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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 2021**

The board (the “**Board**”) of directors (the “**Directors**”) of Royal Catering Group Holdings Company Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries for the nine months ended 31 December 2021. This announcement, containing the full text of the third quarterly report of the Company for the nine months ended 31 December 2021 (the “**Third Quarterly Report**”), complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) in relation to information to accompany preliminary announcement of third quarterly results. Printed version of the Third Quarterly Report will be dispatched to the shareholders of the Company and available for viewing on the GEM website at www.hkgem.com and the website of the Company at www.hkrcg.com.hk on 8 February 2022.

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 2022

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 Listed Company Information” page of the GEM website at www.hkgem.com for at least seven days from the date of its posting. This announcement will also be published on the Company’s website at www.hkrcg.com.

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*This report, 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 report 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 report misleading.*

ROYAL CATERING GROUP HOLDINGS COMPANY LIMITED

THIRD QUARTERLY REPORT

2021

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FINANCIAL HIGHLIGHTS

- The Group recorded an unaudited revenue of approximately HK\$32.0 million for the nine-month period ended 31 December 2021 (nine-month period ended 31 December 2020: approximately HK\$33.0 million), representing a decrease of approximately 3.0% as compared to the corresponding period in 2020.
- The Group recorded an unaudited loss and total comprehensive loss attributable to owners of the Company of approximately HK\$3.4 million for the nine-month period ended 31 December 2021 (nine-month period ended 31 December 2020: unaudited loss and total comprehensive loss attributable to owners of the Company of approximately HK\$1.2 million).
- The basic and diluted loss per share attributable to owners of the Company for the nine-month period ended 31 December 2021 was HK0.13 cents (nine-month period ended 31 December 2020: the basic and diluted loss per share attributable to owners of the Company of HK0.04 cents).
- The Board resolved not to recommend payment of an interim dividend for the nine-month period ended 31 December 2021.

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the nine-month period ended 31 December 2021, together with the unaudited comparative figures for the respective corresponding period in 2020 as follows:

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

For the nine-month period ended 31 December 2021

	Notes	Three-month period ended 31 December		Nine-month period ended 31 December	
		2021	2020	2021	2020
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	4	9,206	11,136	31,955	33,039
Cost of inventories sold		(1,915)	(2,309)	(6,813)	(6,899)
Gross profit		7,291	8,827	25,142	26,140
Other revenue and other income		200	1,914	6,450	9,865
Staff costs		(4,363)	(5,129)	(14,865)	(15,627)
Depreciation expenses		(771)	(1,072)	(2,884)	(3,229)
Property rentals and related expenses		(254)	(399)	(1,110)	(1,213)
Fuel and utility expenses		(410)	(436)	(1,359)	(1,247)
Administrative expenses		(4,188)	(3,476)	(13,092)	(14,111)
(Loss)/profit from operations		(2,495)	229	(1,718)	578
Share of result of an associate		–	(10)	(1)	(46)
Finance costs	5	(176)	(194)	(693)	(726)
(Loss)/profit before tax	6	(2,671)	25	(2,412)	(194)
Income tax (expenses)/credit	7	(160)	77	(1,028)	(371)
(Loss)/profit and total comprehensive (loss)/profit for the period		(2,831)	102	(3,440)	(565)
Loss and total comprehensive (loss)/profit for the period attributable to:					
Owners of the Company		(2,831)	(23)	(3,440)	(1,155)
Non-controlling interests		–	125	–	590
		(2,831)	102	(3,440)	(565)
Loss per share attributable to owner of the Company					
Basic and diluted loss per share (HK cents)	8	(0.11)	–	(0.13)	(0.04)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine-month period ended 31 December 2021

	Attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Share premium	Share option reserve	Accumulated losses	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Note)				
At 1 April 2020 (Audited)	26,434	113,760	2,750	(85,211)	57,733	367	58,100
Loss and total comprehensive loss for the period	–	–	–	(1,155)	(1,155)	590	(565)
At 31 December 2020 (Unaudited)	26,434	113,760	2,750	(86,366)	56,578	957	57,535
At 1 April 2021 (Audited)	26,434	113,760	2,750	(89,719)	53,225	–	53,225
Loss and total comprehensive loss for the period	–	–	–	(3,440)	(3,440)	–	(3,440)
At 31 December 2021 (Unaudited)	26,434	113,760	2,750	(93,159)	49,785	–	49,785

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 UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 19 August 2015 as an exempted company with limited liability under the Companies Act of the Cayman Islands and its shares are listed on GEM of the Stock Exchange. The address of the Company's registered office is Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands. The principal place of business in Hong Kong of the Company is Unit 603, 6/F, Block A, Hong Kong Industrial Centre, 489-491 Castle Peak Road, Kowloon, Hong Kong. The Company's ultimate holding company is Fortune Round Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Wong Man Wai, who is a Director.

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 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 2021 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the **"HKICPA"**) and the applicable disclosures required by the GEM Listing Rules. The Quarterly Financial Statements for the nine-month period ended 31 December 2021 should be read in conjunction with the audited consolidated financial statements of the Company for the year ended 31 March 2021 which have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (**"HKFRSs"**) Except for the application of new and revised HKFRSs issued by the HKICPA, which are effective for the annual periods beginning on or after 1 April 2021, the principal accounting policies used in the Quarterly Financial Statements for the nine-month period ended 31 December 2021 are consistent with those adopted in the preparation of the Company's audited consolidated financial statements for the year ended 31 March 2021.

In the current period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, that are mandatorily effective for the Group's financial year beginning on or after 1 April 2021:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
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The application of the amendments to HKFRSs in the current period has had no material effect on the amounts reported and/or the disclosures set out in the Quarterly Financial Statements.

The Quarterly Financial Statements for the nine-month period ended 31 December 2021 have not been audited by the Group's auditors but have been reviewed by the Company's audit committee.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. 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.

4. REVENUE

	Three-month period ended 31 December		Nine-month period ended 31 December	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Type of products and services:				
Restaurants operations	9,206	11,136	31,955	33,039

All of the Group's revenue is derived in Hong Kong.

	Three-month period ended 31 December		Nine-month period ended 31 December	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Timing of revenue recognition:				
At a point in time	9,206	11,136	31,955	33,039

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. FINANCE COSTS

	Three-month period ended 31 December		Nine-month period ended 31 December	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on bank borrowings	85	–	327	11
Interest on lease liabilities	91	194	366	715
	176	194	693	726

6. (LOSS)/PROFIT BEFORE TAX

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

	Three-month period ended 31 December		Nine-month period ended 31 December	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cost of inventories sold	1,915	2,309	6,813	6,899
Amortisation of intangible assets	32	35	95	104
Depreciation of property, plant and equipment	158	302	775	905
Depreciation of right-of-use assets	613	770	2,109	2,324
Gain on disposal of a property	–	–	(3,041)	–
Employee benefit expenses (including Directors' remuneration):				
– Salaries, allowance and benefits in kind	4,222	4,946	14,379	15,072
– Retirement benefit scheme contributions	141	183	486	555
	4,363	5,129	14,865	15,627

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. INCOME TAX EXPENSES/(CREDIT)

	Three-month period ended 31 December		Nine-month period ended 31 December	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax:				
— Hong Kong Profits Tax	166	(59)	1,044	425
Deferred tax:				
— Tax credit	(6)	(18)	(16)	(54)
	160	(77)	1,028	371

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the “**Bill**”) which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million for both periods.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. LOSS PER SHARE

The computations of basic and diluted loss 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	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss				
— Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	(2,831)	(23)	(3,440)	(1,155)

	Three-month period ended 31 December		Nine-month period ended 31 December	
	2021	2020	2021	2020
	'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 per share	2,643,360	2,643,360	2,643,360	2,643,360

The computation of diluted loss per share does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price of shares for both periods.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. DIVIDEND

No dividend has been paid or declared by the Company for the nine-month period ended 31 December 2021 (for the nine-month period ended 31 December 2020: Nil).

10. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Quarterly Financial Statement, the Group had no other material transactions with related parties during the nine-month period ended 31 December 2021.

11. EVENTS AFTER THE REPORTING PERIOD

The Group had no material events for disclosure subsequent to 31 December 2021 and up to the date of this report.

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 in the urban area of Hong Kong. The outbreak of the COVID-19 (the “**Pandemic**”) continued to affect the Group’s operations, financial performance and condition during the nine-month period ended 31 December 2021. The Pandemic severely diminished the demand for dining and catering. In response to the Pandemic, the Hong Kong government imposed certain anti-pandemic measures and consumers generally preferred to stay home, avoid dining out and maintain social distancing. Accordingly, the service capability of the restaurants operated by the Group was reduced and the number of customers visiting the Group’s restaurants has decreased. In order to cope with the difficulties faced by the Group, the management of the Group adopted cost control measures and periodically evaluated our business strategies. As at the date of this report, Hong Kong was encountering the fifth wave of the Pandemic with increasing number of confirmed cases, and the operating hours for in-dining of the Group’s restaurants were restricted. It remains unclear as to when this fifth wave of the Pandemic in Hong Kong will be over. In response to the uncertainty in the Hong Kong economy and in particular the catering industry, the Group will take conservative and prudent business strategies in order to support daily business operations and to cope with the economic uncertainty in the near future, as well as identifying and exploring other business opportunities to achieve stable return.

At 31 December 2021, we had three restaurants in operation (at 31 December 2020: five).

During the nine-month periods ended 31 December 2020 and 2021, we operated the following restaurants:

Brand name	Location	Self-owned/ franchised brand	Operations during the nine-month period ended		Proportion of ownership interest of the restaurants held by the Group as at	
			31 December 2021	2020	31 December 2021	2020
Chinese Kitchen (中國廚房)	Hong Kong International Airport	Self-owned	(Note 1)	(Note 1)	100%	100%
Dashia Tainan (大呷台灣)	Central	Self-owned	✓	✓	100%	100%
Du Hsiao Yueh Restaurant (度小月)	Harbour City, Tsim Sha Tsui	Franchised	✓	✓	100%	90%
Du Hsiao Yueh Restaurant (度小月)	Times Square, Causeway Bay	Franchised	✓	✓	100%	90%
Du Hsiao Yueh Restaurant (度小月)	V Walk, Nam Cheong	Franchised	✓ (Note 2)	✓	100%	90%
Hanlin Tea Room/Hut (翰林茶館/棧)	Harbour City, Tsim Sha Tsui	Franchised	✓ (Note 3)	✓	100%	100%

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

1. “Chinese Kitchen (中國廚房)” at the Hong Kong International Airport was temporarily closed from 10 February 2020 and the lease with Hong Kong International Airport was expired with effect from 1 October 2021.
2. “Du Hsiao Yueh Restaurant (度小月)” in V Walk, Nam Cheong was closed on 31 October 2021.
3. “Hanlin Tea Room/Hut (翰林茶館/棧)” in Harbour City, Tsim Sha Tsui was closed on 31 August 2021.

The Group has obtained a money lenders licence in Hong Kong under the Money Lenders Ordinance (Chapter 163 of Laws of Hong Kong). In view of the uncertainty in the Hong Kong economy, the Group may carry out the money lending business, which will be funded by the Group’s internal resources, if the Group sees fit. During the nine-month period ended 31 December 2021, the Group has not yet commenced the money lending business.

The casual dining food catering services has been and will continue to be the core business of the Group.

FINANCIAL REVIEW

Revenue

The Group’s revenue decreased by approximately 3.0% from approximately HK\$33.0 million for the nine-month period ended 31 December 2020 to approximately HK\$32.0 million for the nine-month period ended 31 December 2021. The decrease in revenue was mainly attributable to the negative impacts of the Pandemic to our existing restaurants.

Cost of inventories sold

The Group’s cost of inventories sold primarily consisted of the cost of all the food and beverages used in restaurant operations. The Group’s cost of inventories sold decreased by approximately 1.4% from approximately HK\$6.9 million for the nine-month period ended 31 December 2020 to approximately HK\$6.8 million for the nine-month period ended 31 December 2021. The decrease in cost of inventories sold was mainly attributable to the decrease in revenue during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and gross profit margin

The Group's gross profit for the nine-month period ended 31 December 2021 amounted to approximately HK\$25.1 million, representing a decrease of approximately 3.8% from approximately HK\$26.1 million for the nine-month period ended 31 December 2020. The decrease in gross profit was mainly attributable to the decrease in revenue during the period.

The Group's gross profit margin was 79.1% and 78.7% for the nine-month periods ended 31 December 2020 and 2021, respectively. The relatively high and stable gross profit margin for the restaurants operating for the nine-month periods ended 31 December 2020 and 2021 were attributable to the centralisation of purchases in bulk orders and the discounts through the centralised warehouse services from a services provider to the Group.

Other revenue and other income

	Nine-month periods ended 31 December	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interest income	75	7
Government grant	100	5,208
Gain on disposal of a property	3,041	–
Sundry income	310	379
COVID-19 related rental concession	2,924	4,271
Total	6,450	9,865

The Group's other revenue and other income primarily comprised interest income, government grant, sundry income, gain on disposal of a property and COVID-19 related rental concession. The Group's other revenue and other income decreased by approximately 34.3% from approximately HK\$9.9 million for the nine-month period ended 31 December 2020 to approximately HK\$6.5 million for the nine-month period ended 31 December 2021. The decrease in other revenue and other income was mainly attributable to the decrease in government grant, partially offset by the gain on disposal of a property.

MANAGEMENT DISCUSSION AND ANALYSIS

Staff costs and employees

The Group's staff costs primarily comprised salaries, wages and allowances, pension costs and other employee benefits. The Group's staff costs decreased by approximately 4.5% from approximately HK\$15.6 million for the nine-month period ended 31 December 2020 to approximately HK\$14.9 million for the nine-month period ended 31 December 2021. At 31 December 2021, the Group had 75 employees (at 31 December 2020: 85 employees). The decrease in staff costs and the number of employees was mainly due to the Group's cost control measures to ensure that the staff resources of the Group are deployed efficiently during the nine-month period ended 31 December 2021 comparing to the same period of 2020.

Depreciation expenses

The Group's depreciation expenses mainly included the depreciation of right-of-use assets, building, leasehold improvements and catering and other equipment and amounted to approximately HK\$2.9 million for the nine-month period ended 31 December 2021, representing a decrease of approximately 9.3% from approximately HK\$3.2 million for the nine-month period ended 31 December 2020. The decrease in depreciation expenses was mainly attributable to the drop in number of operating restaurants during the nine-month period ended 31 December 2021 comparing to the same period of 2020, which was mainly because of the negative impacts of the Pandemic.

Property rentals and related expenses

The Group's property rentals and related expenses remained stable at approximately HK\$1.2 million and HK\$1.1 million for the nine-month periods ended 31 December 2020 and 2021.

Fuel and utility expenses

The Group's fuel and utility expenses primarily comprised fuel expenses, electricity expenses and water supplies of the Group. The Group's fuel and utility expenses increased by approximately 16.7% from approximately HK\$1.2 million for the nine-month period ended 31 December 2020 to approximately HK\$1.4 million for the nine-month period ended 31 December 2021. The increase in fuel and utility expenses was mainly attributable to the increase in the usage of fuel and utility of certain restaurants for the nine-month period ended 31 December 2021.

Administrative expenses

The Group's administrative expenses mainly represented 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.

The Group's administrative expenses decreased from approximately HK\$14.1 million for the nine-month period ended 31 December 2020 to approximately HK\$13.1 million for the nine-month period ended 31 December 2021, representing a decrease of approximately 7.1%, which was mainly due to the decrease in certain administration items, including travelling expenses, legal and professional fee and marketing expenses during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

Income tax expenses

The Group's income tax expenses increased by approximately HK\$0.6 million from approximately HK\$0.4 million for the nine-month period ended 31 December 2020 to approximately HK\$1.0 million for the nine-month period ended 31 December 2021. The increase in income tax expenses was mainly due to the increase in taxable income of our existing restaurants for the nine-month period ended 31 December 2021.

Finance costs

The Group's finance costs remained stable at approximately HK\$0.7 million for the nine-month periods ended 31 December 2020 and 2021.

Loss

The Group recorded a loss of approximately HK\$3.4 million for the nine-month period ended 31 December 2021 as compared to a loss of approximately HK\$0.6 million for the corresponding period in 2020. The increase in loss was mainly due to decrease in government grant during the period. The effect was partially offset by the gain on disposal of a property during the period.

Use of unutilised 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\$41.3 million. The intended use of proceeds was set out in the prospectus of the Company dated 1 August 2016 (the "**Prospectus**") and has been subsequently amended as summarised in the announcements of the Company dated 9 April 2018, 9 October 2018 and 24 June 2020 (the "**Announcements**"). As at 31 December 2021, the Company has fully utilised all the proceeds from the Listing.

Use of unutilised proceeds from issue of Shares

Apart from the net proceeds from the Listing, the Company raised funds from the following issue of ordinary shares of the Company ("**Shares**"):

1. On 13 March 2017, the Company placed an aggregate of 202,800,000 new ordinary Shares to not less than six placees, who were independent third parties at the placing price of HK\$0.15 per share (the "**First Placing**"). The net proceeds from the First Placing, after deducting the placing agent commission and other expenses incurred for the First Placing, amounted to approximately HK\$29.84 million. The net price per First Placing Share was approximately HK\$0.147 and the closing price on the date of the First Placing agreement was HK\$0.121 per Share.
2. On 5 January 2018, the Company placed 440,560,000 new ordinary Shares to not less than six placees, who were independent third parties at the placing price of HK\$0.105 per share (the "**Second Placing**"). The net proceeds from the Second Placing, after deducting the placing agent commission and other expenses incurred for the Second Placing, amounted to approximately HK\$45.2 million. The net price per Second Placing Share was approximately HK\$0.103 and the closing price on the date of the Second Placing agreement was HK\$0.101 per Share.

MANAGEMENT DISCUSSION AND ANALYSIS

As disclosed in the Company's announcement dated 24 June 2020, the intended use of unutilised proceeds from the First Placing and the Second Placing (the **"Placings Proceeds"**) was adjusted. The amount of unutilised Placings Proceeds for the intended use at 30 September 2021 and the actual use of the Placings Proceeds from 1 October to 31 December 2021 are set forth below:

	Amount of unutilised Placings Proceeds at 30 September 2021 HK\$'000	Actual use of the Placings Proceeds from 1 October to 31 December 2021 HK\$'000
Acquiring a property in the urban area of Hong Kong to operate a new restaurant by the Group	37,500	–

The Company intends to utilise the unutilised Placing Proceeds as soon as practicable by 31 March 2022.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

There was no material acquisition or disposal of subsidiaries, associates or joint ventures for the nine-month period ended 31 December 2021.

SIGNIFICANT INVESTMENTS HELD

During the nine-month period ended 31 December 2021 and at 31 December 2021, the Group did not hold any significant investments.

LIQUIDITY AND FINANCIAL RESOURCES

Capital structure

There has been no material change in the capital structure of the Company since 31 March 2021.

Cash position

At 31 December 2021, the cash and cash equivalents of the Group amounted to approximately HK\$65.2 million (as at 31 December 2020: approximately HK\$32.0 million), which were mainly denominated in Hong Kong dollar, representing an increase of approximately 103.8% as compared to that as at 31 December 2020. The increase was mainly resulted from the net proceeds from disposal of a property of approximately HK\$33.8 million during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

Borrowing

At 31 December 2021, the total borrowings of the Group, all of which were denominated in Hong Kong dollars, amounted to approximately HK\$19.8 million (at 31 December 2020: approximately HK\$13.4 million) and the Group had approximately HK\$15.5 million of outstanding committed banking facilities (at 31 December 2020: Nil), further details of which are set out below:

1. approximately HK\$15.5 million (as at 31 December 2020: approximately HK\$3.9 million) was derived from the bank borrowings which bears interest rate at 2.75% per annum as at 31 December 2021 (at 31 December 2020: 4.13% per annum); and
2. approximately HK\$4.3 million was derived from lease liability of the Group's restaurants and motor vehicle (at 31 December 2020: HK\$13.4 million), which had interest rate ranging from 1.99% to 5.19% per annum (at 31 December 2020: ranging from 1.99% to 5.19% per annum).

Pledge of assets

At 31 December 2021, the carrying amounts of motor vehicles of approximately HK\$0.1 million was pledged (at 31 December 2020: HK\$0.2 million).

Gearing ratio

At 31 December 2021, the gearing ratio of the Group was approximately 39.7% (as at 31 December 2020: approximately 23.7%). The increase was mainly attributable to the increase in bank borrowings. The gearing ratio is calculated based on the total borrowings, which include bank borrowings and lease liabilities divided by the equity attributable to owners of the Company at the end of the respective period.

COMMITMENTS

At 31 December 2021, the Group had no significant capital commitments (at 31 December 2020: Nil).

CONTINGENT LIABILITIES

At 31 December 2021, the Group had no significant contingent liabilities (at 31 December 2020: Nil).

FOREIGN EXCHANGE EXPOSURE

The Group operates in Hong Kong with majority of the transactions being settled in HK\$ and 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.

Since the transactions and monetary assets denominated in RMB were minimal for the nine-month periods ended 31 December 2020 and 2021, the Group considers that there was no significant foreign exchange risk in respect of RMB for both periods.

The Group did not have any foreign exchange contracts, interest or currency swaps, other financial derivatives or any financial instruments for hedging purposes for the nine-month periods ended 31 December 2020 and 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

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 above). The investment activities of the Group shall be undertaken by the Investment Committee. Details of the Investment Committee is set out in the section headed "Corporate Governance Report" of the Company's 2021 annual report dated 24 June 2021.

At 31 December 2021, the Group's credit risk is primarily attributable to trade receivables, deposits, other receivables and cash and cash equivalents.

At 31 December 2020 and 2021, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

PRINCIPAL RISKS AND UNCERTAINTIES

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

1. The Group's revenue derived from restaurants in Hong Kong may experience fluctuations from period to period due to seasonality and other factors.
2. All of the Group's revenue was derived from the restaurants in urban area in Hong Kong during the period under review, therefore the Group's operation may be affected by any future development in urban area of Hong Kong.
3. During the nine-month period ended 31 December 2021, the Group generated all of our revenue in Hong Kong. If Hong Kong experiences any adverse economic condition due to events beyond our control, such as natural disasters, contagious disease outbreaks, terrorist attacks, a local economic downturn, mass civil disobedience movements or if the local authorities place additional restrictions or burdens on us or on our industry in general, our overall business and results of operations may be materially and adversely affected. As disclosed in the section headed "Business Review" of this report, the Group's operations and financial performance have been materially and adversely affected by the Pandemic.

MANAGEMENT DISCUSSION AND ANALYSIS

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

1. The Group's business depends on reliable sources of large quantities of food ingredients such as vegetable and meat. The price of food ingredients may continue to rise or fluctuate.
2. Minimum wage requirements in Hong Kong was raised from HK\$34.5 per hour to HK\$37.5 per hour with effect from 1 May 2019, and may further increase and affect our staff costs in the future.
3. At 31 December 2021, the Group licensed or leased all the properties for its restaurants operating 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 this report, the Group did not have other plans for material investments and capital assets at 31 December 2021.

PROSPECTS

Our strategic objective is to continue to strengthen our position in operating restaurants in the urban area of Hong Kong, and strategically looking for opportunities to introduce popular restaurant brands to the urban area of Hong Kong through franchising or other cooperative arrangements.

However, due to the adverse impact of the internal and external environment such as economic recession and the Pandemic, we decided to take conservative and prudent business strategies in order to support daily business operations and to cope with the economic uncertainty in the near future. In view of these uncertainties and the existing market conditions, we will focus on maintaining sufficient general working capital to support the daily business operation of the Group, and also will carefully look at the business trends as well to determine if there is a strong entrepreneurial environment for us to lean on. We shall thus remain conservative and prudent towards its profitability in the coming months and will continue to manage the Group's expenditure and keep monitoring and searching for market opportunities for our expansion plan in order to improve financial performance.

Looking ahead, we will endeavour to strengthen the development of its existing businesses and to provide steady return as well as growth prospects for the Shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE GOVERNANCE PRACTICE

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

The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 to the GEM Listing Rules. In the opinion of the Board, the Company has complied with the CG Code for the nine-month period ended 31 December 2021, except for the deviations of Code Provisions C.2.1 as disclosed below.

CHAIRMAN AND CHIEF EXECUTIVE

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

COMPETING BUSINESS

Save as disclosed in the Prospectus and this report, the Directors are not aware of any business or interest of the Directors or the controlling Shareholders or any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interests which any such person has or may have with the Group during the nine-month period ended 31 December 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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 2021, the interests and short positions of the Directors and chief executive of the Company in 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:

MANAGEMENT DISCUSSION AND ANALYSIS

Long positions in the Shares

Name of Director	Capacity	Number of ordinary shares interested	Percentage of shareholding
Mr. Wong Man Wai	Interest of controlled corporation	1,500,000,000	56.7%

These 1,500,000,000 Shares are held by Fortune Round Limited, a company incorporated in the British Virgin Islands and wholly-owned by Mr. Wong Man Wai. Therefore, Mr. Wong Man Wai is deemed to be interested in all the Shares held by Fortune Round Limited for the purpose of the SFO. Mr. Wong Man Wai is the sole director of Fortune Round Limited.

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	0.76%
Mr. Chan Chak To Raymond	Beneficial owner	20,000,000	0.76%

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

Long positions in the shares of associated corporation

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

Save as disclosed above and so far as is known to the Directors, at 31 December 2021, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2021 and so far as is known to the Directors, the following persons (other than the Directors or chief executive of the Company) had interests and short positions in the Shares or underlying shares of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register of the Company required to be kept under Section 336 of the SFO were as follows:

Long positions in the Shares

Name of shareholders	Capacity	Number of ordinary shares in interested	Percentage of shareholding
Fortune Round Limited	Beneficial owner (note 1)	1,500,000,000	56.7%
Ms. Li Wing Yin	Interest of spouse (note 2)	1,500,000,000	56.7%
Keenfull Investments Limited	Beneficial owner (note 3)	317,280,000	12.0%
Mr. Li Chi Keung	Interest of controlled corporation (note 3)	317,280,000	12.0%
Ms. Wong Hoi Ping	Interest of spouse (note 4)	317,280,000	12.0%

Notes:

- Fortune Round Limited is a company incorporated in the British Virgin Islands and wholly-owned by Mr. Wong Man Wai. Therefore, Mr. Wong Man Wai is deemed to be interested in all the Shares held by Fortune Round Limited for the purposes of the SFO. Mr. Wong Man Wai is the sole director of Fortune Round Limited.
- Ms. Li Wing Yin is the spouse of Mr. Wong Man Wai. She is deemed to be interested in all the Shares in which Mr. Wong Man Wai is interested under the SFO.
- Keenfull Investments Limited, a company incorporated in the British Virgin Islands, is wholly owned by Mr. Li Chi Keung. Therefore, Mr. Li Chi Keung is deemed to be interested in the 317,280,000 Shares held by Keenfull Investments Limited for the purpose of the SFO. Mr. Li Chi Keung is the father of Ms. Li Wing Yin and accordingly, the father-in-law of Mr. Wong Man Wai, our controlling shareholder.
- Ms. Wong Hoi Ping is the spouse of Mr. Li Chi Keung. She is deemed to be interested in all the Shares in which Mr. Li Chi Keung is interested under the SFO.

Save as disclosed above, at 31 December 2021, the Directors were not aware of any interests or short positions of 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 to be kept under Section 336 of the SFO.

MANAGEMENT DISCUSSION AND ANALYSIS

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 report, no option has been exercised.

The summary of the options granted under the Share Option Scheme that were still outstanding as at 31 December 2021 is as follows:

Name of the grantee	No. of share options outstandings as at 1 April 2021	No. of share options granted during the nine-month period ended 31 December 2021	No. of share options exercised during the nine-month period ended 31 December 2021	No. of share options adjusted during the nine-month period ended 31 December 2021	No. of share options cancelled during the nine-month period ended 31 December 2021	No. of share options lapsed during the nine-month period ended 31 December 2021	No. of share options outstanding as at 31 December 2021
Mr. Chan Chak To Raymond	20,000,000	–	–	–	–	–	20,000,000
Ms. Lam Wai Kwan	20,000,000	–	–	–	–	–	20,000,000
Employee (in aggregate)	20,000,000	–	–	–	–	–	20,000,000
	60,000,000	–	–	–	–	–	60,000,000

No share option has been granted during the nine-month period ended 31 December 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rule 5.48 to 5.67 of the GEM Listing Rules. The Company periodically issues notices to its Directors reminding them to the general prohibition on dealing in the Company’s listed securities during the blackout periods before the publication of announcements of financial results of the Group. Having made specific enquiry with all the Directors, all Directors confirmed that they have complied with the required standard of dealing and the Company’s code of conduct regarding securities transactions by the Directors throughout the nine-month period ended 31 December 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

AUDIT COMMITTEE

The Company has established the audit committee pursuant to a resolution of the Directors passed on 21 July 2016 in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. Written terms of reference in compliance with paragraph D.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. Cai Chun Fai and Mr. Ng Sai Cheong. Mr. Ma Yiu Ho Peter is the chairman of the audit committee. The audit committee has reviewed the Quarterly Financial Statements of the Group for the nine-month period ended 31 December 2021.

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 2022

At the date of this report, 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.