皇璽餐飲
集團控股有限公司
ROYAL CATERING
Group Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8300

2017
FIRST QUARTERLY REPORT

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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**") 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.*

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Royal Catering Group Holdings Company Limited

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FINANCIAL HIGHLIGHTS

- The Group recorded an unaudited revenue of approximately HK$21.8 million for the three–month period ended 30 June 2017 (three–month period ended 30 June 2016: approximately HK$23.5 million), representing a decrease of approximately 7.2% over the same period of the previous year.

- The Group recorded an unaudited profit and total comprehensive income attributable to owners of the Company of approximately HK$1.7 million for the three–month period ended 30 June 2017 (three–month period ended 30 June 2016: unaudited profit and total comprehensive income attributable to owners of the Company of approximately HK$2.0 million).

- The basic and diluted earnings per share attributable to owners of the Company for the three–month period ended 30 June 2017 were HK0.08 cents (three–month period ended 30 June 2016: the basic and diluted earnings per share attributable to owners of the Company of HK0.10 cents).

FIRST QUARTERLY UNAUDITED RESULTS

The board (the "**Board**") of Directors the Company is pleased to announce the unaudited condensed consolidated results of the Company and the subsidiaries (collectively, the "**Group**") for the three–month period ended 30 June 2017, together with the unaudited comparative figures for the respective corresponding period in 2016 as follows:

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

For the three–month period ended 30 June 2017

	Notes	Three–month period ended 30 June 2017 HK$'000 (Unaudited)	2016 HK$'000 (Unaudited)
Revenue	3	**21,777**	23,546
Cost of inventories sold		**(4,338)**	(4,441)
Gross profit		**17,439**	19,105
Other revenue and other income		**668**	682
Staff costs		**(7,542)**	(6,625)
Depreciation of property, plant and equipment		**(977)**	(579)
Property rentals and related expense		**(8,869)**	(6,889)
Fuel and utility expenses		**(890)**	(926)
Loss arising on change in fair value of financial assets classified as held for trading investments		**(170)**	–
Administrative expenses		**(3,245)**	(4,023)
(Loss)/profit from operations		**(3,586)**	745
Gain on bargain purchase	6	**3,119**	–
Share of result of an associate		**1,878**	1,971
Finance costs		**(35)**	(85)
Profit before tax	4	**1,376**	2,631
Income tax expenses	5	**(155)**	(673)
Profit and total comprehensive income for the period		**1,221**	1,958
Profit/(loss) and total comprehensive income/(loss) for the period attributable to:			
Owners of the Company		**1,662**	1,958
Non–controlling interests		**(441)**	–
		1,221	1,958
Earnings per share attributable to owners of the Company			
Basic and diluted earnings per share (HK cents)	7	**0.08**	0.10

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three–month period ended 30 June 2017

	Attributable to owners of the Company						
	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000 *(Note)*	Retained earnings/ (accumulated losses) HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2016 (Audited)	–	–	–	15,608	15,608	(453)	15,155
Profit and total comprehensive income for the period	–	–	–	1,958	1,958	–	1,958
Dividends paid	–	–	–	(3,000)	(3,000)	–	(3,000)
Non–controlling interests written off upon deregistration of a subsidiary	–	–	–	–	–	453	453
At 30 June 2016 (Unaudited)	–	–	–	14,566	14,566	–	14,566
At 1 April 2017 (Audited)	22,028	72,957	2,750	(2,237)	95,498	–	95,498
Profit/(loss) and total comprehensive income/ (loss) for the period	–	–	–	1,662	1,662	(441)	1,221
Acquisition of a subsidiary	–	–	–	–	–	5,679	5,679
At 30 June 2017 (Unaudited)	**22,028**	**72,957**	**2,750**	**(575)**	**97,160**	**5,238**	**102,398**

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 is incorporated in Cayman Islands on 19 August 2015 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The shares of the Company have been listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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 at Room 1207, 12th Floor, Wing On Kowloon Centre, No. 345 Nathan Road, Kowloon, 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 unaudited condensed 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.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong which include Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (collectively, "**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosures required by the GEM Listing Rules. The principal accounting policies used in the first quarterly unaudited condensed consolidated results are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31 March 2017.

3. REVENUE

	For the three–month period ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Restaurants operations	**20,564**	22,636
Sales of food	**1,078**	785
Franchise fee income	**135**	125
	21,777	23,546

4. PROFIT BEFORE TAX

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

	For the three–month period ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Auditors' remuneration — audit services	**200**	56
Cost of inventories sold	**4,338**	4,441
Depreciation of property, plant and equipment	**977**	579
Lease payments under operating leases:		
— Minimum lease payments	**6,749**	6,343
— Contingent rents	**1,475**	296
	8,224	6,639
Employee benefit expenses (including directors' remuneration):		
— Salaries, allowance and benefits in kind	**7,179**	6,352
— Retirement benefit scheme contributions	**363**	273
	7,542	6,625
Listing expenses	**–**	1,513
Gain on bargain purchase	**(3,119)**	–

5. INCOME TAX EXPENSES

	For the three–month period ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong profit tax charge for the period	**158**	673
Deferred tax:		
Tax credit	**(3)**	–
	155	673

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the three–month period ended 30 June 2017 and 2016, respectively.

6. GAIN ON BARGAIN PURCHASE

On 31 May 2017, Alliance Catering Company Limited, a wholly–owned subsidiary of the Company ("**Alliance Catering**"), Du Hsiao Yueh (Hong Kong) Company Limited ("**DHY(HK)**") and two other independent third parties entered into the shareholders agreement, pursuant to which Alliance Catering subscribed for and DHY(HK) allotted and issued 5,400,000 of DHY(HK)'s shares (the "**Subscription Share**"), representing 60% of the share capital of DHY(HK) (the "**Subscription**"). The subscription price is HK$1.00 per Subscription Share and the consideration for the subscription is the sum of HK$5,400,000, which was paid in full on 13 June 2017. Completion of the Subscription took place on 13 June 2017 and a gain on bargain purchase for the Subscription of approximately HK$3,119,000 was recorded by the Group. DHY(HK) became a non-wholly owned subsidiary of the Company since then.

7. EARNINGS PER SHARE

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

	For the three–month period ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Earnings per share		
Earnings for the purpose of basic and diluted earnings per share	**1,662**	1,958

	2017	2016
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**2,202,800**	2,000,000

The number of ordinary shares for the purpose of calculating basic and diluted earnings per share for the period ended 30 June 2016 has been determined on the assumption that 2,000,000,000 ordinary shares of the Company have been in issue throughout the period, which had been effective on 1 April 2016.

As the Company's outstanding share options where applicable had an anti–dilutive effect to the basic earnings per share calculation for the period ended 30 June 2017, the conversion of the above potential dilutive shares is not assumed in the calculation of diluted earnings per share.

8. DIVIDEND

No dividend has been paid or proposed by the Company since its date of incorporation.

Before the Company became the holding company of the Group, a member of the Group declared interim dividend of HK$3,000,000 on 31 May 2016 to the ultimate beneficial owner of the Group, namely Mr. Wong Man Wai. Payment of said dividend was made on 1 June 2016.

The Board does not recommend the payment of a dividend for the three–month period ended 30 June 2017.

	For the three–month period ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interim dividend paid	**–**	3,000

BUSINESS REVIEW

We are a food and beverage group in Hong Kong operating casual dining restaurants under a portfolio of brands, specialising in operating restaurants at the Hong Kong International Airport (the "**HKIA**"). The Group is operating four restaurants at the HKIA. Apart from operating our own restaurants, we also franchise our brands "Taiwan Beef Noodle (台灣牛肉麵)" and "Chinese Kitchen (中國廚房)" for the operation of a restaurant at Canton Road, Tsim Sha Tsui and operate a franchised restaurant under the famous Taiwan catering brand "Du Hsiao Yueh (度小月)" in Harbour City, Tsim Sha Tsui.

The Group's strategic objective is to further strengthen its leading position in operating restaurants at the HKIA while continue to look for suitable opportunities to extend its business in the urban area of Hong Kong, as well as tap into the casual dining market in the PRC. The Company was successfully listed on the GEM of the Stock Exchange on 8 August 2016 and the proceeds raised from the Listing has strengthened the Group's financial position and we will implement our future plans according to the details as disclosed in the section headed "**Future Plans and Use of Proceeds**" of the prospectus dated 1 August 2016 of the company (the "**Prospectus**").

FINANCIAL REVIEW

Revenue

The revenue of the Group decreased by approximately 7.2% from approximately HK$23.5 million for the three–month period ended 30 June 2016 to approximately HK$21.8 million for the three–month period ended 30 June 2017. The decreases in revenue was mainly attributed to the decrease in revenue in restaurants at the HKIA during the period.

Cost of inventories sold

Cost of inventories sold primarily consists of the cost of all the food and beverages used in restaurant operations. For the three–month period ended 30 June 2016 and 2017, the cost of materials consumed were stable at approximately HK$4.4 million and approximately HK$4.3 million respectively.

Gross profit and gross profit margin

The Group's gross profit, which equals to the revenue minus cost of inventories sold, for the three–month period ended 30 June 2017 was approximately HK$17.4 million, representing a decline of approximately 8.9% from approximately HK$19.1 million for the three–month period ended 30 June 2016. The decreases in gross profit was mainly attributed to the decrease in revenue in restaurants at the HKIA during the period. For the three–month periods ended 30 June 2016 and 2017, the gross profit margins were approximately 81.1% and approximately 80.1% respectively.

The gross profit margin for the Group's restaurants operating at the HKIA were 81.7% and 80.7% for the three–month period ended 30 June 2016 and 2017 respectively. The gross profit margin for the Group's restaurants operating in the urban area of Hong Kong were 72.0% and 73.1% for the three–month period ended 30 June 2016 and 2017 respectively.

The relatively higher gross profit margin recorded at the restaurants operating at the HKIA during the three–month periods ended 30 June 2016 and 2017 was attributable to the centralisation of purchases in bulk orders and with discounts through the Group's centralised warehouse at Tsing Yi, Hong Kong. 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 wastages.

Further, the Group's restaurants and takeaway kiosk operating at the HKIA sold more beverage items than the Group's restaurants in the urban area of Hong Kong. Apart from that, the menu items are not entirely the same at the Group's restaurants operating under the same brands "Taiwan Beef Noodle (台灣牛肉麵)" and "Chinese Kitchen (中國廚房)" at the HKIA and in the urban area of Hong Kong. The Group offers seafood in the urban area of Hong Kong which targets the tourists and mass market customers, while we generally offer simple food items to cater to the needs of the travelers who look for casual dining in a quick and convenient manner at the HKIA. We consider that the sales of beverage generally have higher gross profit margin while the sales of seafood generally have lower gross profit margin, and these lead to the generally higher gross profit margin of the Group's restaurants and takeaway kiosk at the HKIA.

Other revenue and other income

	For the three–month period ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Tips income	**101**	139
Management fee income	**102**	102
Net foreign exchange gain	**207**	166
Others	**258**	275
Total	**668**	682

Staff costs

Staff costs primarily consist of salaries, wages and allowances, pension costs and other employee benefits. The staff costs increased from approximately HK$6.6 million for the three–month period ended 30 June 2016 to approximately HK$7.5 million for the three–month period ended 30 June 2017, representing an increase of approximately 13.6%. The increase in staff costs was mainly due to increase in number of staff during the period.

Due to changes in local labour laws and the general increase in labour costs in Hong Kong, the salary level of employees in the catering industry in Hong Kong has generally increased in recent years. The Directors expect the staff costs to continue to increase as inflationary pressures in Hong Kong continue to drive up wages and as a result of 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 motivate the employees.

Employees and remuneration policies

At 30 June 2017, the Group had approximately 186 employees (at 30 June 2016: 150 employees). The increase in number of staff during the period was mainly attributable to the commence 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. Remuneration is determined with reference to market terms and in accordance with the performance, qualification and experience of each individual employee.

Depreciation

The Group recorded depreciation of approximately HK$0.6 million and HK$1.0 million for the three–month period ended 30 June 2016 and 2017, respectively for its leasehold improvements, furniture and fixtures, catering and other equipment and motor vehicles.

Property rentals and related expenses

The property rentals and related expenses for the three–month period ended 30 June 2017 amounted to approximately HK$8.9 million, representing an increase of approximately 29.0% as compared with that of the three–month period ended 30 June 2016 amounted to approximately HK$6.9 million. The increase property rentals and related expenses was mainly due to increase in contingent rents of the Group’s restaurants at the HKIA during the period.

As the Group intends to continue to open new restaurants and expand the restaurant network, the Directors expect the property rentals and related expenses to increase generally in the future. Besides, the Directors will continue to seek better control in the property rental and related expenses, such as entering into long–term rental agreements so as to maintain the rentals at a reasonable level.

Fuel and utility expenses

Fuel and utility expenses primarily consist of fuel expenses, electricity expenses and water supplies of the Group. For the three–month period ended 30 June 2016 and 2017, the total fuel and utility expenses were stable at approximately HK$0.9 million.

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 fee and marketing and promotion expenses.

Administrative expenses decreased from approximately HK$4.0 million for the three–month period ended 30 June 2016 to approximately HK$3.2 million for the three–month period ended 30 June 2017, representing a decrease of approximately 20.0%.

Gain on bargain purchase

Gain on bargain purchase of approximately HK$3.1 million is arising from a subscription of 60% of the shares in DHY(HK) at a consideration of HK$5.4 million on 13 June 2017.

Income tax expenses

The income tax expenses decreased from HK$0.7 million for three–month period ended 30 June 2016 to HK$0.2 million for the three–month period ended 30 June 2017.

Finance costs

The Group's finance costs slightly decreased from approximately HK$85,000 for the three–month period ended 30 June 2016 to HK$35,000 for the three–month period ended 30 June 2017.

Profit

The Group recorded a gain of HK$1.2 million for the three-month period ended 30 June 2017 as compared to a profit of HK$2.0 million for the corresponding period in 2016, representing a decrease of approximately 40%. The decrease was owing to (i) the drop in overall revenue for the three-month period ended 30 June 2017, which was mainly attributable to the restaurants at Hong Kong International Airport; (ii) increase in staff costs and (iii) increase in property rentals and related expense for the period. The effect was partially offset by a gain on bargain purchase of approximately HK$3.1 million arising from a subscription of 60% of the shares in Du Hsiao Yueh (Hong Kong) Company Limited ("DHY(HK)") on 13 June 2017.

Use of net proceeds from the Listing

The net proceeds from the Placing (as defined in the Prospectus), after deducting the actual underwriting fees and expenses paid by the Company in connection thereto, were approximately HK$38.2 million.

	Use Proceeds as shown from the Listing Date to the 30 September 2017 HK$'000	Actual use of proceeds from the Listing Date to 30 June 2017 HK$'000
Renovation of existing restaurant	**3,000**	2,500
Opening new restaurants	**15,000**	–
Marketing activities (including recruitment, advertisement and promotion activities) to promote brand awareness	**600**	493
Upgrade existing restaurant facilities and system	**800**	127
Total	**19,400**	3,120

The Directors will constantly evaluate the Group's business objective and will change or modify the plans against the changing market condition to suit the business growth of the Group.

All the unutilised balances have been placed in licensed banks in Hong Kong.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Saved as disclosed in the Prospectus, the Group did not have other plans for material investments and capital assets at 30 June 2017.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

On 31 May 2017, Alliance Catering Company Limited, a wholly–owned subsidiary of the Company ("**Alliance Catering**"), DHY(HK) and two independent third parties entered into the shareholders agreement, pursuant to which Alliance Catering subscribed for and DHY(HK) allotted and issued 5,400,000 of DHY(HK)'s shares (the "**Subscription Share**"), representing 60% of the share capital of DHY(HK) (the "**Subscription**"). The subscription price is HK$1.00 per Subscription Share and the consideration for the subscription is the sum of HK$5,400,000, which was paid in full on 13 June 2017. Completion of the Subscription took place on 13 June 2017. DHY(HK) became a subsidiary of the Company since then.

SIGNIFICANT INVESTMENTS HELD

Except for (i) investments in its subsidiaries and (ii) interest in an associate, the Group has subscribed for 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$20,000,000 during the period (the **"Subscription of Fund"**).

Save for the above disclosure, the Group did not hold any significant investment at 30 June 2017.

LIQUIDITY AND FINANCIAL RESOURCES

Capital structure

There has been no material change in the capital structure of the Company since 31 March 2017.

Cash position

At 30 June 2017, the cash and cash equivalents of the Group amounted to approximately HK$83.1 million (at 30 June 2016: approximately HK$11.4 million), representing an increase of approximately 628.9% as compared to that at 30 June 2016. The increase was mainly due to the net proceeds from the Listing and net proceeds from placing of share on 13 March 2017. The effect was partially offset by the Subscription of Fund.

Borrowing

At 30 June 2017, the total borrowing of the Group, all of which were denominated in Hong Kong dollars, amounted to approximately HK$8.9 million (at 30 June 2016: approximately HK$6.4 million). Among the borrowing, approximately HK$7.8 million (at 30 June 2016: approximately HK$6.4 million) was derived from the bank borrowings which bears a floating interest rates from 4.25% to 5.25% and 4.25% to 5.25% per annum as at 30 June 2016 and 30 June 2017, respectively. Approximately HK$1.1 million was derived from obligation under finance lease of the Group's motor vehicle (30 June 2016: Nil) at 1.99% per annum.

Pledge of assets

At 30 June 2017, a HK$7,500,000 pledged deposits provided by the Group held at banks as security for due performance for a licence agreement for our restaurants operating at HKIA (at 30 June 2016: Nil).

Gearing ratio

At 30 June 2017, the gearing ratio of the Group was approximately 9.2% (at 30 June 2016: approximately 43.8%). The decrease was mainly attributable to the net proceeds from Listing and net proceeds from placing of new shares on 13 March 2017 and the repayment of bank borrowings during the period ended 30 June 2017. The gearing ratio is calculated based on the total borrowings, which include bank borrowings and obligation under a finance lease, divided by the equity attributable to owners of the Company at the end of the respective period.

COMMITMENTS

At 30 June 2017, the Group had outstanding capital commitments of approximately HK$0.9 million (at 30 June 2016: Nil).

CONTINGENT LIABILITIES

At 30 June 2017, the Group had no significant contingent liabilities (at 30 June 2016: Nil).

FOREIGN EXCHANGE EXPOSURE

The Group operates in Hong Kong with majority of the transactions being settled in Hong Kong dollar ("**HK$**"), United States dollar ("**USD**"), Renminbi ("**RMB**") and Taiwan New Dollar ("**TWD**"). 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 HK$ against the USD as long as this currency is pegged. The transactions and monetary assets denominated in RMB and TWD are minimal for the two periods ended 30 June 2016 and 2017, the Group considers there have no significant foreign exchange risks in respect of RMB and TWD for both periods.

PROSPECT

Our strategic objective is to continue to strengthen our leading position in operating restaurants at the HKIA. In particular, we have been strategically looking for opportunities to introduce popular restaurant brands to operate at the HKIA through franchising or other cooperative arrangements. In addition, to reinforce the Group's customers' perception of freshness, we continue to upgrade some of the Group's existing restaurants at the HKIA through renovation and upgrading the facilities and systems.

Apart from our business at the HKIA, to diversify the Group's revenue sources, we have been looking for suitable locations to open new restaurants in the urban area of Hong Kong. We intend to open new restaurants under the Group's self–owned brand "Taiwan Beef Noodle (台灣牛肉麵)" in the near future in districts with high customer traffic such as Central and Western District, Mongkok and Wanchai.

In addition to the operation of restaurants under the Group's own brands in Hong Kong, we also intend to develop a more asset–light business line which will allow the Group's flexibility to other opportunities in the constantly changing catering industry. During the period under review, we have franchised the Group's self–owned brands "Taiwan Beef Noodle (台灣牛肉麵)" and "Chinese Kitchen (中國廚房)" for the operation of a restaurant in Tsim Sha Tsui, Hong Kong. For synergy and efficiency in business growth and to fully utilise our resources, we will continue to identify suitable opportunities for not only franchising of our self–owned brands, but also joint venture and cooperation arrangements with other popular restaurant brands.

In May 2017, we entered into the shareholders agreement to subscribe for 60% of equity shares in DHY(HK), in which DHY(HK) was granted the sole and exclusive rights, license and franchise of the famous Taiwan catering brand "Du Hsiao Yueh (度小月)" to establish, manage, run and operate the various restaurants and food outlets in Hong Kong. The first Du Hsiao Yueh (度小月) restaurant commenced business in Tsim Sha Tsui in June 2017. We expected to open ten Du Hsiao Yueh (度小月) restaurants in Hong Kong within six years.

Apart from the Hong Kong market, we intend to progressively expand into the PRC casual dining market. Benefiting from our long history of development in the catering industry in Hong Kong and the experience and expertise which we have accumulated throughout the years, and the ongoing growth of casual dining market in the PRC, we plan to pursue a growth strategy by opening a restaurant under the Group's self–owned brand "Taiwan Beef Noodle (台灣牛肉麵)" in the coming two years in first–tier cities such as Guangzhou and Shanghai in the PRC where we consider having strong market potential. We will keep monitoring and searching for market opportunities and will conduct in–depth research and feasibility studies before embarking on our expansion plan in the PRC.

Looking ahead, the Group will endeavor to strengthen the development of its existing businesses and to provide steady return as well as growth prospects for the Company's shareholders.

CORPORATE GOVERNANCE PRACTICE

During the period from the 1 April 2017 to 30 June 2017, the Company has complied with all the applicable code provisions of the Corporate Governance Code (the "**Code**") contained in Appendix 15 to the GEM Listing Rules, except for the deviations of Code Provisions A.2.1.

CHAIRMAN AND CHIEF EXECUTIVE

Paragraph A.2.1 of the Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Wong 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.

INTEREST OF THE COMPLIANCE ADVISER

As notified by the Group's compliance adviser, RaffAello Capital Limited (the "**Compliance Adviser**"), at 30 June 2017, save for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 16 December 2015, none of the Compliance Adviser or its directors, employees or close associates (as defined under the GEM Listing Rules) had any interest in the share capital of the Group or in any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

COMPETING BUSINESS

During the three–month period ended 30 June 2017, none of the Directors, the controlling shareholders or the substantial shareholders of the Company or any of their respective close associates (as defined under the GEM Listing Rules) engaged in any business that competes or may compete, directly or indirectly, with the business of the Group or had any other conflicts of interest with the Group nor are they aware of any other conflicts of interest which any such person has or may have with the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the three–month period ended 30 June 2017.

THE INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND THE CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

At 30 June 2017, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company (the "Shares"), underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in the Shares

Name of Director	Capacity	Number of ordinary shares interested	Percentage of shareholding
Mr. Wong Man Wai	Interest of controlled corporation	1,500,000,000	68.1%

These 1,500,000,000 Shares are held by Fortune Round Limited, a company incorporated in the BVI and wholly owned by Mr. Wong. Therefore, Mr. Wong is deemed to be interested in all the Shares held by Fortune Round Limited for the purpose of the SFO.

Long positions in underlying shares

Name of Director	Capacity	Number of ordinary shares interested	Percentage of shareholding
Ms. Lam Wai Kwan	Beneficial owner	20,000,000	0.91%
Mr. Chan Chak To Raymond	Beneficial owner	20,000,000	0.91%

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

Long positions in the shares of associated corporation

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

Save as disclosed above and so far as is known to the Directors, at 30 June 2017, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

THE INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

At 30 June 2017 and so far as is known to the Directors, the following persons (other than the Directors or chief executive of the Company) had interests and short positions in the Shares or underlying shares of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register of the Company required to be kept under Section 336 of the SFO were as follows:

Long positions in the Shares

Name of Director	Capacity	Number of ordinary shares interested	Percentage of shareholding
Fortune Round Limited	Beneficial owner (note 1)	1,500,000,000	68.1%
Ms. Li Wing Yin	Interest of spouse (note 2)	1,500,000,000	68.1%

Notes:

1. 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.

2. 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.

Save as disclosed above, at 30 June 2017, the Directors were not aware of any interests or short positions owned by any persons (other than the Directors or chief executive of the Company) in the Shares or underlying shares of the Company which were required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company under Section 336 of the SFO.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

At 30 June 2017, the register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO shows that the Company had not been notified of any substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital, other than those of the Directors and chief executives as disclosed above.

SHARE OPTION SCHEME

The Company had 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standard of dealing, as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the Shares. Having made specific enquiry of all the Directors, all Directors have confirmed that they have complied with the required standard of dealing and the code of conduct for securities transactions by the Directors for the three–month period ended 30 June 2017.

AUDIT COMMITTEE

The Company has established the audit committee pursuant to a resolution of the Directors passed on 21 July 2016 in compliance with Rule 5.28 of the GEM Listing Rules. Written terms of reference in compliance with paragraph C.3.3 of the CG Code has been adopted. Among other things, the primary duties of the audit committee are to make recommendations to the Board on appointment or reappointment and removal of external auditor; review financial statements of our Company and judgments in respect of financial reporting; and oversee the effectiveness of the internal control procedures of the Group. The audit committee consists of three independent non–executive Directors, namely Mr. Ma Yiu Ho Peter, Mr. Cheng Wing Hong and Mr. Cai Chun Fai. Mr. Ma Yiu Ho Peter is the chairman of the audit committee. The audit committee has reviewed the quarterly financial statements of the Group for the three–month period ended 30 June 2017.

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

Hong Kong, 11 August 2017

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. Cheng Wing Hong and Mr. Cai Chun Fai.