Royal Catering Group Holdings Company Limited
皇璽餐飲集團控股有限公司

(incorporated in Cayman Islands with limited liability)

(Stock Code: 8300)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2018

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

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the "**Directors**") 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 a revenue of approximately HK$103.9 million for the year ended 31 March 2018 (for the year ended 31 March 2017: approximately HK$90.6 million), representing an increase of approximately 14.7% in comparison.

- The Group recorded a profit of approximately HK$1.2 million for the year ended 31 March 2018 (for the year ended 31 March 2017: loss of approximately HK$14.8 million).

- The basic and diluted loss per share attributable to owners of the Company for the year ended 31 March 2018 was HK0.02 cents (for the year ended 31 March 2017: the basic and diluted earnings per share attributable to owners of the Company of HK0.81 cents).

ANNUAL RESULTS

The board (the "**Board**") of the Company is pleased to announce the consolidated results of the Company and the subsidiaries (collectively, the "**Group**") for the year ended 31 March 2018, together with the comparative figures for the respective corresponding year in 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 March 2018

	Notes	**2018** *HK$'000*	2017 *HK$'000*
Revenue	5	**103,882**	90,606
Cost of inventories sold		**(18,985)**	(17,158)
Gross profit		**84,897**	73,448
Other revenue and other income	6	**4,335**	2,499
Staff costs		**(32,671)**	(31,093)
Depreciation of property, plant and equipment		**(5,636)**	(2,424)
Property rentals and related expenses		**(33,547)**	(31,024)
Fuel and utility expenses		**(3,539)**	(3,710)
Unrealised loss arising on change in fair value of financial assets at fair value through profit or loss		**(2,307)**	–
Administrative expenses		**(17,902)**	(28,110)
Loss from operations		**(6,370)**	(20,414)
Gain on bargain purchase		**3,118**	–
Share of results of associates		**6,142**	6,488
Finance costs	7	**(1,254)**	(228)
Profit/(loss) before tax	8	**1,636**	(14,154)
Income tax expenses	10	**(447)**	(691)
Profit/(loss) and total comprehensive income/(loss) for the year		**1,189**	(14,845)
Profit/(loss) and total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		**(423)**	(14,845)
Non-controlling interests		**1,612**	–
		1,189	(14,845)
Loss per share			
Basic and diluted loss per share (HK cents)	12	**(0.02)**	(0.81)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**4,796**	7,164
Intangible assets		**7,235**	–
Interests in associates		**3,116**	1,560
Interest in a joint venture		**–**	–
Non-current rental deposits		**1,879**	1,628
Deferred tax asset		**836**	–
		17,862	10,352
Current assets			
Inventories		**192**	237
Trade receivables	13	**1,205**	628
Deposits, prepayments and other receivables		**5,519**	3,195
Prepaid tax		**539**	255
Financial assets at fair value through profit or loss	14	**37,476**	–
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		**123,085**	76,437
		176,050	100,374
Current liabilities			
Trade payables	15	**2,453**	2,596
Accruals and other payables		**11,663**	10,324
Tax payables		**1,543**	424
Amounts due to non-controlling interests		**258**	–
Bank borrowings		**7,511**	702
Unlisted corporate bonds	16	**21,000**	–
Obligation under a finance lease		**270**	256
		44,698	14,302
Net current assets		**131,352**	86,072
Total assets less current liabilities		**149,214**	96,424

	2018	2017
	HK$'000	*HK$'000*
Non-current liabilities		
Obligation under a finance lease	**656**	926
Deferred tax liability	**983**	–
	1,639	926
Net assets	**147,575**	95,498
Capital and reserve		
Share capital	**26,434**	22,028
Reserves	**113,850**	73,470
Equity attributable to owners of the Company	**140,284**	95,498
Non-controlling interests	**7,291**	–
Total equity	**147,575**	95,498

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	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$'000* *(Note)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2016	–	–	–	15,608	15,608	(453)	15,155
Loss and total comprehensive loss for the year	–	–	–	(14,845)	(14,845)	–	(14,845)
Issue of shares under capitalisation issue	15,000	(15,000)	–	–	–	–	–
Issue of shares by way of placing	5,000	70,000	–	–	75,000	–	75,000
Placing of new shares	2,028	28,392	–	–	30,420	–	30,420
Share issuing expenses	–	(10,435)	–	–	(10,435)	–	(10,435)
Dividend paid *(note 11)*	–	–	–	(3,000)	(3,000)	–	(3,000)
Recognition of equity-settled share option expenses	–	–	2,750	–	2,750	–	2,750
Non-controlling interests written off upon deregistration of a subsidiary	–	–	–	–	–	453	453
At 31 March 2017 and at 1 April 2018	22,028	72,957	2,750	(2,237)	95,498	–	95,498
(Loss)/profit and total comprehensive (loss)/income for the year	–	–	–	(423)	(423)	1,612	1,189
Non-controlling interests arising on acquisition of a subsidiary	–	–	–	–	–	5,679	5,679
Placing of new shares	4,406	41,853	–	–	46,259	–	46,259
Share issuing expenses	–	(1,050)	–	–	(1,050)	–	(1,050)
At 31 March 2018	**26,434**	**113,760**	**2,750**	**(2,660)**	**140,284**	**7,291**	**147,575**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

(a) General information of the Group

The Company was incorporated in the 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 GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") by way of placing (the "**Listing**") with effect from 8 August 2016. The address of the Company's registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The principal place of business of the Company is 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 of the Company.

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

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

(b) Reorganisation and basis of presentation

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

The consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows include the results and cash flows of the companies now comprising the Group have been prepared as if the current group structure upon completion of the Reorganisation had been in existence throughout the reporting period or since their respective date of incorporation, where there is a shorter period.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (collectively referred to as the "**new and revised HKFRSs**") issued by the HKICPA, which are effective for the Group's financial year beginning from 1 April 2017. A summary of the new and revised HKFRSs applied by the Group is set out as follows:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014-2016 Cycle relating to Amendments to HKFRS 12 *Disclosures of Interests in Other Entities*
HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses

Except as described below, the application of other new and revised HKFRSs in the current year has had no material impact on the Group's financial position and financial performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of consolidated financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from these financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in the annual report. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in the annual report, the application of these amendments has had no impact on the Group's consolidated financial statements.

3. STATEMENT OF COMPLIANCE

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

4. SEGMENT INFORMATION

The Group is principally engaged in the provision of catering services through a chain of casual dining food catering services restaurants. Information reported to the Group's management for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no additional reportable segment and geographical information have been presented.

5. REVENUE

	2018	2017
	HK$'000	*HK$'000*
Restaurants operations	**94,861**	82,777
Sales of food	**8,378**	7,220
Franchise fee income	**643**	609
	103,882	90,606

6. OTHER REVENUE AND OTHER INCOME

	2018 *HK$'000*	2017 *HK$'000*
Interest income	**511**	202
Dividend income	**2,134**	–
Management fee income	**408**	408
Sundry income	**40**	540
Tips income	**373**	529
Net foreign exchange gain	**869**	820
	4,335	2,499

7. FINANCE COSTS

	2018 *HK$'000*	2017 *HK$'000*
Interest on bank borrowings	**228**	211
Interest on unlisted corporate bonds	**975**	–
Interest on finance lease	**51**	17
	1,254	228

8. PROFIT/(LOSS) BEFORE TAX

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

	2018 *HK$'000*	2017 *HK$'000*
Auditors' remuneration:		
— Audit service *(Note)*	**800**	800
— Non-audit services	**84**	80
	884	880
Cost of inventories sold	**18,985**	17,158
Amortisation of intangible assets	**365**	–
Depreciation of property, plant and equipment	**5,636**	2,424
Impairment loss recognised in respect of trade receivables	**–**	1
Lease payments under operating leases in respect of land and buildings:		
— Minimum lease payments	**26,238**	25,045
— Contingent rents	**4,446**	3,906
	30,684	28,951
Employee benefit expenses (excluding directors' remuneration *(note 9)*):		
— Salaries, allowance and benefits in kind	**26,272**	24,378
— Compensation for loss of office	**708**	–
— Equity-settled share option expenses	**–**	916
— Retirement benefit scheme contributions	**1,231**	1,090
	28,211	26,384
Listing expenses	**–**	15,441

Note: Exclude services for the Listing of the Company.

9. DIRECTORS' REMUNERATION

The remuneration of directors were set out below:

	Year ended 31 March 2018					
	Directors' Fees *HK$'000*	Discretionary bonus *HK$'000*	Salaries, allowance, and benefits in kind *HK$'000*	Share option expenses *HK$'000*	Retirement benefit scheme contributions *HK$'000*	Total *HK$'000*
Executive directors:						
Mr. Wong	**–**	**500**	**1,813**	**–**	**18**	**2,331**
Chan Chak To Raymond	**–**	**53**	**960**	**–**	**18**	**1,031**
Lam Wai Kwan	**–**	**–**	**630**	**–**	**18**	**648**
Independent non-executive directors:						
Ma Yiu Ho Peter	**150**	**–**	**–**	**–**	**–**	**150**
Cheng Wing Hong	**150**	**–**	**–**	**–**	**–**	**150**
Cai Chun Fai	**150**	**–**	**–**	**–**	**–**	**150**
	450	**553**	**3,403**	**–**	**54**	**4,460**

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

10. INCOME TAX EXPENSES

	2018	2017
	HK$'000	*HK$'000*
Current tax		
— Hong Kong Profits Tax	**1,340**	689
— Under-provision in prior years	**–**	2
	1,340	691
Deferred tax		
— credit for the year	**(893)**	–
	447	691

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

11. DIVIDENDS

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

	2018	2017
	HK$'000	*HK$'000*
Interim dividend paid	**–**	3,000

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

No final dividend has been paid or proposed by the Company since its incorporation. The board of directors does not recommend the payment of a final dividend for the years ended 31 March 2018 and 2017.

12. LOSS PER SHARE

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

	2018	2017
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of basic and diluted loss per share (loss for the year attributable to owners of the Company)	**(423)**	(14,845)
	2018	2017
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,306,603**	1,833,289

The calculation of basic loss per share for the years ended 31 March 2018 and 2017 is based on the loss for the year attributable to owners of the Company and the weighted average number of ordinary shares.

As the Company's outstanding share options where applicable had an anti-dilutive effect to the basic loss per share calculation for the year ended 31 March 2018 and 2017, the conversion of the above potential dilutive shares is not assumed in the calculation of diluted loss per share.

13. TRADE RECEIVABLES

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:

	2018	2017
	HK$'000	*HK$'000*
0–30 days	**665**	281
31–60 days	**235**	178
61–90 days	**132**	122
Over 90 days	**173**	47
	1,205	628

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018	2017
	HK$'000	*HK$'000*
Unlisted investment funds:		
— Investment funds outside Hong Kong, at fair value	**37,476**	–

15. TRADE PAYABLES

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

	2018	2017
	HK$'000	*HK$'000*
0–30 days	**1,137**	1,062
31–60 days	**713**	812
61–90 days	**352**	481
Over 90 days	**251**	241
	2,453	2,596

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

16. UNLISTED CORPORATE BONDS

	2018	2017
	HK$'000	*HK$'000*
Unlisted corporate bonds	**21,000**	–

On 17 August 2017 and 18 September 2017, the Company issued two unlisted corporate bonds at principal amounts of HK$11,000,000 and HK$10,000,000 respectively. The 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 respective issue date at its principal amount.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

Economic growth in Hong Kong

According to the research released by Hong Kong Trade Development Council, Hong Kong economy has grown by 3.8% in 2017 and 4.7% year-on-year in real terms in the first quarter of 2018. Meanwhile, the gross domestic product in Hong Kong compiled by the Census and Statistics Department has increased by 4.7% in real terms in the first quarter of 2018 over a year earlier, compared with the increase of 3.4% in the fourth quarter of 2017. Such encouraging figures indicated that the Hong Kong economy has grown steadily and become stronger, which will in turn promote a steady growth of the Hong Kong food and beverage industry in the near future. Under such favorable economic condition, our revenue has achieved 14.7% growth for the year ended 31 March 2018. Directors are optimistic about the Company growth prospects.

Business Review

We are a food and beverage group in Hong Kong operating casual dining restaurants under a portfolio of brands. During the year ended 31 March 2018, we were operating four restaurants under our self-owned brands, including "*Taiwan Beef Noodle (台灣牛肉麵)*", "*Nosh Café & Bar*", "*Chinese Kitchen (中國廚房)*" and "*Macao Harbour (阿瑪港澳門餐廳)*" and one takeaway kiosk under the brand "*Coffee Express*" at the HKIA. We also had 42% interest in the restaurant under the brand "*Tasty Congee & Noodle Wantun Shop (正斗)*".

Apart from operating our self-owned brands 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.

Apart from our business at the HKIA, our operations in the urban area of Hong Kong face intense competition. In order to streamline the Group's revenue sources in the urban area for better results, the Group closed one restaurant in Kowloon City, under our brand "*Taiwan Beef Noodle (台灣牛肉麵)*", of which the Group is not optimistic about the prospects, during the year ended 31 March 2018.

On the other hand, we have obtained the franchising rights in Hong Kong of three famous catering brands, including "*Du Hsiao Yueh Restaurant (度小月)*" which is a household name of Taiwanese cuisine, "Flamingo Bloom", which specializes in crafted floral tea and "*Hanlin Tea Room/Hut (翰林茶館／棧)*", which is a famous Taiwanese-style tea restaurant. In June 2017, the first restaurant under the brand "*Du Hsiao Yueh Restaurant (度小月)* (the "**New Franchised Restaurant**")" commenced operations in Harbour City, Tsim Sha Tsui and the second one commenced operations in Times Square, Causeway Bay in June 2018.

Presently, we are negotiating with FLM Food for the possibility and feasibility of forming a formal business cooperation for carrying out catering business under the brand "*福廚房*" in Hong Kong, Macau, and the PRC, and the Group to purchase pre-packaged food products under the brand "Fook Lam Moon Fine Foods" or "*福臨門尚品*" from FLM Food for sale at our outlets or outlets to be operated by the joint venture to be established by us and FLM Food. Also, we 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 identity a suitable property that meets a set criterion, including 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 (as defined below) and mortgage from a reputable financial institution in Hong Kong for such acquisition.

The Group's strategic objective is to further strengthen our position in operating restaurants at the HKIA whilst continuing to look for suitable opportunities to expand our business in the urban area of Hong Kong, as well as tap into the casual dining market in the PRC.

Financial Review

Revenue

The revenue of the Group increased by approximately 14.7% from approximately HK$90.6 million for the year ended 31 March 2017 to approximately HK$103.9 million for the year ended 31 March 2018. The increase in revenue was mainly attributed to the commencement of business of a franchised restaurant under the famous Taiwan catering brand "*Du Hsiao Yueh (度小月)*" in Harbour City, Tsim Sha Tsui 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. The cost of inventories sold of the Group increased by approximately 10.5% from approximately HK$17.2 million for the year ended 31 March 2017 to approximately HK$19.0 million for the year ended 31 March 2018. 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 year ended 31 March 2018 was approximately HK$84.9 million, representing an increment of approximately 15.7% from approximately HK$73.4 million for the year ended 31 March 2017. 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 81.8% and 81.2% for the year ended 31 March 2017 and 2018, respectively. The gross profit margin for the Group's restaurants operating in the urban area of Hong Kong were 71.8% and 82.7% for the year ended 31 March 2017 and 2018, 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 year ended 31 March 2017 and 2018 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 year ended 31 March	
	2018	2017
	HK$'000	*HK$'000*
Interest income	**511**	202
Dividend income	**2,134**	–
Management fee income	**408**	408
Sundry income	**40**	540
Tips income	**373**	529
Net foreign exchange gain	**869**	820
Total	**4,335**	2,499

Staff costs

Staff costs primarily consist of salaries, wages and allowances, pension costs and other employee benefits. The staff costs increased from approximately HK$31.1 million for the year ended 31 March 2017 to approximately HK$32.7 million for the year ended 31 March 2018, representing an increase of approximately 5.1%. The increase in staff costs was mainly due to increase in number of staff during the reporting 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.

Depreciation

The depreciation for the year ended 31 March 2018 amounted to approximately HK$5.6 million, representing an increase of approximately 133.3% from approximately HK$2.4 million for the year ended 31 March 2017. 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 year ended 31 March 2018 amounted to approximately HK$33.5 million, representing an increase of approximately 8.1% from approximately HK$31.0 million for the year ended 31 March 2017. 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 year ended 31 March 2017 and 2018, the total fuel and utility expenses remained stable at approximately HK$3.7 million and HK$3.5 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, listing expenses and marketing and promotion expenses.

Administrative expenses decreased from approximately HK$28.1 million for the year ended 31 March 2017 to approximately HK$17.9 million for the year ended 31 March 2018, representing a decrease of approximately 36.3%, which was mainly because of the absence of the one-off listing expenses of approximately HK$15.4 million incurred during the year ended 31 March 2017.

Gain on bargain purchase

The Group recorded a gain on bargain purchase of approximately HK$3.1 million for the year ended 31 March 2018 (for the year ended 31 March 2017: nil) due to the subscription of 60% of the share capital of DHY(HK) (as defined below) at a consideration of HK$5.4 million on 13 June 2017.

Income tax expenses

The income tax expenses for the year ended 31 March 2018 amounted to approximately HK$0.4 million, representing a decrease of approximately 42.9% from approximately HK$0.7 million for the year ended 31 March 2017. The decrease in income tax expenses was mainly due to the deferred tax asset recognised during the year ended 31 March 2018.

Finance costs

The Group's finance costs increased from approximately HK$0.2 million for the year ended 31 March 2017 to approximately HK$1.3 million for the year ended 31 March 2018. The increase in finance costs was mainly due to the unlisted corporate bonds amounted to approximately HK$21.0 million issued by the Company during the year ended 31 March 2018 which bears a fixed interest rate at 8.00% per annum.

Profit

The Group recorded a profit of HK$1.2 million for the year ended 31 March 2018 as compared to a loss of approximately HK$14.8 million for the corresponding period in 2017. The increase in profit was the result of (i) the absence of the one-off listing fee of approximately HK$15.4 million incurred during the year ended 31 March 2017; (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) (as defined below) on 13 June 2017.

Use of net proceeds from the listing

The net proceeds from the listing, after deducting the actual underwriting fees and expenses paid by the Company in connection thereto, were approximately HK$36.9 million. The intended use of proceeds (the "**Intended Use of Proceeds**") as set out in the prospectus of the Company dated 1 August 2016 (the "**Prospectus**") and subsequently amended as summarised in the announcement of the Company dated 9 April 2018 and the actual use of proceeds from 8 August 2016, being date of listing of the Company (the "**Listing Date**") to 31 March 2018 are set forth below:

	Intended Use of Proceeds *HK$'000*	Actual use of proceeds from the Listing Date to 31 March 2018 *HK$'000*
Renovation of existing restaurant	**7,260**	2,500
Opening new restaurants	**30,820**	–
Marketing activities (including recruitment, advertisement and promotion activities) to promote brand awareness	**2,283**	1,029
Upgrade existing restaurant facilities and system	**930**	900
Total	**41,293**	4,429

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.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

3. During the year ended 31 March 2018, the Group generated all of our revenue in Hong Kong. If Hong Kong experiences any adverse economic condition due to events beyond our control, such as natural disasters, contagious disease outbreaks or terrorist attacks, a local economic downturn, mass civil disobedience movements or if the local authorities place additional restrictions or burdens on us or on our industry in general, our overall business and results of operations may be materially and adversely affected.

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

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

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

3. As at 31 March 2018, 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 announcements of the Company dated 28 December 2017, 29 December 2017 and 9 April 2018 in relation to the use of proceeds from the Placing (as defined below) and change in use of proceeds from the listing and business update and in this annual results announcement, the Group did not have other plans for material investments or capital assets as of 22 June 2018 (being the latest practicable date prior to the issue of this announcement).

Comparison of Business Strategies and Actual Business Progress

An analysis of the level of achievement of the business objectives and the Intended Use of Proceeds, during the year under review and up to 22 June 2018 (being the latest practicable date prior to the issue of this announcement) is set out below:

Business strategies and Intended Use of Proceeds	**Achievement during the year under review and up to 22 June 2018**
Leveraging our leading position to expand our operations at the HKIA	The Group is in progress to identify popular restaurant brands to the HKIA through franchising or other cooperation arrangement.
Strategically opening new restaurants in the urban area of Hong Kong	Pursuant to an announcement dated 9 April 2018 published by the Company, the original allocation of net proceeds from the Listing of HK$9.3 million for opening new restaurants under self-owned brand in the urban area of Hong Kong was allocated for opening restaurants under franchised brands in the urban area of Hong Kong.
Strategically opening restaurants under franchise brands in the urban area of Hong Kong	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 shares capital of Du Hsiao Yueh (Hong Kong) Company Limited ("**DHY(HK)**"). In June 2017, the first restaurant under the brand "*Du Hsiao Yueh Restaurant (度小月)*" commenced operations in Harbour City, Tsim Sha Tsui and the second restaurant was commenced in business in Times Square, Causeway Bay in June 2018. In February 2018, the Group obtained the franchising rights in relation to the famous catering brand "Flamingo Bloom", which specializes in crafted floral tea, in Hong Kong.

Business strategies and Intended Use of Proceeds	Achievement during the year under review and up to 22 June 2018
	In April 2018, the Group obtained the franchising rights in relation to the catering brand "*Hanlin Tea Room/Hut (翰林茶館／棧)*", which is a famous Taiwanese-style tea restaurant, in Hong Kong. For these three franchised brands, the Group was granted the sole and exclusive rights, license and franchise to operate restaurants and food outlets in Hong Kong.
Streamlining our operation for potential business opportunities	Apart from opening restaurants under franchise brands, the Group will continuously to identify other suitable opportunities for franchising its self-owned brands to third party, joint venture or other cooperation arrangements .
Tapping into the casual dining market in the PRC	The Group keeps monitoring and researching on the PRC market opportunities for the preparation of our expansion plans in the PRC.
Continue to enhance comparable restaurant sales growth and profitability	The Group will continue to adhere to this objective by (i) increasing sales volume; (ii) optimising restaurant-level staffing; (iii) maximising the utilisation of food ingredients; and (iv) actively reducing wastage of food ingredients by offering incentive bonus to kitchen staff.

Principal risks and uncertainties in achieving our business strategies

During the year ended 31 March 2018, the Group faces certain risks and uncertainties in achieving our business strategies in accordance with the use of proceeds plan as set out in the Prospectus and the announcement of the Company dated 9 April 2018, and are summarised as follows:

(1) The Group may fail to find commercially attractive locations for new restaurants to achieve our expansion plans;

(2) When achieving our business plans, timing is everything. The Group may fail to grasp the business trend to determine the optimal time to hit the market or opening our new restaurants; and

(3) In an increasingly volatile and complex trading environment, the Group may face change of consumer behavior and high competition when we launch our business plan.

In order to alleviate above risks and uncertainties in achieving our business strategies, we will ensure that our business plans are as resilient as possible to meet these challenges. We will carefully look at the business trends as well to determine if there is a strong entrepreneurial environment for us to lean on.

LIQUIDITY AND FINANCIAL RESOURCES

Capital structure

The change in the capital structure of the Group from 1 April 2017 to 31 March 2018 are set out in note 4 to the consolidated financial statements of the annual report for the year ended 31 March 2018.

Cash position

As at 31 March 2018, the cash and cash equivalents of the Group amounted to approximately HK$123.1 million (at 31 March 2017: approximately HK$76.4 million), which were mainly denominated in Hong Kong dollar, representing an increase of approximately 61.1% as compared to that at 31 March 2017. The increase was mainly due to the net proceeds from the Placing (as defined below).

Borrowings

At 31 March 2018, the total borrowings of the Group, all of which were denominated in Hong Kong dollars, amounted to approximately HK$29.4 million (at 31 March 2017: approximately HK$1.9 million), which there is no outstanding committed banking facilities (at 31 March 2017, outstanding balance of committed banking facilities of approximately HK$0.7 million). Among the borrowings,

1. approximately HK$7.5 million (at 31 March 2017: approximately HK$0.7 million) was derived from the bank borrowings which bears interest rate at 4.00% as at 31 March 2018 (at 31 March 2017: from 4.50% to 5.00% per annum);

2. approximately HK$21.0 million was derived from 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); and

3. approximately HK$0.9 million was derived from obligations under finance leases of the Group's motor vehicles (at 31 March 2017: HK$1.2 million) at 1.99% per annum.

Details of the maturity profile of the borrowings is set out in note 29 to the consolidated financial statements of the annual report for the year ended 31 March 2018.

Pledge of assets

As at 31 March 2018, a deposit in the amount of HK$7,500,000 was pledged by the Group to a bank as security for due performance for a licence agreement for our restaurants operating at HKIA (at 31 March 2017: HK$7,500,000).

Gearing ratio

As at 31 March 2018, the gearing ratio of the Group was approximately 21.0% (at 31 March 2017: approximately 2.0%). The increase was mainly attributable to the issuance of unlisted corporate bonds and the repayment of bank borrowings during the year ended 31 March 2018. The gearing ratio is calculated based on the total borrowings, which include bank borrowings, unlisted corporate bonds and obligation under a finance lease, divided by the equity attributable to owners of the Company at the end of the respective period.

COMMITMENTS

The Group was committed to make future minimum lease payments in respect of certain restaurants and warehouse under non-cancellable operating leases. The Group's operating lease commitments amounted to approximately HK$21.6 million as at 31 March 2018 (at 31 March 2017: approximately HK$36.0 million). As at 31 March 2018, the Group had no outstanding capital commitments (at 31 March 2017: approximately HK$1.5 million).

SIGNIFICANT INVESTMENTS

As at 31 March 2018, save for the Group's interests in (i) associates and (ii) investment funds, the Group did not hold any significant investments.

As at 31 March 2018, the interests in associates amounted to approximately HK$3.1 million (2017: approximately HK$1.6 million), representing an increase of approximately HK$1.5 million, or 93.8% as compared to that at 31 March 2017. The increase was mainly due to the decrease in dividend paid of approximately 19.3% as compared to 31 March 2017. Dividend received and receivable from the associates amounted to approximately HK$4.6 million (2017: 5.7 million).

During the year ended 31 March 2018, the Group has subscribed for (a) 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 (b) 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. Although the Group's investment in funds suffered unrealised loss of amount approximately HK$2.3 million during the year ended 31 March 2018 (2017: Nil) due to unstable global capital market, the Group received dividends of amount approximately HK$2.1 million (2017: Nil). As at 31 March 2018, investment funds amounted to approximately HK$37.5 million (2017: Nil).

The Directors considered that both interests in the associates and the investment funds, with the reputable dividend paid track record, can offer a better return to the Group.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 31 May 2017, Alliance Catering Company Limited ("**Alliance**"), a wholly-owned subsidiary of the Company and DHY (HK) entered into a shareholder agreement, pursuant to which Alliance conditionally agreed to subscribe for, and DHY (HK) conditionally agreed to allot and issue of 5,400,000 subscription shares at total consideration of HK$5,400,000 (the "**Subscription**"). The Subscription was completed on 13 June 2017. Upon completion of the Subscription, the Group held 60% equity interest in DHY (HK) and DHY (HK) becomes a non-wholly owned subsidiary of the Company. DHY (HK) is engaged in operation of restaurants and food outlets.

Save and except for the acquisition of DHY (HK), there was no material acquisition or disposal of subsidiaries, associates or joint ventures during the year ended 31 March 2018.

CONTINGENT LIABILITIES

As at 31 March 2018, the Group had no significant contingent liabilities.

FOREIGN EXCHANGE EXPOSURE

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

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

The transactions and monetary assets denominated in RMB are minimal for the two years ended 31 March 2017 and 2018, the Group considers there have no significant foreign exchange risks in respect of RMB for both years.

The Group did not have any foreign exchange contracts, interest or currency swaps, other financial derivatives or any financial instruments for hedging purposes during the year ended 31 March 2018.

TREASURY POLICIES AND RISK MANAGEMENT

The main objective of the Group's treasury policies is to seek capital appreciation with the surplus fund in short term and non-speculative in nature. The surplus fund is the fund after reserving the working capital requirement for the next 12-month period of the Group and excluding any unused proceeds from the listing and other fund raising activities by the Company including the Placing (as defined below). The investment activities of the Group shall be undertaken by the Investment Committee. Details of the Investment Committee is set out in the section "**Corporate Governance Report**" in the annual report for the year ended 31 March 2018.

As at 31 March 2018, the Group's credit risk is primarily attributable to trade receivables, fixed deposits and cash and cash equivalents.

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

As at 31 March 2018, the Group has no significant concentrations of credit risk due to the customers' base being large and unrelated. For trade receivables, the customers are primarily credit card receivables and airline customers and management considers the credit risk is not high. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk.

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

LITIGATIONS

As at 31 March 2018, the Group is not engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance is pending or threatened by or against any member of the Group.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 47 of the annual report for the year ended 31 March 2018.

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2018 (2017: Nil).

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the year ended 31 March 2018, a restaurant under the brand "Du Hsiao Yueh Restaurant (度小月)" commenced business operation in Times Square, Causeway Bay in June 2018 and the restaurant under the brand "*Nosh Café & Bar*" at the HKIA and the restaurant under the brand "*Tasty Congee & Noodle Wantun Shop (正斗)*" at the HKIA were closed on 11 May 2018 and 31 May 2018, respectively. Presently, we continuously operate the remaining three restaurants under our self-owned brands and one takeaway kiosk at the HKIA.

Save as disclosed above and in note 43 to the consolidated financial statements of the annual report for the year ended 31 March 2018, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2018 and up to 22 June 2018 (being the latest practicable date prior to the issue of this announcement).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Shares during the year under review.

CORPORATE GOVERNANCE PRACTICE

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

The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**"). In the opinion of the Board, the Company has complied with the CG Code for the year ended 31 March 2018, except for the deviations of Code Provisions A.2.1.

CHAIRMAN AND CHIEF EXECUTIVE

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

AUDIT COMMITTEE

The Company's annual results and annual report for the year ended 31 March 2018 have been reviewed by the Audit Committee, which opined that applicable accounting standards and requirements have been complied with and that adequate disclosures have been made.

PROSPECTS

In addition to the section headed with "**Business Review**" in page 13 of this annual results announcement, which states the details of the recent development of the Group and our strategic objective to continue to strengthen our position in operating restaurants at the HKIA and diversify our business in the urban area of Hong Kong, we have been strategically looking for opportunities to introduce popular restaurant brands to both the HKIA and the urban area of Hong Kong through franchising or other cooperative arrangements. Therefore, we obtained the franchise of certain famous brands, "*Du Hsiao Yueh Restaurant (度小月)*", "Flamingo Bloom" and "*Hanlin Tea Room/Hut (翰林茶館／棧)*" during the period under review. We are optimistic about the growth prospects for developing restaurants under these brands in Hong Kong and would bring positive returns to the Group in the long run.

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 restaurants 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 Shareholders.

CLOSURE OF REGISTER OF MEMBERS

In order to establish entitlements to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from 11 September 2018 to 14 September 2018, both days inclusive, during which period no transfer of the Shares will be registered. Shareholders are reminded to ensure that all completed Share transfer forms accompanied by the relevant Share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 10 September 2018.

APPRECIATION

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

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

Hong Kong, 29 June 2018

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

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