$2.6 million) was derived from the bank borrowings which bears a floating interest rate from 4.25% to 5.25% and 4.25% to 5.25% per annum as at 31 December 2017 and 31 December 2016, 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 December 2016: Nil). Approximately HK\$1.1 million was derived from obligations under finance leases of the Group's motor vehicles (31 December 2016: HK\$1.2 million) at 1.99% per annum.

### **Pledge of assets**

At 31 December 2017, a HK\$7.5 million pledged deposit provided by the Group was held at bank as security for due performance under a licence agreement for our restaurants operating at HKIA (at 31 December 2016: HK\$7.5 million).

### **Gearing ratio**

At 31 December 2017, the gearing ratio of the Group was approximately 29.1% (at 31 December 2016 : approximately 4.2%). 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 31 December 2017, the Group had outstanding capital commitments of approximately HK\$0.9 million (at 31 December 2016 : Nil).

### **CONTINGENT LIABILITIES**

At 31 December 2017, the Group had no significant contingent liabilities (at 31 December 2016 : 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 nine-month period ended 31 December 2016 and nine-month period ended 31 December 2017, the Group considers that there have no significant foreign exchange risks in respect of RMB and TWD for both periods.

### **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 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, our operations in the urban area of Hong Kong face intense competition. Management of the Group decided to diversify the Group’s revenue sources in the urban area in order to contribute to positive results. We closed one restaurant in Kowloon City, Hong Kong under our brand “Taiwan Beef Noodle (台灣牛肉麵)” during the nine-month period ended 31 December 2017 that we are not optimistic about the future prospects, and are strategically looking for new and suitable locations in the urban area to open restaurants. Further, we plan to acquire a property for opening a new restaurant in the urban area of Hong Kong and we are currently liaising with different property agents to identify a suitable property that meets a set criterion, namely, location, size and price range. After identifying the property and negotiating the terms with the vendor, we plan to apply the proceeds from the placing of new Shares on 5 January 2018 and mortgage from a reputable financial institution in Hong Kong for such acquisition. Also, we are currently in negotiation with a vendor for a potential acquisition, in relation to a new restaurant in urban area of Hong Kong. We are seeking professional advice from different professional parties and we expect to execute such acquisition in the first or second quarter of 2018 using proceeds from the placing of new Shares on 13 March 2017.

In May 2017, we entered into the shareholders agreement to subscribe for 60% of the share capital of 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 achieved positive results and feedback. Given the fierce competition in the Hong Kong catering sector, we are of the view that a timely response to the positive feedback from the brand “Du Hsiao Yueh (度小月)” would maximise returns to the shareholders of the Company. In 2018, we expect to open five new “Du Hsiao Yueh (度小月)” restaurants in in-mall shops at commercially acceptable locations by the fourth quarter of 2018.

In addition to the operation of restaurants, 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.

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 31 December 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 is the Chairman and the Chief Executive Officer of the Company. Considering that Mr. Wong 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 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 31 December 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 Company or 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 nine-month period ended 31 December 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) had or had an interest 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 they have 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 nine-month period ended 31 December 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 31 December 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	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	Fortune Round Limited	Beneficial owner	one	100%

Save as disclosed above and so far as is known to the Directors, at 31 December 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 31 December 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 ( <i>note 1</i> )	1,500,000,000	68.1%
Ms. Li Wing Yin	Interest of spouse ( <i>note 2</i> )	1,500,000,000	68.1%

Notes:

1. Fortune Round Limited is 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 purposes of the SFO. Mr. Wong is the sole director of Fortune Round Limited.
2. Ms. Li Wing Yin is the spouse of Mr. Wong. She is deemed to be interested in all the Shares in which Mr. Wong is interested under the SFO.

Save as disclosed above, at 31 December 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 31 December 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 as disclosed above.

### SHARE OPTION SCHEME

The Company 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 nine-month period ended 31 December 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 nine-month period ended 31 December 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 Quarterly Financial Statements of the Group for the nine-month period ended 31 December 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 February 2018

*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](http://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](http://www.hkrcg.com).*