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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)

CHANGE IN USE OF PROCEEDS

References are made to (i) the announcements of Royal Catering Group Holdings Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 13 December 2017, 28 December 2017, 29 December 2017 and 5 January 2018 in relation to the placing of 440,560,000 shares of the Company (each a “**Share**”) at the placing price of HK\$0.105 per Share (the “**Second Placing**”); and (ii) the announcements of the Company dated 24 June 2020, 12 August 2021 and 1 November 2021 in relation to change in use of proceeds and business update (collectively, the “**Announcements**”).

The Group is principally engaged in provision of casual dining food catering services in Hong Kong. With reference to the announcement of the Company dated 24 June 2020, the net proceeds from the Second Placing of approximately HK\$45.20 million (the “**Net Second Placing Proceeds**”) was intended to be used for acquiring a property in the urban area of Hong Kong to operate a new restaurant by the Group, opening “*Du Hsiao Yueh (度小月)*” restaurants in Hong Kong and paying other operating expenses of restaurants.

Since the emergence of the outbreak of COVID-19 pandemic in Hong Kong (the “**Pandemic**”) since January 2020, the Hong Kong government has imposed a number of anti-epidemic measures, including social distancing measures and restricting restaurants’ maximum number of customers per table, maximum capacity and operating hours (the “**Restrictions**”). In particular, since January 2022, Hong Kong has been seriously hit by the fifth wave of the Pandemic caused by the spread of Omicron variant which is highly transmissible according to the Hong Kong government. The scale and impact of the fifth wave of the Pandemic had been much more severe than the previous waves of the Pandemic, with a significant proportion of the Hong Kong population being infected. In response to the fifth wave of the Pandemic, the Hong Kong government in particular banned dine-in services of all restaurants in Hong Kong from 6 p.m. to 5 a.m. the next day, and diners are capped at two per table at all restaurants during the limited operating hours. As a result of the above, the demand for in-dining has been severely reduced, and the number of customers visiting the Group’s restaurants has significantly decreased. The Group’s financial performance and condition had been negatively affected by the Pandemic.

For instance, as reported in the Company's annual report for the year ended 31 March 2021, the Group's revenue decreased by approximately 37.9% from approximately HK\$68.8 million for the year ended 31 March 2020 to approximately HK\$42.7 million for the year ended 31 March 2021. The Group's revenue has not yet been recovered to the prior level (i.e. before the emergence of the social unrest arising from the anti-extradition bill protests in 2019 and the Pandemic). As reported in the Company's third quarterly report for the nine months ended 31 December 2021, the Group's revenue amounted to approximately HK\$32.0 million for the period then ended. As of the date of this announcement, the fifth wave of the Pandemic is still ongoing and the duration of the Pandemic remains unpredictable.

In view of the adverse impact of the Pandemic on the Group's businesses, the Board 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 order to better utilise the Group's resources on hand, and taking into account of the adverse and prolonged impact of the Pandemic on the food and beverage industry, as at the date of this announcement, the Board resolved to change the proposed use of the Net Second Placing Proceeds in the following manner:

	Intended use of the Net Second Placing Proceeds as disclosed in the Announcements <i>HK\$ million</i>	Utilised amount of the Net Second Placing Proceeds as at 31 December 2021 <i>HK\$ million</i>	Unutilised amount of the Net Second Placing Proceeds as at 31 December 2021 <i>HK\$ million</i>	Revised use of the Net Second Placing Proceeds <i>HK\$ million</i>
Acquiring a property in the urban area of Hong Kong to operate a new restaurant by the Group	37.50	—	37.50	—
Opening "Du Hsiao Yueh (度小月)" restaurants in Hong Kong	1.52	1.52	—	—
Other operating expenses of restaurants	6.18	6.18	—	—
General working capital for the Group's businesses	—	—	—	37.50
Total:	<u>45.20</u>	<u>7.70</u>	<u>37.50</u>	<u>37.50</u>

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

The Board has considered a number of factors including: (i) notwithstanding the vaccination program, there is no clear sign that the Pandemic will be over in the near future, in particular in light of the spread of the Omicron variant which has triggered the fifth wave of the Pandemic, and there is also no clear sign that the demand for in-dining will be restored to the prior level (i.e. before the emergence of the social unrest arising from the anti-extradition bill protests in 2019 and the Pandemic) in the near future; (ii) it is probable that the Restrictions will continue in the near future; (iii) the risk of making significant capital expenditure to acquire a property for a new restaurant under the current market sentiment of the food and beverage industry; (iv) the financial conditions and performance to sustain the Group's operations; and (v) the uncertain business environment in Hong Kong. In view of above, the Group needs to adopt a more effective policy to maintain its businesses and liquidity. The Board has assessed a number of viable options to manage the Group's liquidity, such as re-designating the Unutilised Net Proceeds (as defined below), taking out bank loans, or conducting share placements under general mandate. Having considered the Group's financial position and the costs and time that may be incurred in the above courses of action, the Board is of the view that it would be of the best interest to the Company and the Shareholders as a whole to change the intended use of the unutilised Net Second Placing Proceeds (the "**Unutilised Net Proceeds**") by re-allocating approximately HK\$37.50 million for general working capital for the Group's businesses.

The Board believes that the re-allocation of the Unutilised Net Proceeds as disclosed above will enable a better utilisation of the Unutilised Net Proceeds as this will provide greater flexibility for the Group to manage its asset and liability against the current unstable business environment and is favourable to the Group's long term business development. The Board will continue to assess the impact of the Pandemic to the operations of the Group.

The Board confirms that there is no material change in the business nature of the Group as set out in the Company's prospectus dated 1 August 2016 and the Announcements, and considered that the proposed change in the proposed use of Unutilised Net Proceeds will not have any material adverse impact on the operations of the Group and is in the best interests of the Company and the Shareholders as a whole.

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

Hong Kong, 7 April 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 Rules Governing the Listing of Securities on GEM of the Stock Exchange 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.