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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)

CONTINUING CONNECTED TRANSACTIONS MASTER AGREEMENT

The Board announces that on 31 December 2018 (after trading hours), Simple Future, a wholly-owned subsidiary of the Company, and the Manager entered into the Master Agreement in relation to, among other things, the provision of Management Services and the supply of the Products by the Manager Group to the Group regarding the day-to-day running and operation of the Restaurants.

Since the Manager indirectly owns 30% of shares in DHY(HK), 40% of shares in Forever Drinks, 40% of shares in Bright Up and 40% of shares in Sky Grand, and is a connected person of the Company, the Transactions constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

Given (i) the Manager is a connected person of the Company at the subsidiary level; (ii) the Transactions are on normal commercial terms; (iii) the Board has approved the Master Agreement and the Transactions; and (iv) the independent non-executive Directors have confirmed that the terms of the Transactions are fair and reasonable, on normal commercial terms or better and in the interests of the Company and its shareholders as a whole, pursuant to Rule 20.99 of the GEM Listing Rules, the Master Agreement and the Transactions are subject to the reporting, announcement and annual review requirements but are exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

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THE MASTER AGREEMENT

Date: 31 December 2018

Parties: Simple Future and the Manager

Provision of the Management Services

The Manager shall provide, or shall procure its associates to provide, the Management Services to the Group regarding the day-to-day running and operation of the Restaurants. Details of the Management Services are as follows:

1. Accounting: providing full set of accounting and bookkeeping service; handling all sales receipts and payment; preparation of monthly financial statements and different kinds of financial analysis including sales, gross profit, major expenses analysis; and liaising with external auditors for annual audit and issuance of audited financial statements.
2. Human resources and training: handling all staff recruitment issues; keeping all staff record according to Hong Kong statutory requirements; handling all employee relationship issues; handling all payroll and mandatory provident fund issues; providing in-house training regarding service standard according to the Group's requirements; and providing other training supports.
3. Licensing and store development: handling all restaurants' required license applications; and handling all store development issues including identification of suitable premises and negotiation of terms and conditions for potential premises.
4. Design: Designing and producing in-house point of purchase displays, posters and other printing materials according to the direction and instruction of the Group.
5. Procurement and logistic: handling all procurement issues for the Restaurants; and providing storage and logistic services regarding the raw materials needed by the Restaurants.
6. Others: such other incidental and related services which Simple Future and the Manager may agree from time to time.

Supply of the Products

The Manager shall supply, or procure its associates to supply, the Products to the Group regarding the day-to-day running and operation of the Restaurants.

Term

Commencing from the date of the Master Agreement and expiring on 31 March 2021 (or such other date as the parties thereto may agree in writing) unless terminated earlier in accordance with the Master Agreement or by agreement in writing between the parties thereto.

Either party may terminate the Master Agreement by giving the other party at least one month's written notice of termination.

Management Fees

Management Fees in the sum up to three percent (3%) of the Monthly Consolidated Gross Sales Turnover of the Restaurants are payable by the Group. For the purpose of the calculation of the Management Fees, "**Monthly Consolidated Gross Sales Turnover**" means the aggregate gross amount received from all trades and business of a Restaurant in a calendar month and deducting therefrom the gross amount of:

- (i) cash or credit refunds to customers for goods returned or not sold;
- (ii) any cash refund for goods claimed to be unsatisfactory or defective and the sale price of any goods returned by the customers for exchange; and
- (iii) purchase tax and any similar sales or excise tax (if any) imposed directly on the Restaurant in respect of the supply of goods or services but only to the extent that such tax is actually paid or accounted for by the Restaurant to the tax authorities.

The Group shall deliver the monthly statement of account showing the Monthly Consolidated Gross Sales Turnover and the Management Fees payable (if any) for the preceding month of each Restaurant to the Manager within twenty (20) days after the end of each calendar month. The Management Fees of a calendar month shall be paid within ten (10) days of the delivery of the said monthly statement of account of each Restaurant.

The Management Fees were negotiated and determined by the parties on an arm's length basis after taking into consideration of, among other things, the practice and charges for similar management services in Hong Kong, the scope of the Management Services, the level of manpower, expertise and resources required for the provision of the Management Services by the Manager Group, and the estimated costs and expenses which might be incurred by the Restaurants without the Management Services.

Purchase Price

The Purchase Price shall be no less favourable than the purchase price for the supply of the Products by the Manager Group to any member of Manager Group and any third party.

The Purchase Price shall be payable on a monthly basis. Within twenty (20) days after the end of each calendar month, the Manager shall deliver, or procure the Manager Group to deliver, to the Company a statement of account showing the Products supplied to the Group and the total Purchase Price payable (if any) for the preceding month. The total Purchase Price payable of a calendar month shall be paid within ten (10) days of the delivery of the said monthly statement of account.

HISTORICAL TRANSACTION AMOUNTS

The historical amount paid by the Group to the Manager Group for management services regarding the Restaurants in respect of the period from 1 April 2018 to 30 November 2018 was approximately HK\$0.9 million, which falls below the de minimis threshold under Rule 20.74(1) of the GEM Listing Rules.

The historical amount paid by the Group to the Manager Group for the purchase of the Products regarding the Restaurants in respect of the period from 1 April 2018 to 30 November 2018 was approximately HK\$2.0 million, which falls below the de minimis threshold under Rule 20.74(1) of the GEM Listing Rules.

ANNUAL CAPS

The continuing connected transactions under the Master Agreement are subject to the Annual Caps as set forth below:

	Aggregate Management Fees to be paid by the Group	Aggregate Purchase Price to be paid by the Group
For the year ending 31 March 2019	HK\$1.5 million	HK\$4.3 million
For the year ending 31 March 2020	HK\$1.0 million	HK\$6.3 million
For the year ending 31 March 2021	HK\$1.0 million	HK\$7.7 million

In determining the Annual Caps with respect to the Management Fees, the Company has taken into account and made reference to historical amounts in respect of management services provided by the Manager Group, the rate of the Management Fees to be charged by the Manager Group, the projected Monthly Consolidated Gross Sales Turnover of the Restaurants and the business plan of the Group with respect to the Restaurants.

In determining the Annual Caps with respect to the Purchase Price, the Company has taken into account and made reference to historical amounts in respect of purchase of the Products, the expected demand for the Products and the business plan of the Group with respect to the Restaurants.

INFORMATION OF THE PARTIES

Simple Future is a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company.

The Manager is a company incorporated in Hong Kong and an investment holding company. The Manager Group is principally engaged in, among other things, the provision of management and promotion services, trading of food and other operating items to restaurant operations in Hong Kong.

REASONS FOR AND BENEFITS OF THE MASTER AGREEMENT

The Group are a food and beverage group operating casual dining restaurants in Hong Kong under a portfolio of self-owned and franchised brands. In parallel with the strategic objective to continue to strengthen the Group's position in operating self-owned and franchised restaurants at the Hong Kong International Airport and the urban area of Hong Kong, the Group intends to progressively expand into the Asia casual dining market by opening restaurants in the cities in Asia where it considers having strong market potential. The engagement of the Management Services and the purchase of the Products will enable the Group to devote and allocate human and other resources to the expansion and development of restaurants in overseas market. At the same time, the Group can focus on the overall management of the Restaurants and reduce its costs in daily operation and management of the Restaurants.

Besides, the Manager Group has extensive experience, network and resources in the operation of food and beverage in Hong Kong. The entering into of the Master Agreement with the Manager enable the Group to leverage on the Manager Group's experience, network and resources in the operation and development of the business of the Group.

The Restaurants are operated under the franchised brands "Du Hsiao Yueh Restaurant (度小月)" (two restaurants which are owned as to 60% by the Group, 30% by the Manager Group and 10% by an Independent Third Party), "Flamingo Bloom" (a restaurant which is owned as to 60% by the Group and 40% by the Manager Group) and "Hanlin Tea Room/House (翰林茶館/棧)" (two restaurants which are owned as to 60% by the Group and 40% by the Manager Group). Given the Manager Group's shareholding interest in the Restaurants, the Manager Group is motivated to maximize the operating results of the Restaurants.

The Management Fees payable by the Group are based on the monthly income of the Restaurants, while the Purchase Price shall be no less favourable than the purchase price for the supply of the Products by the Manager Group to any member of Manager Group and any third party. The Directors consider that such pricing policies are fair and reasonable.

Having considered the above reasons and taking into account the bases of determination of the Annual Caps, the Directors (including the independent non-executive Directors) are of the view that (i) the Transactions are carried out in the ordinary and usual course of business of the Group; (ii) the terms of the Master Agreement are fair and reasonable; (iii) the Transactions are on normal commercial terms or better and in the interests of the Company and its shareholders as a whole; and (iv) the Annual Caps are fair and reasonable.

IMPLICATIONS UNDER THE GEM LISTING RULES

Since the Manager indirectly owns 30% of shares in DHY(HK), 40% of shares in Forever Drinks, 40% shares in Bright Up and 40% of shares in Sky Grand, and is a connected person of the Company, the Transactions constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

Given (i) the Manager is a connected person of the Company at the subsidiary level; (ii) the Transactions are on normal commercial terms; (iii) the Board has approved the Master Agreement and the Transactions; and (iv) the independent non-executive Directors have confirmed that the terms of the Transactions are fair and reasonable, on normal commercial terms or better and in the interests of the Company and its shareholders as a whole, pursuant to Rule 20.99 of the GEM Listing Rules, the Master Agreement and the Transactions are subject to the reporting, announcement and annual review requirements but are exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

DEFINITIONS

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

“Annual Caps”	the Management Fees Annual Caps and/or the Purchase Price Annual Caps
“associates”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Bright Up”	Bright Up (HK) Limited, a company incorporated in Hong Kong and a non-wholly owned subsidiary of the Company
“Company”	Royal Catering Group Holdings Company Limited (皇璽餐飲集團控股有限公司), a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the GEM of the Stock Exchange (Stock Code: 8300)
“connected person”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“DHY(HK)”	Du Hsiao Yueh (Hong Kong) Company Limited, a company incorporated in Hong Kong and a non-wholly owned subsidiary of the Company
“Forever Drinks”	Forever Drinks Limited, a company incorporated in Hong Kong and a non-wholly owned subsidiary of the Company
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	a third party which is independent of and not connected with the Company and its connected persons and otherwise not a connected person of the Company
“Management Fees”	the management fees payable by the Group under the Master Agreement
“Management Fees Annual Caps”	the maximum aggregate annual Management Fees to be paid by the Group under the Master Agreement
“Management Services”	management services to be provided by the Manager Group to the Group regarding the day-to-day running and operation of the Restaurants under the Master Agreement
“Manager”	Tensel Investment Limited, further information of which is set forth in the section headed “Information of the parties” of this announcement
“Manager Group”	the Manager and its subsidiaries
“Master Agreement”	the Master Agreement dated 31 December 2018 entered into between Simple Future and the Manager with respect to the provision of the Management Services and the supply of the Products
“Monthly Consolidated Gross Sales Turnover”	has the meaning ascribed to it in the section headed “The Master Agreement – Management Fees” of this announcement
“Products”	food ingredients, food products, beverages, utensils and other ancillary equipment regarding the day-to-day running and operation of the Restaurants
“Purchase Price”	the purchase price of the Products supplied by the Manager Group to the Group
“Purchase Price Annual Caps”	the maximum aggregate annual Purchase Price to be paid by the Group under the Master Agreement

“Restaurants”	collectively, two restaurants under the brand “Du Hsiao Yueh Restaurant (度小月)” in Harbour City, Tsim Sha Tsui and Times Square, Causeway Bay, respectively; a restaurant under the brand “Flamingo Bloom” in International Finance Centre, Central; and two restaurants under the brand “Hanlin Tea Room/House (翰林茶館/棧)” in Harbour City, Tsim Sha Tsui and Grand Plaza, Mong Kok, respectively; and such other restaurants, food outlets and beverage shops as Simple Future and the Manager may agree from time to time
“Sky Grand”	Sky Grand International Development Limited, a company incorporated in Hong Kong and a non-wholly owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the transactions contemplated under the Master Agreement

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

Hong Kong, 31 December 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. Cai Chun Fai and Mr. Ng Sai Cheong.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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