煌府

婚宴專門店
Wedding Banquet Specialist

PALACE BANQUET HOLDINGS LIMITED
首灃控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1703)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

HIGHLIGHTS

- Revenue was approximately HK$332.2 million (six months ended 30 September 2018: approximately HK$333.0 million), representing a decrease of approximately 0.3%.
- Gross profit margin was at approximately 75.7% (six months ended 30 September 2018: approximately 74.5%), representing an increase of approximately 1.2%.
- Loss and total comprehensive expenses for the period was approximately HK$42.5 million (six months ended 30 September 2018: approximately HK$28.5 million), representing an increase of approximately 49.3%.
- Loss per share was approximately HK4.3 cents (six months ended 30 September 2018: approximately HK3.8 cents), representing an increase of approximately 12.1%.
- The Board does not recommend the payment of any dividend for the six months ended 30 September 2019.

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Palace Banquet Holdings Limited (the "**Company**", together with its subsidiaries collectively, the "**Group**"), hereby announces the unaudited condensed consolidated results of the Group for the six months ended 30 September 2019 ("**1H2019**"), together with the comparative unaudited figures for the corresponding period in 2018 ("**1H2018**") as set out below. Unless otherwise specified, terms used herein shall have the same meanings as those defined in the Company's prospectus dated 31 January 2019 (the "**Prospectus**").

The audit committee of the Company (the "**Audit Committee**") has reviewed the unaudited condensed consolidated financial statements of the Group for 1H2019.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019 AND 2018

		For the six months ended 30 September	
		2019	2018
	Notes	***HK\$'000***	*HK\$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**332,188**	333,022
Other income		**4,313**	3,699
Other (losses) gain, net		**(48)**	1,297
Cost of inventories consumed		**(80,700)**	(85,035)
Staff costs		**(127,052)**	(119,806)
Property rentals and related expenses		**(34,295)**	(92,185)
Utilities expenses		**(22,857)**	(21,666)
Depreciation of property, plant and equipment		**(73,142)**	(11,776)
Other expenses		**(33,214)**	(26,925)
Finance costs	*4*	**(11,073)**	(3,060)
Listing expenses		**–**	(8,248)
Loss before tax		**(45,880)**	(30,683)
Income tax credit	*5*	**3,410**	2,231
Loss and total comprehensive expenses for the period attributable to owners of the Company	*6*	**(42,470)**	(28,452)
Loss per share – Basic and diluted (HK cents)	*8*	**(4.25)**	(3.79)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 September 2019 HK$'000 (Unaudited)**	As at 31 March 2019 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	*9*	**102,520**	85,433
Right-of-use assets	*10*	**486,047**	–
Deposits paid for acquisition of property, plant and equipment		**–**	322
Deposit placed for a life insurance policy		**15,230**	15,079
Rental deposits		**50,714**	44,151
Deferred tax assets		**9,029**	5,163
		663,540	150,148
Current assets			
Inventories		**3,870**	3,308
Trade and other receivables	*11*	**33,690**	41,176
Tax recoverable		**2,433**	2,368
Time deposits with maturity over three months		**60,000**	–
Bank balances and cash		**133,778**	242,560
		233,771	289,412
Current liabilities			
Trade and other payables	*12*	**48,369**	50,285
Contract liabilities		**55,076**	39,909
Bank borrowings	*13*	**51,834**	57,307
Lease liabilities		**114,391**	–
Tax payables		**7,142**	8,301
Provision for reinstatement costs		**1,183**	2,620
		277,995	158,422
Net current (liabilities) assets		**(44,224)**	130,990
		619,316	281,138

	Notes	As at 30 September 2019 HK$'000 (Unaudited)	As at 31 March 2019 HK$'000 (Audited)
Non-current liabilities			
Lease liabilities		**391,507**	–
Deferred tax liabilities		**382**	288
Other payables		**3,364**	22,088
Contract liabilities		**8,460**	2,414
Provision for reinstatement costs		**7,403**	5,678
		411,116	30,468
		208,200	250,670
Capital and reserves			
Share capital	*14*	**10,000**	10,000
Reserves		**198,200**	240,670
Equity attributable to owners of the Company		**208,200**	250,670

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *HK$'000*	Share premium *HK$'000*	Other reserves *HK$'000* *(Note)*	Retained profits *HK$'000*	Total *HK$'000*
At 1 April 2018 (audited)	19,010	–	(801)	91,734	109,943
Loss and total comprehensive expenses for the period	–	–	–	(28,452)	(28,452)
Dividend recognised as distribution *(Note 7)*	–	–	–	(14,000)	(14,000)
Share issued	1,000	–	–	–	1,000
Elimination of share capital on group reorganisation	(20,010)	–	20,010	–	–
At 30 September 2018 (unaudited)	–*	–	19,209	49,282	68,491
At 1 April 2019 (audited)	**10,000**	**100,717**	**24,470**	**115,483**	**250,670**
Loss and total comprehensive expenses for the period	**–**	**–**	**–**	**(42,470)**	**(42,470)**
At 30 September 2019 (unaudited)	**10,000**	**100,717**	**24,470**	**73,013**	**208,200**

Note: Other reserves represented (i) the difference between the aggregate amount of issued and fully paid share capital of the subsidiaries acquired by the Company and the nominal amount of the shares issued by the Company in exchange for the entire equity interests in the subsidiaries as part of the group reorganisation, (ii) the difference between the consideration for the acquisition of a subsidiary and the fair value of the subsidiary acquired from the common shareholder of the Company and (iii) deemed contribution arising from the listing expenses borne by the controlling shareholder of the Company and waiver of the need to reinstate the premises for a restaurant rented from the controlling shareholder upon end of the lease term.

* *Less than HK$500*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 7 June 2018 as an exempted Company with limited liability under the laws of Cayman Islands. The name of the Company was changed from First Gain Holdings Company Limited to The Palace Holdings Limited on 29 June 2018 and further changed to Palace Banquet Holdings Limited on 16 October 2018. The address of the registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and the principal business of its subsidiaries are operating Chinese restaurants in Hong Kong. The shares of the Company (the "**Shares**") have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 15 February 2019 (the "**Listing Date**").

2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 30 September 2019 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and presented in Hong Kong Dollars ("**HK$**"), which is also the functional currency of the Company and its subsidiaries.

Prior to the reorganisation and during the period ended 30 September 2018, management of the listing business directed the economic activities of the listing business as a single business through the operating subsidiaries which were held by the ultimate shareholders at the respective shareholdings. As part of the reorganisation, investment holding companies and the Company were incorporated and interspersed between the operating subsidiaries and the ultimate shareholders. Since then the Company became the holding company of the Group on 28 June 2018. The companies now comprising the Group have been under the control of the controlling shareholder throughout the period ended 30 September 2018 or since their respective dates of incorporation or establishment up to 30 September 2018, where this is a shorter period. As there was no change in the controlling shareholder, and the Group comprising the Company and its subsidiaries was directly and beneficially owned by the same ultimate shareholders before and after the reorganisation, the Group comprising the Company and its subsidiaries is regarded as a continuing entity. As the reorganisation only involved inserting new holding companies and has not resulted in any changes in management and economic substance to the listing business, the condensed consolidated financial statements for the period ended 30 September 2018 has been presented as a continuation of the existing company as if the reorganisation has been completed at the beginning of the reporting period. The condensed consolidated financial statements are presented using the respective carrying value of the listing business.

As at 30 September 2019, the Group has net current liabilities of approximately HK$44,224,000. The condensed consolidated financial statements have been prepared on a going concern basis as the current liabilities consisted of contract liabilities of approximately HK$55,076,000, which are to be recognised in profit or loss upon rendering of the relevant banquet services in the next financial year; and amount of approximately HK$21,767,000 representing bank borrowings being classified as current due to the existence of the repayment on demand clause in the loan agreement.

The Directors consider that the Group will have sufficient working capital to finance its operations in the foreseeable future and accordingly are satisfied that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis and do not include all information and disclosures required in the annual financial statements. These condensed consolidated financial statements should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2019.

The accounting policies and methods of computation adopted are consistent with those used in the annual financial statements for the year ended 31 March 2019, except for new or revised standards or interpretations (the "**New HKFRSs**") that have been issued by HKICPA but are not yet effective in this period. The adoption of the New HKFRSs, except the impact on HKFRS 16 as described below, will have no material impact on the Group's condensed consolidated financial statements.

HKFRS 16 "Leases"

In the current interim period, the Group has applied HKFRS 16 Leases retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 April 2019, and has not restated the 2018 reporting period as permitted under the specific transitional provisions in the standard. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 17 Leases.

Definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases (except for lease of low value assets and lease with remaining lease term of twelve months or less).

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;

- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;

- the amount expected to be payable by the lessee under residual value guarantees;

- the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and

- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liability is presented as a separate line in the condensed consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease lability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, provision is recognised and measured under HKAS 37 "Provision, Contingent Liabilities and Contingent Assets". The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Property rentals and related expenses" in the condensed consolidated statement of profit or loss and other comprehensive income.

The Group recognises right-of-use assets of restaurants, office premise, warehouses, car parks and advertising lightboxes and measures them at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The following table summarises the impact of transition to HKFRS 16 at 1 April 2019. Line items that were not affected by the adjustments have not been included.

	Notes	**Carrying amount previously reported at 31 March 2019** *HK$'000*	**Impact on adoption of HKFRS 16** *HK$'000*	**Carrying amount as restated at 1 April 2019** *HK$'000*
Property, plant and equipment	*a*	85,433	(2,589)	82,844
Right-of-use assets	*a-d*	–	457,131	457,131
Trade and other receivables	*c*	41,176	(1,939)	39,237
Trade and other payables	*d*	(50,285)	1,498	(48,787)
Other payables	*d*	(22,088)	17,988	(4,100)
Lease liabilities	*b*	–	(472,089)	(472,089)

Notes:

(a) The Group has recorded an estimated cost of the reinstatement for the rented premises previously and included in property, plant and equipment amounting to approximately HK$2,589,000 as at 1 April 2019. Such amount was adjusted to right-of-use assets.

(b) As at 1 April 2019, right-of-use assets were measured at an amount equal to the lease liabilities of approximately HK$472,089,000.

(c) Prepaid rental of approximately HK$1,939,000 as at 31 March 2019 was adjusted to right-of-use assets.

(d) It represents the accrued lease liabilities for leases where the lessor has provided rent-free period, and was adjusted to right-of-use assets on transition to HKFRS 16.

Differences between operating lease commitment as at 31 March 2019, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 April 2019 are as follow:

	HK$'000
Operating lease commitment disclosed as at 31 March 2019	377,561
Less: Short-term leases and other leases with remaining lease term ending on or before 31 March 2020	(12,951)
Less: Leases of low-value assets exempted from recognition	(69)
Less: Contracts committed but not yet commenced at 1 April 2019	(16,538)
Add: Extension options reasonably certain to be exercised	180,407
	528,410
Discounting using the incremental borrowing rate at 1 April 2019	(56,321)
Lease liabilities as at 1 April 2019	472,089
Current portion	100,307
Non-current portion	371,782
	472,089

3. REVENUE AND SEGMENT INFORMATION

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Chinese restaurant operations	**332,188**	333,022

Note: Revenue derived from Chinese restaurant operations is from contract with customers and recognised at a point in time.

The transaction price allocated to the performance obligation that is unsatisfied, has not been disclosed, as substantially all of the Group's contracts have a duration of one year or less.

The Group's revenue represents amounts received and receivable from the provision of catering services and sales of goods, net of discount.

Information reported to the executive directors of the Group, being the chief operating decision maker, for the purpose of resources allocation and assessment of performance 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 operating segment information is presented.

All of the Group's operations are located in Hong Kong. The Group's revenue from external customers and all of its non-current assets are located in Hong Kong based on geographical location of assets.

No revenue from individual external customer contributed over 10% of total revenue of the Group for the six months ended 30 September 2019 and 2018.

4. FINANCE COSTS

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest expense on lease liabilities	**10,136**	–
Interest on bank borrowings	**874**	1,087
Unwinding of discounting on provision for reinstatement costs	**63**	62
Imputed interest on rental deposits on initial recognition	**–**	1,911
	11,073	3,060

5. INCOME TAX CREDIT

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current income tax – Hong Kong:		
Current period provision	**362**	1,203
Deferred tax	**(3,772)**	(3,434)
	(3,410)	(2,231)

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 qualifying corporation will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. For the six months ended 30 September 2019 and 2018, one subsidiary of the Group can elect 8.25% tax rate for its first assessable profits of HK$2 million.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "**BVI**"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

6. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging (crediting):

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Directors' remuneration		
– Other emoluments	**3,781**	3,279
– Contributions to retirement benefits scheme	**36**	77
	3,817	3,356
Salaries, allowances and other benefits (excluding directors' remuneration)	**118,592**	111,964
Contributions to retirement benefits scheme (excluding directors' remuneration)	**4,643**	4,486
	123,235	116,450
Total staff costs	**127,052**	119,806
Lease payments under operating leases in respect of land and buildings:		
– Minimum lease payments	**11,355**	69,986
– Contingent rents	**65**	288
	11,420	70,274
Depreciation of right-of-use assets	**57,229**	–
Depreciation of property, plant and equipment	**15,913**	11,776
Gain on disposal of property, plant and equipment	**–**	(1,337)
Premium and handling charges on a life insurance policy (included in other expenses)	**104**	111
Bank charges (included in other expenses)	**3,759**	4,141
Consumables (included in other expenses)	**2,964**	2,857
Cleaning fee (included in other expenses)	**9,985**	7,537

7. DIVIDEND

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

Interim dividends of approximately HK$14,000,000 were declared and distributed by the companies now comprising the Group to their then equity owners for the period ended 30 September 2018.

8. LOSS PER SHARE

The calculation of basic loss per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Losses for the period attributable to owners of the Company	**(42,470)**	(28,452)
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic loss per share (Note)	**1,000,000**	750,000
Basic loss per share (HK cents)	**4.25**	3.79

Note: The weighted average number of shares in issue during the period ended 30 September 2019 represents 750,000,000 ordinary shares issued under the reorganisation and the capitalisation issue, and the 250,000,000 ordinary shares issued under the global offering.

The weighted average number of shares in issue during the period ended 30 September 2018 represented 750,000,000 ordinary shares issued under the reorganisation and the capitalisation issue, as if such shares were issued on 1 April 2018.

Diluted loss per share is the same as basic loss per share as there were no dilutive potential ordinary shares outstanding during both periods.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2019, the Group acquired property, plant and equipment amounting to approximately HK$35,623,000 (six months ended 30 September 2018: HK$16,339,000).

Leasehold improvement with a net carrying value of approximately HK$689,000 was disposed of by the Group during the six months ended 30 September 2018 for cash proceeds of HK$2,026,000.

10. RIGHT-OF-USE ASSETS

Upon adoption of HKFRS 16, on 1 April 2019, the Group recognised right-of-use assets of approximately HK$454,668,000, HK$251,000, HK$1,173,000, HK$85,000 and HK$954,000 in respect of the leased restaurants, office premise, warehouses, car parks and advertising lightboxes respectively. As at 30 September 2019, the carrying amounts of right-of-use assets were approximately HK$483,164,000, HK$147,000, HK$1,948,000, HK$61,000 and HK$727,000 in respect of the leased restaurants, office premise, warehouses, car parks and advertising lightboxes respectively.

During the six months ended 30 September 2019, the Group entered into a number of lease agreements for the use of restaurants and warehouse premises for two to six years. On lease commencement, the Group recognised right-of-use assets of approximately HK$86,145,000.

11. TRADE AND OTHER RECEIVABLES

	30 September 2019 *HK$'000* **(Unaudited)**	31 March 2019 HK$'000 (Audited)
Trade receivables	**3,648**	6,653

The Group's sales are mainly conducted in cash or by credit cards. The credit period granted by the Group to its customers ranges from 0 to 30 days. As at 30 September 2019 and 31 March 2019, trade receivables aged from 0 to 30 days based on invoice date and are neither past due nor impaired.

These balances relate to a wide range of customers for whom there is no recent history of default.

No loss allowance of trade receivables was made as at 30 September 2019 and 31 March 2019.

12. TRADE AND OTHER PAYABLES

The following is an ageing analysis of trade payables presented based on the invoice date at the end of reporting periods:

	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	**13,216**	16,185

Payment terms granted by suppliers are generally within 50 days from the relevant purchases are made. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time-frame.

13. BANK BORROWINGS

Carrying amount repayable (based on schedule repayment dates set out in the loan agreements):

	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one year	**30,067**	26,970
After one year but within two years	**14,868**	16,604
After two years but within five years	**6,899**	13,733
	51,834	57,307

Carrying amount repayable (shown under current liabilities) contain a repayment on demand clause:

	30 September 2019	31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one year	**51,834**	57,307

As at 30 September 2019, the bank borrowings carried floating interest rate of 1 month HIBOR plus 1% to 2.5% per annum and Hong Kong dollars best lending rate minus 2% to 3% per annum. The effective interest rates on the bank borrowings are 3.19% (30 September 2018: 3.31%) per annum during the period ended 30 September 2019.

As at 30 September 2019 and 31 March 2019, the bank borrowings and credit facilities available to the business cards are secured by the Group's deposit placed for a life insurance policy amounting to approximately HK$15,230,000 (31 March 2019: HK$15,079,000).

As at 30 September 2019, the Group's corporate purchasing card was guaranteed by a director of the Company, to the extent of HK$3,910,000 (31 March 2019: HK$4,050,000).

As at 30 September 2019 and 31 March 2019, the bank has provided financial guarantee of HK$2,085,000 and performance bond of HK$1,200,000 to the landlords of the Group as deposits to secure the tenants' due performance and observances of the terms and conditions contained in the tenancy agreements.

14. SHARE CAPITAL

Details of movements of authorised and issued share capital of the Company are as follows:

	Number of shares	**Share capital** *HK$*
Ordinary shares of HK$0.01 each		
Authorised:		
On the date of incorporation	38,000,000	380,000
Increase on authorised share capital	4,962,000,000	49,620,000
As at 31 March 2019, 1 April 2019 and 30 September 2019	5,000,000,000	50,000,000
Issued and fully paid:		
On the dated date of incorporation	100	1
New ordinary shares issued on 28 June 2018	9,900	99
Capitalisation issue of shares	749,990,000	7,499,900
Shares issued in relation to the global offering	250,000,000	2,500,000
As at 31 March 2019, 1 April 2019 and 30 September 2019	1,000,000,000	10,000,000

15. CAPITAL COMMITMENT

At 31 March 2019, the Group had capital commitments of approximately HK$363,000 (30 September 2019: nil) in relation to the acquisition of property, plant and equipment contracted.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a full-service restaurant group in Hong Kong offering Cantonese dining service and banquet service including wedding banquet service.

Industry review

According to the Report on Quarterly Survey of Restaurant Receipts and Purchases published by the Census and Statistics Department ("**C&SD**") of the Hong Kong Special Administrative Region, the total receipts of Chinese restaurants in the second quarter of 2019 decreased by 2.1% in value and 4.4% in volume as compared with the second quarter of 2018. As compared with the third quarter of 2018, the total receipts of Chinese restaurants in third quarter of 2019 also decreased by 17.8% in value and 19.7% in volume. Furthermore, the Report on Quarterly Business Tendency Survey published by the C&SD showed that all surveyed sectors expected that their business situation would worsen in the fourth quarter of 2019 over the third quarter of 2019. Comparing the views on the business situation of accommodation and food services, 44% of interviewed establishments opted that the situation in the fourth quarter of 2019 will be worse off than the third quarter of 2019; while 17% of the establishments were of the view that situation in the fourth quarter of 2018 will be better off than the third quarter in 2018.

Facing the adversity of business situation and environment in the last few months, it was the first time within the past four years that the Group's period-to-period revenue decreased compared to the same period last year. Currently, the management is closely monitoring the development of the economic and business environment, and focusing on maintaining our existing position in Hong Kong's banquet market. The management will take up any opportunities in a prudent manner taking into consideration of the prevailing business and economic environment, which the Company believes will further strengthen our position in Hong Kong's banquet market in the coming future.

Business review

During 1H2019, the Group continued to operate 19 Chinese full-service restaurants under two brand names, namely (a) brands with the word "煌府 (Palace)" and (b) "Royal Courtyard (煌苑)". The two restaurants, namely The One (Royal Courtyard) Restaurant and Shek Mun Restaurant, under the brand "Royal Courtyard (煌苑)" possess outdoor garden for holding wedding ceremony. As disclosed in the Prospectus, two restaurants namely, Causeway Bay Restaurant and Mong Kok Restaurant had ceased operation in May and June 2019, respectively, when their leases expired. During 1H2019, a new restaurant was opened in Kwun Tong in July 2019 (as disclosed in the annual report of the Company dated 14 June 2019) and another new restaurant was opened in Tsuen Wan in September 2019 as disclosed in the announcement of the Company published on 17 June 2019.

The following table sets out the movement of the number of restaurants we operated during 1H2019 and 1H2018:

	1H2019	1H2018
Number of restaurants as at 1 April	**19**	17
Number of newly opened restaurant(s) during the period	**2**	1
Number of closed restaurant during the period	**(2)**	–
Number of restaurants as at 30 September	**19**	18

According to the Company's expansion plan disclosed in the Prospectus, the Company intended to open four restaurants in Kwun Tong, Sham Shui Po, Shatin and Wong Tai Sin by the year ending 31 March 2020. The Company opened its Kwun Tong restaurant in July 2019. However, due to the recent unstable market situation, in particular the variation and shortening of the opening hours of certain shopping malls which the Company's restaurants are located in, this caused the accurate estimation of the investment payback and breakeven period more difficult. In view of that, the Board decided to review the pace of opening new restaurants and will continue to open new restaurants when opportunities arise. Nonetheless, the Company will consider and open new restaurant(s) as and when opportunity arises after conducting a feasibility analysis. This can be evident by the opening of the Company's Tsuen Wan restaurant which was not included in the Company's original expansion plan.

Since first-half financial period has always been the low season for the Company's banquet services especially for wedding banquets, eight restaurants have undergone renovation in 1H2019 as planned. For details, please refer to "Business – Renovating our existing restaurants to maintain competitiveness" in the Prospectus.

Financial results

The Group's revenue for 1H2019 decreased by approximately 0.3% to approximately HK$332.2 million (1H2018: approximately HK$333.0 million) from the last corresponding period. The decrease in revenue was a combined results of:

- the decrease in revenue from comparable restaurants sales by approximately 9.2% (1H2019: approximately HK$264.9 million to 1H2018: approximately HK$291.6 million), which was far-off from the Company's past trend of decrease in comparable restaurants sales, i.e. ranging between 1.1% to 4.6% in the previous three financial years, primarily due to the ad-hoc variation or shortening of opening hours of certain shopping malls and commercial complex where the restaurants of the Group are located; and

- the increase in revenue attributable to two restaurants opened in July and September 2019 during 1H2019 which partially sets off the decrease of revenue abovementioned.

The following table sets out the comparable restaurant sales, guest count and average spending per customer for 1H2018 and 1H2019, respectively:

	1H2019	1H2018
Number of comparable restaurants	**14**	14
Comparable restaurant sales (HK$'000)	**264,886**	291,568
Guest count of comparable restaurant sales ('000)	**2,416**	2,586
Seat turnover rate of comparable restaurants (Note)	**1.7**	1.8
Average spending per customer of comparable restaurants (HK$)	**110**	113

Note: Seat turnover rate equals guest count during a year/period divided by seating capacity of the relevant restaurants and further divided by the number of operating days in the relevant year/period. Seating capacities of our restaurants are based on the standard number of seats of each restaurant only and does not reflect occasional seating adjustment at peak hours/seasons or public holidays. Our Directors consider that such occasional adjustment should not affect the reliability of the seat turnover rate in the table above.

Cost of food and beverages

The Group's cost of food and beverages decreased by approximately 5.1%, or approximately HK$4.3 million, from approximately HK$85.0 million for 1H2018 to approximately HK$80.7 million for 1H2019. The cost of food and beverages as a percentage of revenue was comparable at approximately 24.3% for the 1H2019 (1H2018: 25.5%). During 1H2019, the Group exerted tight control on procurement and dish portion in view of the rising food ingredient costs and uncertain operating environment.

Staff costs

The Group's staff costs increased by approximately 6.1%, or approximately HK$7.3 million, from approximately HK$119.8 million for 1H2018 to approximately HK$127.1 million for 1H2019. Such increase on salary and wages was primarily driven by the raise in statutory minimum wage effective in May 2019. Even through the Group paid its staff at a rate higher than the statutory minimum rate, the increase in statutory minimum wage further intensify competition in labour market and indirectly caused pressures in the Company to revise and increase the wages for its staff. The staff costs as a percentage of revenue increased from approximately 36.0% for 1H2018 to approximately 38.3% for 1H2019.

Property rentals and related expenses

The Group's property rentals and related expenses decreased from approximately HK$92.2 million for 1H2018 to approximately HK$34.3 million for 1H2019. Such significant decrease was mainly attributable to reclassification of lease expenses on the initial adoption of HKFRS 16 during 1H2019. Under HKFRS 16, only the lease payments under short-term leases (namely, less than 12 months) or leases of low-value assets and variable rents that do not depend on index or rate (namely, contingent rate) are included in property rentals and related expense. For other lease payments (namely, long-term leases), it is included in the right-of-use asset and is depreciated over the shorter period of lease term and useful life of the underlying asset. As most of our premises are leases that are classified as long-term leases, the initial adoption of HKFRS 16 resulted in a significant decrease in property revenues and related expenses.

Depreciation

Under HKFRS 16, there was HK$57.2 million depreciation recognised in 1H2019 for the amortisation of the right-of-use asset. Excluding this first-time recognised amortisation on the right-of-use asset, the Group's depreciation of property, plant and equipment increased from approximately HK$11.8 million for 1H2018 to approximately HK$15.9 million for 1H2019. Such increase was mainly attributed to amortization of initial set-up cost of new restaurants.

Listing expenses

Listing expenses comprise professional fees and other expenses in relation to the Listing. The Group's listing expenses amounted to approximately HK$8.2 million for 1H2018 and no such expense in 1H2019 as the Company has listed its shares on the Main Board of the Stock Exchange since February 2019.

Finance costs

Finance costs increased from HK$3.1 million for 1H2018 to HK$11.1 million for 1H2019. Such significant increase was mainly attributable to the initial adoption of HKFRS 16 during 1H2019. There was an amount of HK$10.1 million relating to interest on lease liabilities recognised under HKFRS 16.

Loss for the period

Loss for 1H2019 increased by approximately 49.3%, or approximately HK$14.0 million, from approximately HK$28.5 million for 1H2018 to approximately HK$42.5 million for 1H2019. Such increase was mainly due to the combined effect of (i) increase in depreciation of property, plant and equipment and finance cost after initial adoption of HKFRS 16 in 1H2019; (ii) decrease in revenue as discussed above; and (iii) initial cost for two new restaurants opened in 1H2019.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's objectives in managing capital are to safeguard its ability to continue as a going concern.

The capital structure of the Group consists of net debts, which includes bank borrowings, net of bank balances and cash and equity attributable to owners of the Group, comprising issued share capital and reserves.

The Directors review the capital structure of the Group periodically and may take different measures, including adjusting the distribution amount to the shareholders, return capital to the shareholders, issuing new shares, or selling assets to reduce debt for maintaining the capital structure.

The Group's liquidity requirements primarily relate to the working capital needs (mainly for procurement of food and beverages from suppliers, staff costs, property rents and various operating expenses), providing catering and banquet services and working capital needs for loss making period, and the principal source of funds is mainly from working capital generated internally from the Group's operation, bank borrowings and the net proceeds received from the Listing.

As at 30 September 2019, the Group's cash and cash equivalents (including HK$60.0 million of short-term time deposit placed in financial institution) were approximately HK$193.8 million (as at 31 March 2019: HK$242.6 million). As at 30 September 2019, the Group's total current assets and current liabilities were approximately HK$233.8 million (as at 31 March 2019: HK$289.4 million) and approximately HK$278.0 million (as at 31 March 2019: HK$158.4 million), while the current ratio of the Group was approximately 0.8 times (as at 31 March 2019: approximately 1.8 times). The decrease in current ratio is mainly due to adoption of HKFRS 16 and recognised the current leased liabilities of HK$114.4 million. Excluding the current leased liabilities, the current ratio as at 30 September 2019 was 1.4. The adoption of HKFRS 16 has no impact on financial covenant on the bank borrowings.

As at 30 September 2019, the Group's total borrowings amounted to approximately HK$51.8 million (as at 31 March 2019: approximately HK$57.3 million). The borrowings were denominated in Hong Kong dollars and repayable on demand which carried floating interest rate of 1 month HIBOR plus 1% to 2.5% per annum and Hong Kong dollars best lending rate minus 2.0% to 3% per annum.

As at 30 September 2019, the Group's gearing ratio was approximately 24.9% (as at 31 March 2019: 22.9%), which was calculated based on the interest-bearing debts divided by total equity attributable to owners of the Company as at the reporting period end and multiplied by 100%. The Directors, taking into account the nature and scale of operations and capital structure of the Group, considered that the gearing ratio as at 30 September 2019 was reasonable and stable.

CAPITAL EXPENDITURE

The capital expenditure during 1H2019 was primarily related to expenditures on additions and renovation of property, plant and equipment for the Group's new restaurants and renovation and maintenance of existing restaurants.

FOREIGN EXCHANGE EXPOSURE

Most of the transactions of the Group are denominated in Hong Kong dollars and the Group is not exposed to any significant foreign exchange exposure.

CONTINGENT LIABILITIES

As at 30 September 2019, the Group did not have any material contingent liabilities.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 September 2019, the Group had approximately 845 employees (as at 31 March 2019: 880 employees). The Group offers competitive wages and other benefits to our employees, and make salary adjustments in response to the local labour market conditions. Our staff costs primarily consisted of salaries, allowances, and other benefits, contributions to retirement benefits scheme and Director's emoluments.

CHARGES ON GROUP'S ASSETS

As at 30 September 2019, the deposit placed for a life insurance policy amounting to approximately HK$15.2 million (as at 31 March 2019: HK$15.1 million) was pledged to secure the Group's bank borrowings.

SIGNIFICANT INVESTMENTS

As at 30 September 2019, the Group did not hold any significant investments.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group had no material acquisition or disposal of subsidiaries, associates or joint ventures during 1H2019.

EVENTS AFTER THE REPORTING PERIOD

No significant events occurred since the end of 1H2019 and up to the date of this announcement.

PROSPECTS

Our Group's principal business objective is to further strengthen our position as one of the leading Chinese full-service restaurant group in Hong Kong's banquet market. To achieve such objective, the Group will continue to implement the following strategies:

i) expanding our restaurant network and geographic coverage by opening more restaurants in Hong Kong;

ii) renovating our existing restaurants to maintain competitiveness; and

iii) promoting our brands and wedding banquet service

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float of at least 25% of the issued Shares from the Listing Date to the date of this announcement.

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the Listing (after deducting underwriting fees and the listing expenses to be borne by the Group) (the "**Net Proceeds**") was approximately HK$92,734,000. As at 30 September 2019, the Company has used approximately HK$21.7 million of the Net Proceeds for the purposes as set out in the Prospectus, representing approximately 23.4% of the Net Proceeds.

Use of Net Proceeds	Approximate percentage of total amount	Actual Net Proceeds	Amount utilised as at 30 September 2019	Unused Net Proceeds
		HK$'000	*HK$'000*	*HK$'000*
Opening eight restaurants	76.1%	70,557	(7,000)	63,557
Renovation of existing restaurants	14.1%	13,063	(9,553)	3,510
Promoting brands	5.0%	4,633	(751)	3,882
Additional working capital, strategic investment and other general corporate purposes	4.8%	4,481	(4,429)	52
	100.0%	92,734	(21,733)	71,001

The unused proceeds are placed into authorised financial institutions and/or licenced banks in Hong Kong.

DIVIDENDS

The Board does not recommend payment of a dividend for 1H2019 (1H2018: HK$14 million).

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintain high standards of corporate governance to safeguard the interests of the shareholders of the Company (the "**Shareholders**") and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code and the Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange as its own code of corporate governance.

For 1H2019, the Company has complied with applicable code provisions of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions of the Directors. Having made specific enquiry with the Directors, all Directors confirmed that they have complied with the required standard as set out in the Model Code throughout 1H2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during 1H2019.

AUDIT COMMITTEE

The Board has established an Audit Committee which comprises three independent non-executive Directors, namely Mr. Ng Kwok Tung (Chairman), Mr. Chan Koon Yuen Windaus and Mr. Yue Ming Wai Bonaventure. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of our Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board.

The Audit Committee, together with management, has reviewed the unaudited condensed consolidated interim financial statements of the Group for 1H2019.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.palace-rest.com.hk). The interim report will be dispatched to the shareholders of the Company and will be published on the respective websites of the Stock Exchange and the Company in due course.

APPRECIATION

The Board would like to express its sincere thanks to the management team and all staff of the Group for their dedication and contribution. The Board also takes this opportunity to show gratitude to our shareholders, customers, business partners and professional parties for their support to the Group throughout 1H2019.

By order of the Board
Palace Banquet Holdings Limited
Chan Shou Ming
Chairman and Executive Director

Hong Kong, 25 November 2019

As at the date of this announcement, the executive Directors are Mr. Chan Shou Ming, Ms. Chen Xiao Ping and Ms. Qian Chunlin; and the independent non-executive Directors are Mr. Chan Koon Yuen Windaus, Mr. Ng Kwok Tung and Mr. Yue Ming Wai Bonaventure.