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ROYAL CATERING GROUP HOLDINGS COMPANY LIMITED

皇璽餐飲集團控股有限公司

(incorporated in Cayman Islands with limited liability)

(Stock Code: 8300)

FURTHER ANNOUNCEMENT IN RELATION TO DISCLOSEABLE TRANSACTION AND EXEMPTED CONNECTED TRANSACTION IN RELATION TO THE ACQUISITIONS OF ISSUED SHARES IN DHY

INTRODUCTION

Reference is made to the announcement of Royal Catering Group Holdings Company Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) dated 10 March 2021 (the “**Announcement**”) in relation to the discloseable transaction and exempted connected transaction in respect of acquisitions of issued shares in DHY. Capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement unless otherwise defined herein.

VALUATION

As stated in the Announcement, the considerations were determined after arm’s length negotiations between the Group and each of the Previous Vendor and the Current Vendors with reference to the market value of 5% equity interest in DHY as of 31 December 2020 (the “**Valuation Date**”) of approximately HK\$700,000 as assessed by the Independent Valuer.

Since the Independent Valuer adopted the discounted cash flow method under the income approach, the valuation of the market value of 5% equity interest in DHY as of 31 December 2020 of approximately HK\$700,000 contained in the valuation report issued by the Independent Valuer (the “**Valuation**”) is regarded as a profit forecast under Rule 19.61 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”).

The Valuation was prepared based on the following major assumptions, including commercial assumptions:

1. As advised by the management of the Company, the projected cashflows of DHY are based on business plans and validity periods of the existing franchise agreement entered into concerning the restaurant operations of DHY as of the Valuation Date. No cashflow is assumed after the expiration of the existing franchise agreement;
2. Management accounts of DHY for the nine months ended 31 December 2020 as provided by the management of the Company can reasonably represent its financial position and performance of DHY as of the Valuation Date since audited financial accounts as of Valuation Date was not available;
3. There will be no major changes in the current taxation laws in the territories (the “**Territories**”) in which DHY operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;
4. There will be no major changes in the political, legal, economic or financial conditions in the Territories in which DHY operates or intends to operate, which would adversely affect the revenues attributable to and the profitability of DHY;
5. DHY will retain and have competent management, key personnel, and technical staff to support its ongoing operation until the expiration of the existing franchise agreement;
6. All relevant legal approvals and business certificates or licenses to operate the business in the localities in which DHY operates or intends to operate has or would be officially obtained and renewable upon expiry until the expiration of the existing franchise agreement;
7. Industry trends and the market conditions for related industries will not deviate significantly from economic forecasts; and
8. All information and representations provided by the management of the Company, for which they are solely and wholly responsible for are true, accurate and complete in all material respect.

HLB Hodgson Impey Cheng Limited (“**HLB**”) has examined the calculations of the discounted stream of future free cash flow on which the Valuation was based, which did not involve the adoption of accounting policies.

Given there was no financial adviser appointed in connection with the Previous Transaction and Current Transactions, the Board confirms that they have made the discounted stream of future free cash flow in the valuation report after due and careful enquiry.

A letter from Board and a report from HLB have been submitted to the Stock Exchange according to Rule 19.62 of the GEM Listing Rules, and are set out as Appendix I and Appendix II to this announcement, respectively.

EXPERTS AND CONSENTS

The Board also wishes to disclose that the following are the qualification of the experts who have given opinions or advice which are contained in this announcement:

Name	Qualification
International Valuation Limited	an independent valuer
HLB Hodgson Impey Cheng Limited	Certified Public Accountants

As at the date of this announcement, each of the Independent Valuer and HLB does not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

To the best of the Directors' knowledge, information and belief, each of the Independent Valuer and HLB is a third party independent of and not connected with the Company or the connected persons (as defined in the GEM Listing Rules) of the Company and its subsidiaries.

Each of the Independent Valuer and HLB has given and has not withdrawn its written consent to the issue of the Announcement and this announcement with the inclusion of its letter and report and references to its name in the form and context in which it appears.

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

Hong Kong, 31 March 2021

As at the date of this announcement, the executive Directors are Mr. Wong Man Wai, Mr. Chan Chak To Raymond and Ms. Lam Wai Kwan; and the independent non-executive Directors are Mr. Ma Yiu Ho Peter, Mr. Cai Chun Fai and Mr. Ng Sai Cheong.

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

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

Appendix I — Letter from the Board

Date: 31 March 2021

Hong Kong Exchanges and Clearing Limited
8/F., Two Exchange Square
8 Connaught Place
Central, Hong Kong

Dear Sirs,

DISCLOSEABLE TRANSACTION AND EXEMPTED CONNECTED TRANSACTION

We refer to the valuation report dated 22 February 2021 prepared by International Valuation Limited (the “**Valuer**”) in relation to the valuation of the market value of 5% equity interest in Du Hsiao Yueh (Hong Kong) Limited (the “**Valuation**”). The Valuation, which was prepared based on discounted cash flow method, is regarded as a profit forecast under Rule 19.61 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited.

We have discussed with the Valuer about different aspects including the bases and assumptions upon which the Valuation has been prepared, and reviewed the Valuation for which the Valuer is responsible. We have also considered the report from our reporting accountant, HLB Hodgson Impey Cheng Limited, regarding whether the Valuation was compiled properly so far as the calculations are concerned.

On the basis of the foregoing, we are of the opinion that the Valuation prepared by the Valuer has been made after due and careful enquiry.

Yours faithfully
For and on behalf of
Royal Catering Group Holdings Company Limited
Lam Wai Kwan
Executive Director

Appendix II — Report from HLB

The following is the text of a report received from HLB, Certified Public Accountants, Hong Kong, for inclusion in this announcement.



31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

REPORT ON THE DISCOUNTED FUTURE CASH FLOWS IN CONNECTION WITH THE BUSINESS VALUATION OF DU HSIAO YUEH (HONG KONG) LIMITED

TO THE BOARD OF DIRECTORS OF ROYAL CATERING GROUP HOLDINGS COMPANY LIMITED (THE “COMPANY”)

We refer to the discounted future cash flows on which the business valuation (the “Valuation”) dated 22 February 2021 prepared by International Valuation Limited in respect of the valuation of the 5% equity interest in Du Hsiao Yueh (Hong Kong) Limited (“DHY”) as at 31 December 2020 is based. The Valuation is prepared based on the discounted future cash flows and is regarded as a profit forecast under paragraph 19.61 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).

Directors’ Responsibilities

The directors of the Company are responsible for the preparation of the discounted future cash flows in accordance with the bases and assumptions determined by the directors of the Company and as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance

and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to report, as required by paragraph 19.62(2) of the GEM Listing Rules, on the calculations of the discounted future cash flows used in the Valuation. The discounted future cash flows do not involve the adoption of accounting policies.

Basis of Opinion

We conducted our engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the calculations are concerned, the directors of the Company have properly compiled the discounted future cash flows in accordance with the bases and assumptions adopted by the directors of the Company as set out in the Valuation. We performed procedures on the arithmetical calculations and the compilations of the discounted future cash flows in accordance with the bases and assumptions adopted by the directors of the Company. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the calculations are concerned, the discounted future cash flows have been properly compiled in all material respects in accordance with the bases and assumptions adopted by the directors of the Company as set out in the Valuation.

Other matters

Without qualifying our opinion, we draw to your attention that we are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future cash flows are based and our work does not constitute any valuation of the DHY or an expression of an audit or review opinion on the Valuation.

The discounted future cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Further, since the discounted future cash flows relates to the future, actual results are likely to be different from the discounted future cash flows because events and circumstances frequently do not occur as expected, and the differences may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 19.62(2) of the GEM Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Ng Ka Wah

Practising Certificate Number: P06417

Hong Kong, 31 March 2021