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

2019
INTERIM REPORT

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

*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

2019

Interim Report

CONTENTS

FINANCIAL HIGHLIGHTS

- The Group recorded an unaudited revenue of approximately HK$44.0 million for the six-month period ended 30 September 2019 (six-month period ended 30 September 2018: approximately HK$50.5 million), representing a decrease of approximately 12.9% over the same period of the previous year.

- The Group recorded an unaudited loss and total comprehensive loss attributable to owners of the Company of approximately HK$10.5 million for the six-month period ended 30 September 2019 (six-month period ended 30 September 2018: unaudited loss and total comprehensive loss attributable to owners of the Company of approximately HK$4.5 million).

- The basic and diluted loss per share attributable to owners of the Company for the six-month period ended 30 September 2019 was HK0.40 cents (six-month period ended 30 September 2018: the basic and diluted loss per share attributable to owners of the Company of HK0.17 cents).

- The Board does not recommend the payment of an interim dividend for the six-month ended 30 September 2019.

The board (the "**Board**") of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the six-month period ended 30 September 2019, together with the unaudited comparative figures for the respective corresponding period in 2018 as follows:

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

For the six-month period ended 30 September 2019

	Notes	**Six-month period 30 September 2019 HK$'000 (Unaudited)**	2018 HK$'000 (Unaudited)
Revenue	4	**44,046**	50,532
Cost of inventories sold		**(8,752)**	(8,971)
Gross profit		**35,294**	41,561
Other revenue and other income		**2,089**	2,310
Staff costs		**(19,047)**	(15,675)
Depreciation of property, plant and equipment		**(12,223)**	(2,569)
Amortisation on intangible assets		**(597)**	(597)
Property rentals and related expenses		**(1,509)**	(13,577)
Fuel and utility expenses		**(1,608)**	(1,764)
Unrealised loss arising from change in fair value of financial assets at fair value through profit or loss		**(53)**	(1,254)
Administrative expenses		**(11,501)**	(9,780)
Loss from operations		**(9,155)**	(1,345)
Share of result of an associate		**(28)**	(590)
Finance costs	5	**(1,063)**	(892)
Loss before tax	6	**(10,246)**	(2,827)
Income tax expenses	7	**(1,055)**	(852)
Loss and total comprehensive loss for the period		**(11,301)**	(3,679)
Loss and total comprehensive loss for the year attributable to:			
Owner of the Company		**(10,486)**	(4,507)
Non-controlling interests		**(815)**	828
		(11,301)	(3,679)
Loss per share attributable to owner of the Company			
Basic and diluted loss per share (HK cents)	8	**(0.40)**	(0.17)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019

	Notes	**As at 30 September 2019 HK$'000 (Unaudited)**	As at 31 March 2019 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	10	**44,631**	39,322
Right-of-use assets	11	**39,328**	–
Intangible assets	12	**8,445**	9,042
Interests in associates		**783**	2,491
Interest in a joint venture		**–**	–
Non-current rental deposits and prepayments	14	**12,162**	9,984
Deferred tax asset		**624**	549
		105,973	61,388
Current assets			
Inventories		**498**	585
Trade receivables	13	**478**	1,167
Deposits, prepayments and other receivables	14	**9,935**	10,338
Prepaid tax		**96**	96
Financial assets at fair value through profit or loss		**–**	35,332
Amounts due from non-controlling interests		**–**	1,200
Cash and cash equivalents		**62,807**	55,612
		73,814	104,330

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019

	Notes	**As at 30 September 2019 HK$'000 (Unaudited)**	As at 31 March 2019 HK$'000 (Audited)
LIABILITIES			
Current liabilities			
Trade payables	15	**1,744**	1,876
Accruals and other payables		**14,294**	12,352
Lease liabilities	11	**19,635**	–
Tax payables		**1,392**	2,466
Amount due to non-controlling interests		**1,856**	4,222
Bank borrowings	16	**5,743**	9,473
Obligation under a finance lease		**–**	283
		44,664	30,672
Net current assets		**29,150**	73,658
Total assets less current liabilities		**135,123**	135,046
Non-current liabilities			
Lease liabilities	11	**19,103**	–
Obligation under a finance lease		**–**	373
Deferred tax liability		**930**	911
		20,033	1,284
Net assets		**115,090**	133,762
CAPITAL AND RESERVE			
Share capital	17	**26,434**	26,434
Reserves		**86,516**	95,473
Equity attributable to owners of the Company		**112,950**	121,907
Non-controlling interests		**2,140**	11,855
Total equity		**115,090**	133,762

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 September 2019

	Attributable to owners of the Company						
	Share capital HK$'000	**Share premium** HK$'000	**Share option reserve** HK$'000	**Accumulated losses** HK$'000	**Sub-total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
At 1 April 2018 (Audited)	26,434	113,760	2,750	(2,660)	140,284	7,291	147,575
Loss and total comprehensive income for the period	–	–	–	(4,507)	(4,507)	828	(3,679)
Capital injection into subsidiaries by non-controlling interests	–	–	–	–	–	3,600	3,600
At 30 September 2018 (Unaudited)	26,434	113,760	2,750	(7,167)	135,777	11,719	147,496
At 1 April 2019 (Audited)	26,434	113,760	2,750	(21,037)	121,907	11,855	133,762
Application of HKFRS 16 (Note 2)	–	–	–	227	227	152	379
At 1 April 2019 (as restated)	**26,434**	**113,760**	**2,750**	**(20,810)**	**122,134**	**12,007**	**134,141**
Dividend paid from a subsidiary	**–**	**–**	**–**	**–**	**–**	**(2,000)**	**(2,000)**
Loss and total comprehensive loss for the period	**–**	**–**	**–**	**(10,486)**	**(10,486)**	**(815)**	**(11,301)**
Acquisition of additinal interest in subsidiaries (Note 18)	**–**	**–**	**–**	**1,302**	**1,302**	**(7,052)**	**(5,750)**
At 30 September 2019 (Unaudited)	**26,434**	**113,760**	**2,750**	**(29,994)**	**112,950**	**2,140**	**115,090**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 September 2019

	For the six-month period 30 September	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Net cash generated from/(used in) operating activities	**389**	(3,179)
Cash flows from investing activities		
Interest received	**284**	503
Purchase of property, plant and equipment	**(9,144)**	(4,964)
Purchase of intangible assets	**–**	(500)
Prepayment for purchase of property	**–**	(5,525)
Decrease in fixed deposits	**–**	(15,525)
Acquisition of additional interests in subsidiaries	**(5,750)**	–
Redemption of interests in funds	**35,379**	–
Dividend received	**2,085**	1,359
Net cash generated from/(used in) investing activities	**22,854**	(24,652)
Cash flows from financing activities		
Dividend paid to non-controlling interests	**(2,000)**	–
Interest paid	**(178)**	(892)
Repayment of bank borrowings	**(3,730)**	(1,942)
Payment of lease liabilities	**(10,140)**	(133)
Repayment of unlisted corporate bonds	**–**	(21,000)
Proceeds from bank borrowings	**–**	7,560
Net cash used in financing activities	**(16,048)**	(16,407)
Net increase/(decrease) in cash and cash equivalents	**7,195**	(44,238)
Cash and cash equivalents at the beginning of the reporting period	**55,612**	123,085
Cash and cash equivalents at the end of the reporting period	**62,807**	78,847

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 Law of the Cayman Islands. The shares of the Company have been listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") by way of placing (the "**Listing**") with effect from 8 August 2016. The address of the Company's registered office is P.O. Box 10008, Willow House, Cricket Square, Grand Cayman, KY1-1001, Cayman Islands. The principal place of business of the Company is Unit 1201, 12th Floor, Great Smart Tower, 230 Wan Chai Road, Wan Chai, 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 (the "**Interim 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 Interim Financial Statements for the six-month period ended 30 September 2019 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. 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 January 2019, the principal accounting policies used in the Interim Financial Statements for the six-month period ended 30 September 2019 are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31 March 2019.

In the current period, the Group has applied all new and revised HKFRSs issued by the HKICPA that are effective for the Group's financial year beginning on or after 1 April 2019. The application of the new and revised HKFRSs in the current period has had no material effect on the amounts reported and/or the disclosures set out in the Interim Financial Statements except that the Group applied HKFRS 9 Financial Instruments and HKFRS 16 Leases on 1 April 2019 and the effect sets out below.

HKFRS 16 Leases

For the six-month period ended 30 September 2019, the Group has applied HKFRS 16 and the related consequential amendments to other HKFRSs which resulted in changes in accounting policies and adjustments to the amounts recognised in the unaudited condensed consolidated financial statements. In accordance with the transitional provisions in HKFRS 16, the Group has elected to apply the new standard retrospectively with the cumulative effect of initial application recognised at 1 April 2019.

Before the application of HKFRS 16, commitments under operating leases for future periods were not recognized by the Group as liabilities. Operating lease rental expenses were recognised in profit or loss over the lease period on a straight-line basis.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

HKFRS 16 Leases *(Continued)*

Upon application of HKFRS 16, the Group recognised the full lease liabilities in relation to leases which had previously been classified as operating leases if they meet certain criteria set out in HKFRS 16. These liabilities were subsequently measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, or the incremental borrowing rate of respective entities if the interest rate implicit to the lease cannot be determined.

At the inception of a contract that contain a lease component, as a lessee, the Group should allocate the consideration in the contract to each lease component on the basis of their relative stand-alone price. The Group, as a lessee, assessed its leases for non-lease components and separated non-lease component from lease components for certain classes of assets if the non-lease components are material.

The associated right-of-use assets were measured at the amount equal to the initial measurement of lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position immediately before the date of initial application. Depreciation is charged on a straight-line basis over the shorter of the lease term or the asset's useful life.

	Right-of-use assets	Lease liabilities	Obligation under a finance lease	Accumulated losses	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Closing balance at 31 March 2019 (Audited)	–	–	(656)	(21,037)	11,855	133,762
Effect arising from initial application of HKFRS 16:						
Reclassification	–	(656)	656	–	–	–
Recognition	43,761	(43,382)	–	227	152	379
Opening balance at 1 April 2019 (Unaudited)	43,761	(44,038)	–	(22,810)	12,007	134,141

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Summary of effects arising from initial application of HKFRS 16

	At 1 April 2019 HK$'000
Operating lease commitment at 31 March 2019	48,196
Discounted lease liabilities at 1 April 2019 for the application of HKFRS 16	43,382
Reclassification	656
	44,038
Weighted average interest rate implicit to the leases	5.0%
Analysed as	
Current	19,362
Non-current	24,676
	44,038

The Group has not early applied the new and revised HKFRSs that have been issued by the HKICPA but are not yet effective. The application of these new and revised HKFRSs is not expected to have material impact on the Interim Financial Statements.

The Interim Financial Statements for the six-month period ended 30 September 2019 have not been audited by the Group's auditors but have been reviewed by the Company's audit committee.

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

	Six-month period ended 30 September	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Type of products and services:		
Restaurants operations	**43,778**	49,206
Sales of food	**53**	1,008
Franchise fee income	**215**	318
	44,046	50,532

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

	Six-month period ended 30 September	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Timing of revenue recognition:		
At a point in time	**43,831**	50,214
Over time	**215**	318
	44,046	50,532

Transaction price allocated to the remaining performance obligation for contracts with customers.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its revenue such that the Group does not disclose information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts as all contract works have an original expected duration of one year or less.

5. FINANCIAL COSTS

	Six-month period ended 30 September 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Interest on bank borrowings	**160**	167
Interest on lease liabilities	**903**	20
Interest on corporate bonds	**–**	705
	1,063	892

6. LOSS BEFORE TAX

Loss before tax is arrived at after charging:

	Six-month periods ended 30 September 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Cost of inventories sold	**8,752**	8,971
Loss on written off of property, plant and equipment	**–**	107
Depreciation of property, plant and equipment	**8,388**	15,675
Depreciation of right-of-use assets	**3,835**	–
Amortisation on intangible assets	**597**	597
Lease payments under operating leases:		
— Minimum lease payments	**–**	10,511
— Contingent rents	**–**	1,896
	–	12,407
Employee benefit expenses (including directors' remuneration):		
— Salaries, allowance and benefits in kind	**18,372**	15,094
— Retirement benefit scheme contributions	**675**	581
	19,047	15,675

7. INCOME TAX EXPENSES

	Six-month periods ended 30 September	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current tax		
— Hong Kong Profit Tax	**1,091**	888
Deferred tax:		
— Tax credit	**(36)**	(36)
	1,055	852

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces 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, Hong Kong Profits Tax 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.

8. LOSS PER SHARE

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

	Six-month periods ended 30 September	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Loss		
Loss for the purpose of basic and diluted earnings per Share	**(10,486)**	(4,507)

	Six-month periods ended 30 September	
	2019	2018
	'000	'000
	(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

The calculation of basic loss per share for the six-month periods 30 September 2018 and 2019 based on the loss for the six-month attributable to owners of the Company and the weighted average number of ordinary shares.

As the Company's outstanding share options where applicable had an anti — dilutive effect to the basic loss per share calculation for the six-month periods ended 30 September 2018 and 2019, the conversion of the above potential dilutive shares is not assumed in the calculation of diluted loss per share.

9. DIVIDEND

No final dividend has been paid or proposed by the Company since its incorporation. No dividend has been paid or declared by the Company for the six-month period ended 30 September 2019 (for the six-month period ended 30 September 2018: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended 30 September 2019, the Group has acquired property, plant and equipment of approximately HK$9.1 million (six-month period ended 30 September 2018: approximately HK$5.0 million).

11. LEASES

	As at 30 September 2019 HK$'000 (Unaudited)	As at 1 April 2019 HK$'000 (Restated)
Right-of-use assets		
Properties	**39,328**	43,761
Lease liabilities		
Minimum lease payments due		
Within one year	**19,688**	19,414
In the second to fifth years, inclusive	**21,221**	27,386
	40,909	46,800
Less: future finance charges	**(2,171)**	(2,762)
Present value of lease liabilities	**38,738**	44,038

	As at 30 September 2019 HK$'000 (Unaudited)	As at 1 April 2019 HK$'000 (Restated)
Present value of lease liabilities		
Within one year	**19,635**	19,362
In the second to fifth years, inclusive	**19,103**	24,676
Present value of lease liabilities	**38,738**	44,038

11. LEASES *(Continued)*

	As at 30 September 2019 HK$'000 (Unaudited)	As at 1 April 2019 HK$'000 (Restated)
Lease liabilities		
Properties	**37,880**	43,382
Motor vehicles	**858**	656
	38,738	44,038

Additions to the right-of-use assets during the six-month period ended 30 September 2019 are approximately HK$4.0 million.

12. INTANGIABLE ASSETS

The intangible assets represents the sole and exclusive rights, licence and franchise of the famous Taiwan catering brand "*Du Hsiao Yueh (度小月)*", and beverage brands "*Flamingo Bloom*" and "*Hanlin Tea Room/Hut (翰林茶館/棧)*" to establish, manage, run and operate the various restaurants, food outlets and beverage shops in Hong Kong over the period ranging from 5 years to 15 years.

The assets are amortised on a straight-line basis over the periods ranging from 5 years to 15 years. The Directors concluded that there is no impairment as at 30 September 2019.

13. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly by cash and credit card settlement. The settlement terms of credit card companies are usually seven days after the service rendered date. The credit terms of the Group's trade receivables granted to airlines and other corporate customers generally ranges from one day to 60 days. The Group seeks to maintain strict control over its outstanding receivables to minimise the credit risk. The Group does not hold any collateral or other credit enhancement over its trade receivables balances. Trade receivables are interest-free.

13. TRADE RECEIVABLES *(Continued)*

The following is an aging analysis of trade receivables, presented based on the invoice dates, which approximates the respective revenue recognition dates and net of allowance for doubtful debts:

	As at 30 September 2019 HK$'000 (Unaudited)	As at 31 March 2019 HK$'000 (Audited)
0–30 days	**418**	465
31–60 days	**51**	109
61–90 days	**7**	72
Over 90 days	**2**	521
	478	1,167

14. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 September 2019 HK$'000 (Unaudited)	As at 31 March 2019 HK$'000 (Audited)
Deposits paid	**7,958**	7,398
Prepayments	**10,857**	12,622
Other receivables	**3,282**	302
	22,097	20,322
Less: Current portion included in deposits, prepayments and other receivables	**(9,935)**	(10,338)
Non-current portion included in deposits paid and prepayments	**12,162**	9,984

Other receivables mainly consist of the consideration of the Disposal (defined below).

15. TRADE PAYABLES

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

	As at 30 September 2019 HK$'000 (Unaudited)	As at 31 March 2019 HK$'000 (Audited)
0–30 days	**806**	1,193
31–60 days	**589**	354
61–90 days	**185**	196
Over 90 days	**164**	133
	1,744	1,876

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

16. BANK BORROWINGS

	As at 30 September 2019 HK$'000 (Unaudited)	As at 31 March 2019 HK$'000 (Audited)
Unsecured bank borrowings	**5,743**	9,473
Carrying amounts (shown under current liabilities) that contain repayable on demand clause based on scheduled repayment terms:		
— Within one year	**5,743**	7,539
— More than one year but less than five years	**–**	1,934
	5,743	9,473

All of the Group's bank borrowings are denominated in HK$.

At 30 September 2019, the unsecured bank borrowings are interests bearing at 4.13% (at 31 March 2019: 4.13%) per annum.

17. SHARE CAPITAL

	Number of shares		Share capital	
	For the six-month period ended 30 September 2019	For the year ended 31 March 2019	**For the six-month period ended 30 September 2019**	For the year ended 31 March 2019
	'000	'000	**HK$'000**	HK$'000
Ordinary share of HK$0.01 each				
Authorised:				
At the beginning/end of the reporting period	**20,000,000**	20,000,000	**200,000**	200,000
Issued and fully paid:				
At the beginning/end of the reporting period	**2,643,360**	2,643,360	**26,434**	26,434

18 ACQUISITION OF ADDITION INTERESTS IN SUBSIDIARIES

On 30 September 2019, the Group has acquired 30% of issued share capital of Du Hsiao Yueh (Hong Kong) Limited ("**DHY**") from Tao Heung Seafood Hotpot Restaurant Limited ("**Tao Heung Seafood**") and 40%, 40% and 40% of issued share capital of Sky Grand International Development Limited ("**Sky Grand**"), Forever Drinks Limited ("**Forever Drinks**") and Bright Up (HK) Limited ("**Bright Up**"), respectively, from Charm Sky Enterprise Limited ("**Charm Sky**"), at the aggregate consideration of HK$5.75 million (the "**Acquisition**"). For details, please reference to the announcement of the Company dated 2 October 2019.

19. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Interim Financial Statement, the Group carried out the following material transactions with related parties:

	Six-month period ended 30 September	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Management fee income received from an associate	**–**	43

19. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

The Group has entered into the Master Agreement (defined as below) and Supplemental Agreement (defined as below) with Tensel Investment Limited ("**Tensel**") pursuant to which the transactions under the Master Agreement and Supplemental Agreement constitute continuing connected transactions (the "**CCT**") under Chapter 20 of the GEM Listing Rules. Details of the Master Agreement and Supplemental Agreement are set out in the announcements of the Company dated 31 December 2018 and 2 October 2019.

Upon the completion of the Acquisitions, Tensel was no longer a connected person of the Company. Further details are set out in the announcement of the Company dated 2 October 2019.

20. FINANCIAL INSTRUMENTS

Fair value hierarchy

	Quoted price in active market for identical Level 1 HK$'000	Significant other observable inputs Level 2 HK$'000	Significant unobservable inputs Level 3 HK$'000	Total HK$'000
At 31 March 2019 (Audited)				
Fair value on a recurring basis				
Financial assets at fair value through profit or loss	**35,332**	–	–	**35,332**

The Group's policy is to recognise transfer into and out of fair value hierarchy at the end of the date of the events or change in circumstances that caused the transfer.

During the six-month period ended 30 September 2019 and year ended 31 March 2019, there was no transfer between Level 1 and Level 2, or transfer into or out of Level 3.

Fair value of financial assets and liabilities

In estimating the fair value of the financial assets at fair value through profit or loss (the "**FAFVPL**"), the Group uses market-observable data to the extent it is available. The management reports the findings to the directors at the end of each reporting period to explain the cause of fluctuations in fair value of the FAFVPL. Except for the FAFVPL, the carrying amounts of the Group's financial assets and financial liabilities carried at cost or amortised cost were not materially different from their fair values at 30 September 2019 and 31 March 2019.

21. COMPARATIVE INFORMATION

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Comparative figure has been adjusted to conform to the current year's presentation.

22. EVENTS AFTER THE REPROTING PERIOD

The restaurant under the brand "*Macao Harbour Restaurant (阿瑪港澳門餐廳)*" was closed in October 2019, owing to the license to use the prescribed premises at the HKIA was terminated on 7 October 2019.

BUSINESS REVIEW

We are a food and beverage group in Hong Kong operating casual dining restaurants under a portfolio of brands both at the Hong Kong International Airport (the "**HKIA**") and in the urban area of Hong Kong. During the six-month period ended 30 September 2019, we are operating two restaurants under the brands, including "*Chinese Kitchen (中國廚房)*" and "*Macao Harbour (阿瑪港澳門餐廳)*" at the HKIA and eight restaurants under the brands, including "*Du Hsiao Yueh Restaurant (度小月)*", "*Hanlin Tea Room/Hut (翰林茶館/棧)*", "*Flamingo Bloom*" and "*Da Shia Taiwan (大呷台灣)*" in the urban area of Hong Kong. Apart from operating branded restaurants, we have also franchised our self-owned 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. On 23 September 2019, the Group disposed of the right to operate restaurants using the brands "*Taiwan Beef Noodle (台灣牛肉麵)*" and "*Chinese Kitchen (中國廚房)*" in Hong Kong (except for the HKIA), together with the receivables from franchise fee income of approximately HK$0.6 million, at the aggregate consideration of HK$1.8 million to an independent third party (the "**Disposal**").

During the six-month period ended 30 September 2018, we were operating four restaurants under the brands, including "*Nosh Café & Bar*", "*Taiwan Beef Noodle (台灣牛肉麵)*", "*Chinese Kitchen (中國廚房)*" and "*Macao Harbour (阿瑪港澳門餐廳)*" and one takeaway kiosk under the brand "*Coffee Express*", at the HKIA and two restaurants under the brand "*Du Hsiao Yueh Restaurant (度小月)*" in Harbour City, Tsim Sha Tsui and Times Square, Causeway Bay. During and subsequent to the six-month period ended 30 September 2018, "*Nosh Café & Bar*", "*Coffee Express*" and "*Taiwan Beef Noodle (台灣牛肉麵)*" were closed in May 2018, July 2018 and September 2018 (the "**Expired Restaurants**").

Although we have closed the Expired Restaurants, we have obtained the franchising rights in Hong Kong of three famous catering brands, including "*Du Hsiao Yueh Restaurant (度小月)*", which is a household name of Taiwanese cuisine, "*Flamingo Bloom*", which specializes in crafted floral tea, and "*Hanlin Tea Room/Hut (翰林茶館/棧)*", which is a famous Taiwanese-style tea restaurant. On the other hand, we have developed a new self-owned brand "*大呷台灣*", which serves mainly Taiwanese delicacies to the local community. During the six-month period ended 30 September 2019, our second restaurant under the brand "*Flamingo Bloom*" commenced operations in Stanley Plaza, Stanley in April 2019, our first restaurant under brand "*大呷台灣*" commenced operation in Central in May 2019 and our third restaurant under the brand "*Du Hsiao Yueh Restaurant (度小月)*" commenced operations in V Walk, Nam Cheong in August 2019 (the "**New Restaurants**").

On 30 September 2019, we have further acquire 30%, 40%, 40% and 40% of issued share capital of DHY(HK), Sky Grand, Forever Drinks and Bright Up, respectively as a result of which we owned 90% of the issued share capital of DHY(HK) and 100% of the issued share capital of Sky Grand, Forever Drinks and Bright Up. As at the date of the Interim Financial Statements, DHY(HK) was principally engaged in the operation of restaurants under the brand "*Du Hsiao Yueh Restaurant (度小月)*" in Hong Kong, Sky Grand was principally engaged in the operation of restaurants under the brand "*Hanlin Tea Room/Hut (翰林茶館/棧)*" in Hong Kong, Forever Drinks and Bright Up were principally engaged in the operation of restaurants under the brand "*Flamingo Bloom*" in Hong Kong. Further information of the said acquisitions is set out in the paragraphs headed "Material acquisition and disposal of subsidiaries" in this report and the announcement of the Company dated 2 October 2019.

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

FINANCIAL REVIEW

Revenue

The revenue of the Group decreased by approximately 12.9% from approximately HK$50.5 million for the six-month period ended 30 September 2018 to approximately HK$44.0 million for the six-month period ended 30 September 2019. The decrease in revenue was mainly attributable to the closure of the Expired Restaurants and the negative impacts due to recent protests in Hong Kong arising from the antiextradition bill protests since June 2019 to our restaurants, and the effect was partially offset by the commencement of business of the New Restaurants.

Cost of inventories sold

Cost of inventories sold primarily consists of the cost of all the food and beverages used in restaurant operations. The cost of inventories sold of the Group decreased by approximately 2.2% from approximately HK$9.0 million for the six-month period ended 30 September 2018 to approximately HK$8.8 million for the six-month period ended 30 September 2019. The decrease in cost of inventories sold was mainly attributable to the closure of business of Expired Restaurants, and the effect was partially offset by the commencement of business of the New Restaurants.

Gross profit and gross profit margin

The Group's gross profit, which is equal to revenue minus cost of inventories sold, for the six-month period ended 30 September 2019 was approximately HK$35.3 million, representing a decrease of approximately 15.1% from approximately HK$41.6 million for the six-month period ended 30 September 2018. The decrease in gross profit was mainly attributable to the closure of business of Expired Restaurants and the negative impacts due to recent protests as explained above.

The gross profit margin for the Group's restaurants operating at the HKIA were 81.3% and 78.8% for the six-months periods ended 30 September 2018 and 2019, respectively. The gross profit margin for the Group's restaurants operating in the urban area of Hong Kong were 83.2% and 80.6% for the six-month periods ended 30 September 2018 and 2019, respectively.

The relatively high and stable gross profit margin for the restaurants operating at the HKIA and in the urban area of Hong Kong for the six-month periods ended 30 September 2018 and 2019 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. For our self-owned restaurants at the HKIA, we outsourced its procurement function to a service provider with a more sophisticated inventory management control. For our franchised restaurants in the urban area of Hong Kong, we outsourced its procurement function to a third party, who had been a connected person of the Company but ceased to be a connected person of the Company from 1 October 2019. Further details of the connected transaction were set out in the announcement of the Company dated 31 December 2018 and the cessation of the connected relationship with the Company were set out in the announcement of the Company dated 2 October 2019.

Other revenue and other income

	Six-month periods ended 30 September	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interest income	**284**	503
Dividend income	**405**	1,359
Management fee income	**–**	43
Sundry income	**64**	80
Tips income	**72**	101
Net foreign exchange gain	**49**	224
Gain on the disposal of the trademarks	**1,215**	–
Total	**2,089**	2,310

Staff costs

Staff costs primarily consist of salaries, wages and allowances, pension costs and other employee benefits. The staff costs of the Group increased by approximately 21.0% from approximately HK$15.7 million for the six-month period ended 30 September 2018 to approximately HK$19.0 million during the six-month period 30 September 2019. The increase in staff costs was mainly because the Group has been operating more restaurants during the six-month period ended 30 September 2019 than the six-month period ended 30 September 2018. The Group has been operating ten restaurants during the six-month period ended 30 September 2019 comparing to eight restaurants and one take away kiosk during the six-month period ended 30 September 2018.

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 that the staff costs per employee will continue to increase as inflationary pressures in Hong Kong continue to drive up wages, and owing to the expected expansion of its business.

The Directors believe that the resulting upward pressure on the total staff costs as a percentage of total revenue could be mitigated by (i) prioritising internal transfers and re-allocations of employees from existing restaurants; (ii) increasing productivity of the staff by providing training; and (iii) minimising attrition levels by continuing to implement various employee retention initiatives to promote employee loyalty and to motivate employees.

Employees and remuneration policies

At 30 September 2019, the Group had approximately 156 employees (at 30 September 2018: 140 employees). The increase in number of staff during the period was mainly attributable to the commencement of business of the New Restaurants, and the effect was partially offset by the closure of the Expired Restaurants. Remuneration is determined with reference to market terms and in accordance with the performance, qualification and experience of each individual employee.

Depreciation

Our depreciation expenses mainly included the depreciation of right-of-use assets (in respect of the six-month period ended 30 September 2019 only, following the adoption of HKFRS 16 on 1 April 2019), building, leasehold improvements and catering and other equipment amounted to approximately HK$12.2 million, representing an increase of approximately 369.2% from approximately HK$2.6 million for the six-month period ended 30 September 2018. The increase in depreciation was mainly attributable to the right-of-use assets recognised, following the adoption of HKFRS 16 on 1 April 2019.

Property rentals and related expenses

The property rentals and related expenses for the six-month period ended 30 September 2019 amounted to approximately HK$1.5 million, representing a decrease of approximately 89.0% from approximately HK$13.6 million for the six-month period ended 30 September 2018. The decrease in property rentals and related expenses was mainly due to the reclassification of property rentals expenses under prepayment, following the adoption of HKFRS 16 on 1 April 2019.

Fuel and utility expenses

Fuel and utility expenses primarily consist of fuel expenses, electricity expenses and water supplies of the Group. The fuel and utility expenses of the Group decreased by approximately 11.1% from approximately HK$1.8 million for the six-month period ended 30 September 2018 to approximately HK$1.6 million for the six-month period ended 30 September 2019. The decrease in fuel and utility expenses was mainly attributable to the closure of business of Expired Restaurants, and the effect was partially offset by the commencement of business of the New Restaurants.

Administrative expenses

The administrative expenses mainly represent 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.

Administrative expenses increased from approximately HK$9.8 million for the six-month period ended 30 September 2018 to approximately HK$11.5 million for the six-month period ended 30 September 2019, representing an increase of approximately 17.4%, which was mainly due to increase in marketing expenses and certain restaurants operations related expenses, including cleaning expenses and consumables stores, for the six-month period ended 30 September 2019.

Income tax expenses

The income tax expenses for the six-month period ended 30 September 2019 amounted to approximately HK$1.1 million, representing an increase of approximately 22.2% as compared with that of approximately HK$0.9 million for the six-month period ended 30 September 2018. The increase in income tax expenses was mainly due to the increase of the taxable profit from our restaurants.

Finance costs

For the six-month period ended 30 September 2019, the finance costs mainly represents interest expenses incurred for bank borrowings, finance lease and lease liabilities. The finance costs of the Group increased by approximately 22.2% from approximately HK$0.9 million for the six-month period ended 30 September 2018 to approximately HK$1.1 million for the six-month period ended 30 September 2019. The increase in finance costs was mainly attributable to the recognition of interest arising from lease liabilities, following the adoption of HKFRS 16 on 1 April 2019.

Loss

The Group recorded a loss of approximately HK$11.3 million for the six-month period ended 30 September 2019 as compared to a loss of approximately HK$3.7 million for the corresponding period in 2018. The loss was mainly due to (i) the decrease in turnover mainly resulting from the closure of the restaurants under the brands "*Nosh Café & Bar*", "*Taiwan Beef Noodle*" and "*Coffee Express*" at the Hong Kong International Airport and the negative impacts due to recent protests in Hong Kong arising from the anti-extradition bill protests since June 2019 to our restaurants; (ii) increase in staff costs; and (iii) increase in administrative expenses for the six-month period ended 30 September 2019. The effect was partially offset by the commencement of business of the New Restaurants.

Use of net proceeds from the Listing

The net proceeds from the Listing, after deducting the actual underwriting fees and expenses paid by the Company in connection thereto, were approximately HK$41.3 million. The intended use of proceeds (the "**Intended Use of Proceeds**") as set out in the prospectus of the Company dated 1 August 2016 (the "**Prospectus**") and subsequently amended as summarised in the announcements of the Company dated 9 April 2018 and 9 October 2018 (the "**Announcements**") and the actual use of proceeds from the Listing Date (as defined below) to 30 September 2019 are set forth below:

	Intended Use of Proceeds HK$'000 (Unaudited)	Actual use of proceeds from the Listing Date to 30 September 2019 HK$'000 (Unaudited)
Opening new restaurants in Hong Kong	10,400	4,295
Opening new restaurants under the franchised brands "*翰林茶館*" and "*翰林茶棧*" in the urban area of Hong Kong	9,300	5,904
Opening new restaurants in Asia	11,100	–
Renovation of restaurants and office	3,300	3,300
Marketing activities (including recruitment, advertisement and promotion activities) to promote brand awareness	2,300	2,300
Upgrade existing restaurant facilities and system	900	900
Total	37,300	16,699

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

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

Use of net proceeds from issue of Shares

Apart from the net proceeds from the Listing, the Company raised funds from the following issue of shares:

1. On 13 March 2017, the Company placed an aggregate of 202,800,000 new ordinary Shares 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, of which (i) approximately HK$26.86 million was intended to be used for pursuing potential acquisition opportunities; and (ii) approximately HK$2.98 million was intended to be used as general working capital of the Group.

2. On 5 January 2018, the Company placed 440,560,000 new ordinary Shares 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, of which (i) approximately HK$37.5 million was intended to be used for acquiring a property in the urban area of Hong Kong to operate a new restaurant by the Group; and (ii) approximately HK$7.7 million was intended to be used for opening "*Du Hsiao Yueh (度小月)*" restaurants in Hong Kong.

During the six-month period end 30 September 2019, approximately HK$0.4 million and HK$5.75 million have been used for opening "*Du Hsiao Yueh (度小月)*" restaurants in Hong Kong and for the Acquisition, respectively. The proceeds were used according to the intentions previously disclosed by the Company.

As at 30 September 2019, unutilised proceeds from the First Placing and the Second Placing were approximately HK$64.81 million. In line with the intentions previously disclosed by the Company, (i) approximately HK$21.11 million will be used for pursuing potential acquisition opportunities; and (ii) approximately HK$37.5 million will be used for acquiring a property in the urban area of Hong Kong to operate a new restaurant by the Group; and (iii) approximately HK$6.2 million will be used for opening "*Du Hsiao Yueh (度小月)*" restaurants in Hong Kong. Since the Group endeavours to make good use of the unutilised proceeds, there is no fixed timeline when the Group will fully utilise the proceeds from the First Placing and the Second Placing and will continue to monitor and explore suitable opportunities.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

On 30 September 2019, the Group has entered into share purchase agreements to acquire 30% of issued share capital of DHY from Tao Heung Seafood and 40%, 40% and 40% of issued share capital of Sky Grand, Forever Drinks and Bright Up from Charm Sky respectively, at the aggregate consideration of HK$5.75 million. Immediately before the completion of the Acquisitions, since each of Tao Heung and Charm Sky was a substantial shareholder of the subsidiaries of the Company and hence a connected person of the Company, the Acquisitions constitute connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

Completion of each of the Acquisitions was taken place on the date of the respective agreements. Upon the completion of the Acquisitions, we owned 90% of the issued share capital of DHY (HK) and 100% of the issued share capital of Sky Grand, Forever Drinks and Bright Up.

For details, please reference to the announcement of the Company dated 2 October 2019.

Save for the Acquisitions and disclosed elsewhere in the Interim Financial Statements, there was no material acquisition or disposal of subsidiaries, associates or joint ventures for the six-month period ended 30 September 2019.

SIGNIFICANT INVESTMENTS HELD

As at 30 September 2019, save for the Group's interests in associates as set out below, the Group did not hold any significant investments.

Associate

At 30 September 2019, the interest in an associate amounted to approximately HK$0.8 million, representing 0.4% of the Group's total assets (30 September 2018: approximately HK$2.5 million, representing 1.4% of the Group's total assets), representing a decrease of approximately HK$1.7 million or 68.0% as compared to that at 30 September 2018. The decrease was mainly due to the associates' restaurant operation ceased in May 2018 and paid dividend during the six-month period ended 30 September 2019. Dividend received from the associates amounted approximately HK$1.7 million during the six-month period ended 30 September 2019 (2018: Nil).

The Group's interests in an associate comprised its 42% interest of Wingo Hong Kong Investment Limited ("**Wingo**"). Wingo operated a restaurant under the brand "*Tasty Congee & Noodle Wantun Shop (正斗)*" at the HKIA, which ceased operation in May 2018. The Directors considered that the Group's interest in an associate will no longer provide share of profit to the Group. As at 30 September 2019, the net asset value of Wingo amounted to approximately HK$1.9 million (30 September 2018: approximately HK$6.0 million).

LIQUIDITY AND FINANCIAL RESOURCES

Capital structure

There has been no material change in the capital structure of the Company since 31 March 2019.

Cash position

As at 30 September 2019, the cash and cash equivalents of the Group amounted to approximately HK$62.8 million (as at 30 September 2018: approximately HK$78.8 million), which were mainly denominated in Hong Kong dollar, representing a decreased by 20.3% as compared to that as at 30 September 2018. The decrease was mainly resulted from (i) the redemption of two unlisted corporate bonds at principal amounts of HK$11 million and HK$10 million, respectively, (ii) the payment of consideration of approximately HK$29.8 million and the related costs of approximately HK$2.5 million for the acquisition of a property as office situated at 12th Floor, Great Smart Tower, No. 230 Wan Chai Road, Hong Kong (the "**Property**"), (iii) the payment for the renovation of approximately HK$9.3 million for the Property and our new selfowned brand restaurant "*Da Shia Taiwan (大呷台灣)*", and (iv) the payment for renovation and rental deposits in relation to the commence of business of the certain new franchised restaurants in the urban area of Hong Kong of approximately HK$14.2 million during the period. The effect was partially offset by the redemption of investment funds at the aggregated redemptions price approximately HK$35.3 million, the details are set out in the Company's announcement dated 17 May 2019, and the release of the pledged bank deposits into cash and cash equivalents of amount approximately HK$23.0 million.

Borrowing

As at 30 September 2019, the total borrowings of the Group, all of which were denominated in Hong Kong dollars, amounted to approximately HK$44.5 million (at 30 September 2018: approximately HK$13.9 million) and outstanding committed banking facilities amounted to approximately HK$5.7 million (as at 30 September 2018: approximately HK$13.1 million). Among the borrowings,

1. approximately HK$5.7 million (at 30 September 2018: approximately HK$13.1 million) was derived from the bank borrowings which bears interest rate at 4.13% as at 30 September 2019 (at 30 September 2018: from 4.00% per annum); and

2. approximately HK$38.7 million was derived from lease liabilities of the Group's properties and motor vehicles (30 September 2018: HK$0.8 million was derived from lease liabilities of the Group's motor vehicles) at 4.91% per annum (at 30 September 2018: 1.99% per annum). The increase in lease liabilities was mainly attributable to the recognition lease liabilities derived from the minimum lease payment of the Group's properties, discounted by the interest rate implicit to the lease, following the application of HKFRS 16 on 1 April 2019.

Pledge of assets

As at 30 September 2019, the Group has no pledge of assets (at 30 September 2018: a deposit in the amount of HK$7.5 million was pledged by the Group to a bank as security for due performance for a licence agreement for our restaurants operating at HKIA).

Gearing ratio

As at 30 September 2019, the gearing ratio of the Group was approximately 39.4% (at 30 September 2018: approximately 10.3%). The increase was mainly attributable to the recognition of the lease liabilities of approximately HK$37.9 million, following the adoption of HKFRS 16 on 1 April 2019. The effect was partially offset by the redemption of two unlisted corporate bonds at principal amounts of HK$11 million and HK$10 million on 16 August 2018 and 17 September 2018, respectively. The gearing ratio is calculated based on the total borrowings, which include bank borrowings, unlisted corporate bonds, obligation under a finance lease and lease liabilities divided by the equity attributable to owners of the Company at the end of the respective period.

COMMITMENTS

As at 30 September 2019, the Group had outstanding capital commitments of approximately HK$0.6 million (at 30 September 2018: approximately HK$26.8 million in relation to acquisition of the Property).

CONTINGENT LIABILITIES

As at 30 September 2019, the Group had no significant contingent liabilities (at 30 September 2018: Nil).

FOREIGN EXCHANGE EXPOSURE

The Group operates in Hong Kong with majority of the transactions being settled in HK$, United States dollar ("**USD**") 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.

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

Since the transactions and monetary assets denominated in RMB are minimal for the six-month periods ended 30 September 2018 and 2019, 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 six-month period ended 30 September 2019.

CONTINUING CONNECTED TRANSACTIONS

Master Agreement and a supplemental agreement entered into between the Company and Tensel Investment.

Reference is made to the announcement of the Company dated 31 December 2018 regarding an agreement dated 31 December 2018 entered into between Simple Future Investment Ltd. ("**Simple Future**") and Tensel Investment Limited ("**Tensel**") (the "**Master Agreement**"). On 30 September 2019, Simple Future and Tensel entered into a supplemental agreement, pursuant to which the Master Agreement dated 31 December 2018 was amended with the effect from 1 October 2019 (the "**Supplemental Agreement**"). For detail, please reference to the announcement of the Company dated 2 October 2019.

Upon the completion of the Acquisitions, Tao Heung Seafood and Charm Sky, being wholly-owned subsidiaries of Tensel, were no long substantial shareholders of the subsidiaries of the Company and hence Tensel was no longer a connected person of the Company. The transactions between the Group and Tensel under the Master Agreement and the Supplemental Agreement no longer constitute connected transactions for the Group from 1 October 2019.

TREASURY POLICIES AND RISK MANAGEMENT

The main objective of the Group's treasury policies is to seek capital appreciation with the surplus fund in short term and non-speculative in nature. The surplus fund is the fund after reserving the working capital requirement for the next 12-month period of the Group and excluding any unused proceeds from the listing and other fund raising activities by the Company including the Placing (as defined below). The investment activities of the Group shall be undertaken by the Investment Committee. Details of the Investment Committee is set out in the section "Corporate Governance Report" of 2019 annual report dated 28 June 2019.

As at 30 September 2019, the Group's credit risk is primarily attributable to trade receivables, deposits paid, other receivables and bank balances.

At 30 September 2019 and 2018, 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. During the six-month period ended 30 September 2019, more than 30% of the Group's revenue was derived from our restaurants operating at the HKIA, therefore the Group's operation may be affected by any future plans of the Airport Authority in respect of the HKIA.

2. The Group's revenue derived from restaurants at the HKIA and in urban area in Hong Kong may experience fluctuations from period to period due to seasonality and other factors.

3. Approximately 70% of the Group's revenue was derived from the restaurants in urban area in Hong Kong, therefore the Group's operation may be affected by any future development in urban area of Hong Kong.

4. During the six-month period ended 30 September 2019, 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.

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. As at 30 September 2019, the Group licensed or leased all the properties for its restaurants operating at the HKIA and in the urban area of Hong Kong. Therefore, the Group is exposed to risks relating to the commercial real estate rental market, including unpredictable and potentially high occupancy costs.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Saved as disclosed in this report, the Group did not have other plans for material investments and capital assets at 30 September 2019.

Comparison of business strategies and actual business progress

An analysis comparing the business objectives as set out in the Prospectus and subsequently amended as summarized in the Announcements with the Group's actual business progress for the period from the Listing Date to the date of this report is set out below:

Business strategies as stated in the Prospectus and the Announcements	Actual business progress up to 30 September 2019
Leveraging our leading position to expand our operations at the HKIA	The Group has renovated one existing restaurant in the HKIA under the brand "*Chinese Kitchen (中國廚房)*". In addition, the Group is in the process of identifying popular restaurant brands to expand its operations at the HKIA through franchising or other cooperation arrangement.
Strategically opening new restaurants in the urban area of Hong Kong	The Group is in the progress of identifying the location.
Streamlining our operation for potential business opportunities	From 31 May 2017 to 30 September 2019, the Group has successfully obtained the franchising rights of three famous catering brands and developed one new self-owned brand name in Hong Kong. The restaurants under franchised brands included "*Du Hsiao Yueh Restaurant (度小月)*", which is a household name of Taiwanese cuisine, "*Flamingo Bloom*", which specializes in crafted floral tea, and "*Hanlin Tea Room/Hut (翰林茶館/棧)*", which is a famous Taiwanese-style tea restaurant. The first three restaurants under the brand "*Du Hsiao Yueh Restaurant (度小月)*" commenced operations in Harbour City, Tsim Sha Tsui, Times Square, Causeway Bay and V Walk, Nam Cheong in June 2017, June 2018 and August 2019 respectively, our first two restaurants under the brand "*Flamingo Bloom*" commenced operations in IFC, Central and Stanley Plaza in July 2018 and April 2019, respectively, and our first two restaurants under the brand "*Hanlin Tea Room/Hut (翰林茶館／棧)*" commenced operations in Harbour City, Tsim Sha Tsui and Grand Plaza, Mong Kok in September 2018 and November 2018, respectively. The restaurant under self-owned brand included "*Da Shia Taiwan (大呷台灣)*", which serves mainly Taiwanese delicacies to the local community. The first restaurant under the brand "*Da Shia Taiwan (大呷台灣)*" commenced operation in Central in May 2019. Apart from this success, the Group will continue to identify other suitable opportunities for franchising, joint venture or other cooperation arrangements with popular restaurant brands.
Tapping into the casual dining market in the Asia	The Group continues to monitor and explore Asia market opportunities for the preparation of our expansion plans in the Asia.
Continue to enhance comparable restaurant sales growth and profitability	The Group will continue to adhere to this objective by (i) increasing sales volume; (ii) optimising restaurant-level staffing; and (iii) maximising the utilization of food ingredients.

PROSPECT

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

Therefore, we obtained the franchise of certain famous brands, "*Du Hsiao Yueh Restaurant (度小月)*", "*Flamingo Bloom*", "*Hanlin Tea Room/Hut (翰林茶館/棧)*" and developed new self-owned brand, "*Da Shia Taiwan (大呷台灣)*". During the reporting period, our third restaurant under the brand "*Du Hsiao Yueh Restaurant (度小月)*" commenced operations in V Walk, Nam Cheong in August 2019, our second restaurant under the brand "*Flamingo Bloom*" commenced operations in Stanley Plaza, Stanley in April 2019. Apart from our franchised restaurants, we have developed the brand "*Da Shia Taiwan (大呷台灣)*", our new self-owned brand restaurant. Our first "*Da Shia Taiwan (大呷台灣)*" restaurant is situated in Central and was launched in May 2019, serving mainly Taiwanese delicacies to the local community.

We are optimistic about the growth prospects for developing restaurants under these brands in Hong Kong and would bring positive returns to the Group in the long run.

Apart from the Hong Kong market, we intend to progressively expand into the Asia 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 Asia, we plan to pursue a growth strategy by opening restaurants in the coming years in the cities in Asia 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 Asia.

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

CORPORATE GOVERNANCE PRACTICE

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 six-month period ended 30 September 2019, except for the deviations of Code Provisions A.2.1.

CHAIRMAN AND CHIEF EXECUTIVE

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

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 six-month period ended 30 September 2019.

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

As at 30 September 2019, 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:

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, as at 30 September 2019, 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

As at 30 September 2019 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	56.7%
Ms. Li Wing Yin	Interest of spouse (note 2)	1,500,000,000	56.7%
Keenfull Investments Limited	Beneficial owner (note 3)	264,420,000	10.0%
Mr. Li Chi Keung	Interest of controlled corporation (note 3)	264,420,000	10.0%
Ms. Wong Hoi Ping	Interest of spouse (note 4)	264,420,000	10.0%

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.

3. 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 264,420,000 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.

4. 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, as at 30 September 2019, 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.

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 30 September 2019 is as follows:

Name of the grantee	No. of share options outstanding as at 1 April 2019	No. of share options granted during the six-month period ended 30 September 2019	No. of share options exercised during the six-month period ended 30 September 2019	No. of share options adjusted during the six-month period ended 30 September 2019	No. of share options cancelled during the six-month period ended 30 September 2019	No. of share options lapsed during the six-month period ended 30 September 2019	No. of share options outstanding as at 30 September 2019
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
Total:	60,000,000	–	–	–	–	–	60,000,000

No share option has been granted during the six-month period ended 30 September 2019.

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 six-month period ended 30 September 2019.

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. 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 this Interim Financial Statements of the Group for the six-month period ended 30 September 2019.

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

Hong Kong, 12 November 2019

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.