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婚宴專門店  
Wedding Banquet Specialist

# **PALACE BANQUET HOLDINGS LIMITED** **首豐控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1703)**

## **ANNOUNCEMENT OF ANNUAL RESULTS** **FOR THE YEAR ENDED 31 MARCH 2021**

### **FINANCIAL HIGHLIGHTS**

- Revenue was approximately HK\$224.1 million for the year ended 31 March 2021 (2020: approximately HK\$650.8 million), representing a decrease of approximately 65.6%.
- Gross profit margin decreased by 2.3% to approximately 74.3% for the year ended 31 March 2021 (2020: approximately 76.6%).
- Loss for the year end 31 March 2021 was approximately HK\$124.3 million, as compared to loss for the year ended 31 March 2020 of approximately HK\$112.4 million.
- Basic loss per share was approximately HK11.6 cents for the year ended 31 March 2021, as compared to basic loss per share for the year ended 31 March 2020 of approximately HK11.2 cents.
- The Board does not recommend the payment of a final dividend for the year ended 31 March 2021.

## ANNUAL 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 consolidated results of the Group for the year ended 31 March 2021, together with comparative figures for the year ended 31 March 2020 as set out below. The audit committee of the Company (the “**Audit Committee**”) has reviewed the consolidated annual results of the Group for the year ended 31 March 2021, including accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters.

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March	
		2021	2020
	Notes	HK\$'000	HK\$'000
Revenue	4	224,081	650,801
Other income	4	55,626	13,037
Other losses, net	5	(18,385)	(40,274)
Cost of inventories consumed		(57,521)	(152,000)
Staff costs	8	(92,628)	(232,190)
Property rentals and related expenses		(49,924)	(66,811)
Utilities expenses		(20,815)	(40,698)
Depreciation of property, plant and equipment		(26,047)	(34,279)
Depreciation of right-of-use assets		(87,646)	(118,598)
Other expenses	8	(37,032)	(62,593)
Finance costs	6	(13,662)	(22,733)
Loss before tax		(123,953)	(106,338)
Income tax expenses	7	(316)	(6,033)
Loss and total comprehensive expenses for the year attributable to owners of the Company	8	<u>(124,269)</u>	<u>(112,371)</u>
Loss per share			
– Basic and diluted (HK cents)	10	<u>(11.6)</u>	<u>(11.2)</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 March	
		2021	2020
	Notes	HK\$'000	HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	11	45,106	79,947
Right-of-use assets	11	238,123	433,616
Deposit placed for a life insurance policy		15,488	15,217
Rental deposits		38,139	52,850
Deferred tax assets		80	595
		<u>336,936</u>	<u>582,225</u>
<b>Current assets</b>			
Inventories		4,503	5,648
Trade and other receivables	12	31,172	30,476
Deposit paid for acquisition of subsidiaries		13,000	–
Tax recoverable		2,898	8,533
Time deposit with maturity over three months		–	20,000
Bank balances and cash	13	147,501	119,012
		<u>199,074</u>	<u>183,669</u>
<b>Current liabilities</b>			
Trade and other payables	14	20,293	16,866
Contract liabilities		52,372	51,826
Bank borrowings	15	63,957	44,786
Lease liabilities		84,326	123,802
Provision for reinstatement costs		650	1,258
		<u>221,598</u>	<u>238,538</u>
<b>Net current liabilities</b>		<u>(22,524)</u>	<u>(54,869)</u>
		<u>314,412</u>	<u>527,356</u>
<b>Non-current liabilities</b>			
Lease liabilities		254,705	376,982
Deferred tax liabilities		–	352
Other payables		1,261	3,023
Contract liabilities		670	455
Provision for reinstatement costs		6,996	8,245
		<u>263,632</u>	<u>389,057</u>
		<u>50,780</u>	<u>138,299</u>
<b>Capital and reserves</b>			
Share capital	16	11,500	10,000
Reserves		39,280	128,299
<b>Equity attributable to owners of the Company</b>		<u>50,780</u>	<u>138,299</u>

# **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i> <i>(Note)</i>	Retained profits (accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2019	10,000	100,717	24,470	115,483	250,670
Loss and total comprehensive expenses for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>(112,371)</u>	<u>(112,371)</u>
At 31 March 2020 and 1 April 2020	10,000	100,717	24,470	3,112	138,299
Issuance of new ordinary shares from placing	1,500	36,000	—	—	37,500
Transaction costs attributable to issuance of new ordinary shares from placing	—	(750)	—	—	(750)
Loss and total comprehensive expenses for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>(124,269)</u>	<u>(124,269)</u>
At 31 March 2021	<u>11,500</u>	<u>135,967</u>	<u>24,470</u>	<u>(121,157)</u>	<u>50,780</u>

*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 shareholders of the Company and waiver of the need to reinstate the premises for a restaurant rented from the controlling shareholders upon end of the lease term.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION AND BASIS OF PRESENTATION

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 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 15 February 2019. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in Chinese restaurant operation in Hong Kong.

The consolidated financial statements are presented in Hong Kong Dollars (“**HK\$**”), which is also the functional currency of the Group.

The consolidated financial statements have been prepared based on the accounting policies which conform with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and the Hong Kong Companies Ordinance.

As at 31 March 2021, the Group has net current liabilities of approximately HK\$22,524,000 and incurred a net loss of approximately HK\$124,269,000. The consolidated financial statements have been prepared on a going concern basis as the current liabilities consisted of contract liabilities from customers of approximately HK\$52,372,000, which are to be recognised as revenue upon rendering of the relevant banquet services in the next financial year; and amount of approximately HK\$42,297,000 representing bank borrowings being classified as current due to the existence of the repayment on demand clause (Note 15) in the loan agreements. The Directors believe that banks will probably not to exercise its discretionary rights to demand immediate repayment and the bank borrowings will be repaid in accordance with schedule.

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 consolidated financial statements on a going concern basis.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

The consolidated financial statements have been prepared on the historical cost basis.

In the current year, the Group has applied, for its first time, the Amendments to References to the Conceptual Framework in HKFRSs and the following amendments to HKFRSs issued by HKICPA which are effective for the Group’s financial year beginning 1 April 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRSs and the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

#### **New and amendments to HKFRSs issued but not yet effective**

HKFRS 17	Insurance Contracts and related Amendments <sup>5</sup>
Amendments to HKFRS 3	Reference to Conceptual Framework <sup>4</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2 <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>6</sup>
Amendment to HKFRS 16	COVID-19-Related Rent Concessions <sup>1</sup>
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) <sup>5</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>5</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>5</sup>
Amendments to HKAS 16	Property, plant and Equipment: Proceeds before Intended Use <sup>4</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>4</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 <sup>4</sup>
Amendments to HKFRS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 June 2020

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>3</sup> Effective for annual periods beginning on or after 1 April 2021

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>6</sup> Effective for annual periods beginning on or after a date to be determined

The Directors anticipate that the application of the new and amendments to HKFRSs will have no material impact on the results and the consolidated financial position of the Group.

### **3. SEGMENT INFORMATION**

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 each of the year.

#### 4. REVENUE AND OTHER INCOME

	Year ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
<b>Revenue</b>		
Chinese restaurant operations (Note (a))	<u>224,081</u>	<u>650,801</u>
	Year ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
<b>Other income</b>		
Government grants (Note (b))	44,088	2,600
Forfeiture of deposits received (Note (a))	3,339	2,297
Sponsorship income received from utility companies	3,242	3,178
Imputed interest income on non-current rental deposits	2,097	1,246
Sundry income	1,941	1,811
Interest income from deposit placed for a life insurance policy	495	543
Bank interest income	<u>424</u>	<u>1,362</u>
	<u>55,626</u>	<u>13,037</u>

*Notes:*

- (a) Revenue derived from Chinese restaurant operations and forfeiture of deposits received are from contract with customers and recognised at a point in time.
- (b) During the year ended 31 March 2021, the Group recognised the Coronavirus Disease 2019 (the “COVID-19”) related subsidies of approximately HK\$538,000 (2020: nil) and HK\$43,550,000 (2020: HK\$2,600,000) related to Employment Support Scheme and Catering Business Subsidy Scheme provided by the Government of Hong Kong Special Administrative Region under the Anti-Epidemic Fund respectively. Government grants have been recognised as other income on a systematic basis over the periods. The Group recognised other income for the year as the Group fulfilled all the relevant granting criteria.

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.

## 5. OTHER LOSSES, NET

	Year ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
<b>Other losses, net</b>		
Impairment loss on right-of-use assets, net	(49,284)	(27,729)
Impairment loss on property, plant and equipment, net	(6,078)	(12,545)
Loss on disposal of property, plant and equipment, net	(3,839)	–
Gain on termination of lease	36,170	–
Gain on lease modification	3,570	–
Gain on disposal of subsidiaries, net	1,072	–
Others	4	–
	<u>(18,385)</u>	<u>(40,274)</u>

## 6. FINANCE COSTS

	Year ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
Interest on lease liabilities	12,746	20,985
Interest on bank borrowings	868	1,625
Unwinding of discounting on provision for reinstatement costs	48	123
	<u>13,662</u>	<u>22,733</u>

## 7. INCOME TAX EXPENSES

	Year ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
Current income tax – Hong Kong:		
– Current year provision	96	1,043
– Under provision in prior years	57	358
	<u>153</u>	<u>1,401</u>
Deferred tax	<u>163</u>	<u>4,632</u>
	<u>316</u>	<u>6,033</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years. For the year of assessment 2019/20 and 2020/21, a two-tiered profits tax rates was introduced of which one subsidiary of the Group can elect 8.25% tax rate for its first assessable profits of HK\$2,000,000.

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.



## 8. LOSS FOR THE YEAR

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

	<b>Year ended 31 March</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Directors' remuneration		
– Other emoluments	7,762	7,202
– Contributions to retirement benefits scheme	67	63
	<u>7,829</u>	<u>7,265</u>
Salaries, allowances and other benefits (excluding Directors' remuneration)	81,839	220,184
Reversal of provision for long service payment	(421)	(1,024)
Provision of (reversal of provision for) unutilised annual leave	415	(2,326)
Contributions to retirement benefits scheme (excluding Directors' remuneration)	2,966	8,091
	<u>84,799</u>	<u>224,925</u>
Total staff costs	<u>92,628</u>	<u>232,190</u>
Depreciation of right-of-use assets	87,646	118,598
Depreciation of property, plant and equipment	26,047	34,279
Impairment loss on right-of-use assets, net (Note 11)	49,284	27,729
Impairment loss on property, plant and equipment, net (Note 11)	6,078	12,545
Cleaning fee	8,393	18,217
Legal and professional fees	5,623	3,834
Insurances	3,902	5,264
Repairs and maintenance	3,368	6,814
Consumables	2,510	5,975
Advertising and promotion	2,018	4,523
Bank charges	1,853	7,083
Auditor's remuneration	1,400	1,150
Premium and handling charges on a life insurance policy	228	221
Others	7,737	9,512
Total other expenses	<u>37,032</u>	<u>62,593</u>

## 9. DIVIDENDS

No dividend was paid or proposed by the Company during the year ended 31 March 2021 and 2020, nor has any dividend been proposed since the end of the reporting period.

## 10. LOSS PER SHARE

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

	Year ended 31 March	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company	<u>(124,269)</u>	<u>(112,371)</u>
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>1,072,739</u>	<u>1,000,000</u>
Basic loss per share (HK cents)	<u>(11.6)</u>	<u>(11.2)</u>

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

## 11. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the year ended 31 March 2021, the Group acquired items of property, plant and equipment amounting to approximately HK\$11,881,000 (2020: HK\$43,927,000).

Certain restaurants recorded loss during the year due to the COVID-19 pandemic and in view that the operation is expected to be under continued adverse impact of the COVID-19 pandemic, management recognised a net impairment loss of approximately HK\$6,078,000 (2020: HK\$12,545,000) and HK\$49,284,000 (2020: HK\$27,729,000) for certain property, plant and equipment and right-of-use assets during the year ended 31 March 2021, which was estimated based on the recoverable amount of each individual restaurant cash generating unit based on higher of the value-in-use calculation using cash flow projections and fair value less cost to disposal.

## 12. TRADE RECEIVABLES

The Group's sales are mainly conducted in cash or by credit cards of which the settlement period is normally within 3 days from transaction date. The credit period granted by the Group to its corporate customers ranges from 0 to 30 days.

The following is an ageing analysis of the trade receivables presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period.

	<b>As at 31 March</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Within 30 days	<b>271</b>	84
61 to 90 days	–	86
91 to 120 days	–	229
	<u><b>271</b></u>	<u>399</u>

These balances are mainly due from financial institutions in relation to the payment settled by credit cards and corporate customers and there is no recent history of default.

No loss allowance of trade receivables was made as at 31 March 2021 and 2020.

## 13. BANK BALANCES AND CASH

Bank balances carry floating interest rate based on daily bank deposit rates as at 31 March 2021 and 2020.

## 14. TRADE PAYABLES

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

	<b>As at 31 March</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Within 30 days	<u><b>4,280</b></u>	<u>2,058</u>

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

## 15. BANK BORROWINGS

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

	As at 31 March	
	2021	2020
	HK\$'000	HK\$'000
Within one year	21,660	31,063
After one year but within two years	12,297	11,438
After two years but within five years	30,000	2,285
	<u>63,957</u>	<u>44,786</u>

Carrying amount repayable contain a repayment on demand clause:

	As at 31 March	
	2021	2020
	HK\$'000	HK\$'000
Shown under current liabilities	<u>63,957</u>	<u>44,786</u>

Carrying amounts were carried as follows:

	As at 31 March	
	2021	2020
	HK\$'000	HK\$'000
Interest rate		
– Floating rate	23,957	44,786
– Fixed rate	40,000	–
	<u>63,957</u>	<u>44,786</u>

As at 31 March 2021, the bank borrowings carried floating interest rate of 1 month Hong Kong Interbank Offered Rate (“HIBOR”) plus 1% per annum (2020: 1 month HIBOR plus 1% to 2.5% per annum) and Hong Kong Dollars Best Lending Rate (“BLR”) minus 2% per annum (2020: BLR minus 1.5% to 2% per annum) and fixed interest rate of 2.75% (2020: nil). The effective interest rate on the bank borrowings is 1.20% (2020: 2.98%) per annum during the year ended 31 March 2021.

As at 31 March 2021, 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\$15,488,000 (2020: HK\$15,217,000) and guaranteed by a director of the Company.

## 16. SHARE CAPITAL

The share capital as at 31 March 2021 represented the share capital of the Company.

	Number of shares	Share capital HK\$
Ordinary shares of HK\$0.01 each		
<b>Authorised:</b>		
As at 1 April 2019, 31 March 2020 and 31 March 2021	5,000,000,000	50,000,000
<b>Issued and fully paid:</b>		
As at 1 April 2019 and 31 March 2020	1,000,000,000	10,000,000
Placing of new ordinary shares (Note)	150,000,000	1,500,000
As at 31 March 2021	1,150,000,000	11,500,000

*Note:* On 6 October 2020, the Company entered into a placing agreement with the placing agent for the placing of an aggregate 150,000,000 new ordinary shares of the Company to six independent third parties at a placing price of HK\$0.25 per share. The gross proceeds raised amounted to approximately HK\$37,500,000 (before transaction costs of approximately HK\$750,000) and resulted in the net increase in share capital and share premium of approximately HK\$1,500,000 and HK\$35,250,000 respectively. The placing was completed on 6 October 2020. Details of the placing are set out in the Company's announcements dated 18 September 2020 and 6 October 2020 respectively.

All the new shares issued during the year rank pari passu with the existing shares in all respects.

## 17. CAPITAL COMMITMENT

	As at 31 March 2021 HK\$'000	2020 HK\$'000
Capital expenditure in respect of the acquisition of subsidiaries contracted for but not provided in the consolidated financial statements	1,500	—

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### Business Review

During the year, the business of the Group was affected by the outbreak of Coronavirus Disease 2019 (COVID-19) pandemic in Hong Kong. The social distancing measures imposed by the Hong Kong Government had limited the seating capacity and operating hours of our restaurants. Furthermore, the prohibition of offering dine-in services after 6 p.m. seriously affected the provision of banquet services by our restaurants which led to the temporarily suspension of our restaurants during the year. As there were uncertainties on the COVID-19 pandemic, the Group closed down/sold out various under-performed restaurants during the year ended 31 March 2021 to minimize the operating loss and protect the interest of the shareholders.

The following table sets out the movement of the number of restaurants we operated during the financial years indicated:

	<b>Year ended 31 March</b>	
	<b>2021</b>	<b>2020</b>
<b>Number of restaurants at the beginning of the year</b>	<b>18</b>	<b>19</b>
Number of newly opened restaurant(s) during the year (Note (a))	<b>1</b>	<b>2</b>
Number of closed restaurant(s) during the year (Note (b))	<b>(8)</b>	<b>(3)</b>
<b>Number of restaurants at the end of the year</b>	<b>11</b>	<b>18</b>

#### Notes:

- (a) According to the Company's expansion plan disclosed in the prospectus dated 31 January 2019 (the "**Prospectus**"), the Company intended to open four restaurants in North New Territories, Yau Tsim Mong, Kwun Tong and Tai Po by 31 March 2021. During the year, the Group opened its China Hong Kong City restaurant under the new brand of "Sea Moon Cuisine" (海月宴會廳) in November 2020. The Company will continue to consider and open new restaurants when the opportunity arises after conducting a feasibility analysis. Given the current situation as affected by COVID-19, the Board will be more cautious in implementing the expansion plan.
- (b) Details of restaurants closed during the year are indicated as follows:

<b>Month</b>	<b>Name of restaurants</b>
May 2020	Sheung Shui Restaurant/Austin Restaurant
September 2020	Tsuen Wan Nan Fung Restaurant
December 2020	Kwun Tong Restaurant/West Kowloon Restaurant
February 2021	Tsim Sha Tsui East Restaurant
March 2021	Tseung Kwan O Restaurant/One (Royal Courtyard) Restaurant

As at 31 March 2021, the Group has nine Chinese full-service restaurants operating under the brand “煌府 (Palace)”, one restaurant operating under the brand “Royal Courtyard (煌苑)” at Shek Mun, which possess outdoor garden for holding wedding ceremonies and one restaurant operating under the brand “Sea Moon Cuisine (海月宴會廳)” at China Hong Kong City.

## **Financial Review**

### ***Revenue***

The Group’s revenue decreased by 65.6% from approximately HK\$650.8 million for the year ended 31 March 2020 to approximately HK\$224.1 million for the year ended 31 March 2021. Such decrease in revenue was mainly due to the outbreak of COVID-19 which affected the Group’s banquet services.

### **Cost of food and beverages**

The Group’s cost of food and beverages decreased by approximately 62.2%, from approximately HK\$152.0 million for the year ended 31 March 2020 to approximately HK\$57.5 million for the year ended 31 March 2021. The decrease was in line with the decrease in revenue during the year ended 31 March 2021. The cost of food and beverages as a percentage of revenue increased from 23.4% for the year ended 31 March 2020 to approximately 25.7% for the year ended 31 March 2021 as ordering of food and beverages are closely related to opening days/hours of restaurants which was affected by the social distancing measures imposed by the government during the year.

### **Gross profit and gross profit margin**

The Group’s gross profit decreased by approximately 66.6% from approximately HK\$498.8 million for the year ended 31 March 2020 to approximately HK\$166.6 million for the year ended 31 March 2021. The decrease was in line with the decrease in revenue during the year ended 31 March 2021. The gross profit margin decreased from 76.6% for the year ended 31 March 2020 to 74.3% for the year ended 31 March 2021 mainly due to the limitation on number of customers under social distancing measures imposed by the government that less banquet services were provided, which had a higher gross profit margin historically.

### **Staff costs**

The Group’s staff costs decreased by approximately 60.1%, from approximately HK\$232.2 million for the year ended 31 March 2020 to approximately HK\$92.6 million for the year ended 31 March 2021. Such decrease was mainly due to (i) headcount reduction, employing less part-time employee and staff cost control as a result of temporary suspension of restaurants operations and banquet services as referred to above; and (ii) the total number of operated restaurants was less in the current year as compared to the year ended 31

March 2020. The staff costs as a percentage of revenue increased to 41.3% (2020: 35.7%). Such increase was mainly due to a portion of staff remuneration being fixed in nature and therefore, if the Group's revenue decreases, its weight towards the revenue will increase.

### **Property rentals and related expenses**

The Group's property rentals and related expenses decreased by approximately 25.3%, from approximately HK\$66.8 million for the year ended 31 March 2020 to approximately HK\$49.9 million for the year ended 31 March 2021. Such significant decrease was mainly attributable to the decrease in total number of restaurants in operation during the year ended 31 March 2021 when compared to last year.

### **Depreciation**

The Group's depreciation of property, plant and equipment decreased to approximately HK\$26.0 million (2020: HK\$34.3 million) mainly due to recognition of impairment loss on property, plant and equipment in last year.

The Group's depreciation of right-of-use assets decreased to approximately HK\$87.6 million (2020: HK\$118.6 million) mainly due to the recognition of impairment loss on right-of-use assets and the lease modification under the change in terms after negotiation the landlords during the year.

### **Finance costs**

Finance costs decreased to HK\$13.7 million for the year ended 31 March 2021 (2020: HK\$22.7 million) due to the lease modification under the change in terms after negotiation the landlords during the year.

### **Loss for the year**

The loss for the year increased by approximately HK\$11.9 million, from HK\$112.4 million for the year ended 31 March 2020 to HK\$124.3 million for the year ended 31 March 2021 mainly due to the combined effect of the factors discussed above.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

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 the payment of dividends, the issue of new shares and raising of new debt or the redemption of existing debt.

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 31 March 2021, the Group's cash and cash equivalents (including time deposits with maturity over three months) were approximately HK\$147.5 million (2020: HK\$139.0 million). As at 31 March 2021, the Group's total current assets and current liabilities were approximately HK\$199.1 million (2020: HK\$183.7 million) and approximately HK\$221.5 million (2020: HK\$238.5 million), while the current ratio of the Group was approximately 0.9 times (2020: approximately 0.8 times). During the year, approximately HK\$12.0 million were incurred for acquiring property, plant and equipment for opening a new restaurant and renovating existing restaurants (2020: HK\$43.7 million) and approximately HK\$19.2 million were used for repayment of bank borrowings (2020: HK\$12.5 million). Excluding the current lease liabilities, the net current assets was HK\$61.9 million and the current ratio as at 31 March 2021 was 1.5 times (2020: 1.6 times).

As at 31 March 2021, the Group's total borrowings amounted to approximately HK\$64.0 million (2020: HK\$44.8 million). The borrowings were denominated in Hong Kong dollars and repayable on demand which carried floating interest rate of 1-month HIBOR plus 1% per annum, Hong Kong dollars best lending rate minus 2% per annum and fixed interest rate of 2.75% per annum.

As at 31 March 2021, the Group's gearing ratio was approximately 125.9% (2020: 32.4%), which is calculated based on the interest-bearing debts divided by total equity attributable to owners of the Company as at 31 March 2021 and multiplied by 100%. The increase in gearing ratio was mainly due to the loss incurred during the year which resulted in a significant decrease in equity and also the increase in interest bearing borrowings as at 31 March 2021. The Directors, taking into account the nature and scale of operations, capital structure of the Group and the necessity for maintaining sufficient financial resources to support the operations under COVID-19 pandemic, considered that the gearing ratio as at 31 March 2021 was reasonable.

## **CAPITAL EXPENDITURE**

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

## **FOREIGN EXCHANGE EXPOSURE**

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

## **CONTINGENT LIABILITIES**

As at 31 March 2021, the Group did not have any material contingent liabilities.

## **HUMAN RESOURCES AND REMUNERATION POLICY**

As at 31 March 2021, the Group had approximately 280 employees (2020: 279 employees).

The Group offers competitive wages and other benefits to our restaurant employees, and makes 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 Directors' emoluments.

## **SHARE OPTION SCHEME**

The Company's share option scheme was adopted pursuant to the resolution passed on 25 January 2019 to give the eligible persons (as mentioned in the following paragraph) an opportunity to have a personal stake in our Company and help motivate them to optimise their future performance and efficiency to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of executives, to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

Eligible participants of the share option scheme include (a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group; (b) a director or proposed director (including an independent non-executive director) of any member of our Group; (c) a direct or indirect shareholder of any member of our Group; (d) a supplier of goods or services to any member of our Group; (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group; (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group; (g) an associate of any of the persons referred to in paragraphs (a) to (c) above; and (h) any person involved in the business affairs of the Company whom our Board determines to be appropriate to participate in the share option scheme.

No share options has been granted since the effective date of the share option scheme and there are no outstanding share options as at 31 March 2021.

## **CHARGES ON GROUP'S ASSETS**

As at 31 March 2021, the deposit placed for a life insurance policy amounting to approximately HK\$15.5 million (2020: HK\$15.2 million) was pledged to secure the Group's bank borrowings.

## **SIGNIFICANT INVESTMENTS**

As at 31 March 2021, the Group did not hold any significant investments.

## **MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

During the year under review, the Group had no material acquisition or disposal of subsidiaries, associates or joint ventures.

## **EVENTS AFTER THE REPORTING PERIOD**

Saved as disclosed above, no significant events affecting the Company occurred since 1 April 2021 and up to the date of this announcement.

## **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**

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. On 6 October 2020, 150,000,000 shares has been successfully placed at the placing price of HK\$0.25 per share (the “**Placing**”) and net proceeds from the Placing of approximately HK\$36.8 million was fully utilised as the general capital to support the operation of the Group during the year ended 31 March 2021. On 3 March 2021, the Board has resolved to change the use of the unused Net Proceeds.

An analysis of the utilisation of the Net Proceeds as at 31 March 2021 is set out below:

Use of Net Proceeds	Allocation of Net Proceeds according to the Prospectus		Revised allocation of unused Net Proceeds	Amount utilized as at 31 March 2021	Unused Net Proceeds	Estimated timeline for utilization of the unused Net Proceeds
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Opening restaurants (Note)	76.1%	70,557	22,655	–	22,655	31 March 2023
Renovation of existing restaurants	14.1%	13,063	–	–	–	
Promoting brands	5.0%	4,633	1,843	(78)	1,765	31 March 2022
Additional working capital, strategic investment and other general corporate purposes	4.8%	4,481	30,000	(1,131)	28,869	31 March 2022
	<u>100.0%</u>	<u>92,734</u>	<u>54,498</u>	<u>(1,209)</u>	<u>53,289</u>	

*Note:* The total number of opening restaurants was changed from eight to four after the revised allocation of unused Net Proceeds on 3 March 2021.

The unused Net Proceeds are placed into authorised financial institutions and/or licenced banks in Hong Kong. As at the date of this announcement, there was no change of the business plan from those disclosed in the Prospectus.

## DIVIDENDS

Having assessed the cash flows and working capital required in view the current challenging business environment and low-season in the first-half of the financial year of the Group, the Board does not recommend the payment of a final dividend for the financial year ended 31 March 2021 (2020: Nil).

## ANNUAL GENERAL MEETING

The annual general meeting (the “AGM”) of the Company will be held on Friday, 24 September 2021. The notice of AGM, which constitutes part of the circular to the shareholders of the Company (the “Shareholders”), will be sent together with the annual report for the year ended 31 March 2021 in due course.

## CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 20 September 2021 to Friday, 24 September 2021, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with

the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 17 September 2021.

## **CORPORATE GOVERNANCE PRACTICES**

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

During the year ended 31 March 2021, the Company has complied with all the code provisions of the CG Code.

Details of the Company's corporate governance practices are set out in the Corporate Governance Report which will be included in the Company's Annual Report for the year ended 31 March 2021.

## **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 have confirmed that they have complied with the required standard as set out in the Model Code for the year ended 31 March 2021.

## **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 for the year ended 31 March 2021.

## **AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS**

The Board has established the Audit Committee which comprises three independent non-executive Directors, namely Mr. Ng Kwok Tung (Chairman), Mr. Chan Koon Yuen Windaus and Mr. Tsang Hung Kei. 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 the Group, to oversee the audit process, to develop and review the Group's policies and to perform other duties and responsibilities as assigned by the Board.

The Audit Committee, together with the Board, has reviewed the consolidated annual results of the Group for the year ended 31 March 2021.

## **SCOPE OF WORK OF THE COMPANY’S AUDITOR IN RESPECT OF THIS ANNOUNCEMENT**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2021 as set out in the announcement have been agreed by the Company’s auditor, SHINEWING (HK) CPA Limited (the “**Auditor**”), to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditor on this announcement.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This annual results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.palace-rest.com.hk](http://www.palace-rest.com.hk)). The annual 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 compliance with the Listing Rules in due course.

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

Hong Kong, 30 June 2021

*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. Tsang Hung Kei.*