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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)**

### **FURTHER CHANGE IN USE OF PROCEEDS**

Reference is made to (i) the prospectus of Palace Banquet Holdings Limited (the “**Company**” and together with its subsidiaries, collectively the “**Group**”) dated 31 January 2019 (the “**Prospectus**”) in relation to the listing of the issued shares of the Company on the Stock Exchange by way of global offering; (ii) the annual report of the Company published on 29 July 2022 (the “**Annual Report**”); and (iii) the announcements of the Company dated 3 March 2021 (the “**2021 Announcement**”) and 12 January 2022 (the “**2022 Announcement**”) in relation to change in use of proceeds and business update (collectively, the “**Announcements**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus and the Announcements.

### **USE OF PROCEEDS DISCLOSED IN THE PROSPECTUS AS REVISED PURSUANT TO THE DISCLOSURE IN THE 2021 ANNOUNCEMENT**

As disclosed in the Annual Report, the net proceeds from the Global Offering (after deducting underwriting fees and the listing expenses to be borne by the Group) (the “**Net Proceeds**”) was approximately HK\$92,734,000.

On 3 March 2021, the Board resolved to change the use of the unused Net Proceeds, which amounted to approximately HK\$54,498,000, as set out below:

- approximately HK\$22,655,000 (41.6%) of the unused Net Proceeds for opening new restaurants;
- approximately HK\$1,843,000 (3.4%) of the unused Net Proceeds for promoting brands; and
- approximately HK\$30,000,000 (55.0%) of the unused Net Proceeds for additional working capital, strategic investment and other general corporate purposes.

## FURTHER CHANGE IN USE OF PROCEEDS

As at the date of this announcement, the unused Net Proceeds amounted to approximately HK\$22.7 million. After due and careful consideration on the current business environment and development needs of the Group, the Board has resolved to further change the proposed use of the unused Net Proceeds as follows:

Use of Net Proceeds	Allocation of Net Proceeds according to the Prospectus		Revised allocation of unused Net Proceeds as disclosed in the 2021 Announcement		Unused Net Proceeds as at the date of this announcement HK\$'000	Further revised allocation of unused Net Proceeds as disclosed in this announcement		Estimated timeline for utilization of the unused Net Proceeds
	HK\$'000	%	HK\$'000	%		HK\$'000	%	
Opening restaurants	70,557	76.1	22,655	41.6	22,655	5,000	22.1	31 March 2023
Renovation of existing restaurants	13,063	14.1	—	—	—	—	—	
Promoting brands	4,633	5.0	1,843	3.4	—	—	—	
Additional working capital, strategic investment and other general corporate purposes	4,481	4.8	30,000	55.0	—	17,655	77.9	31 March 2023
<b>Total</b>	<b>92,734</b>	<b>100.0</b>	<b>54,498</b>	<b>100.0</b>	<b>22,655</b>	<b>22,655</b>	<b>100.0</b>	

## REASONS FOR AND BENEFITS OF THE FURTHER CHANGE IN USE OF PROCEEDS

The Group is a full-service restaurant group in Hong Kong with a focus of catering Cantonese dining and banquet services, including wedding banquet services. Over the past few months, various measures that were implemented earlier in response to the COVID-19 Outbreak were relaxed or lifted. As disclosed in the Annual Report, the Group's revenue increased by 31.2% from approximately HK\$224.1 million for the year ended 31 March 2021 to approximately HK\$294.1 million for the year ended 31 March 2022. Such increase in revenue was mainly due to the relaxation of social distancing measures imposed by the Hong Kong Government under COVID-19 where more banquet services were provided by the Group. Meanwhile, corporate expenses such as annual listing fees, audit fees and professional fees are recurring and unavoidable in nature to support the normal daily operations of the Company. Such expenses had previously been met with the Net Proceeds as well as internal resources generated from business operations.

In response to the gradually resumed demand of dining and banquet services, the Board considers that the increase in working capital will provide the Group with greater flexibility to respond to the market needs. Approximately HK\$17.7 million will be allocated to the general working capital of the Group. The change in use of the Net Proceeds will enable the Group to satisfy the working capital needs, mainly for procurement of food and beverages from suppliers, staff costs, corporate expenses, property rents and various operating expenses. The Board has assessed a number of options to finance the general working capital of the Group going forward, such as re-designating the unutilised Net Proceeds, taking out bank loans, or conducting share placements under general mandate. Having considered the costs that may be incurred in the above courses of action and the time requirements, the Board is of the view that it would be most appropriate to further change the use of the unutilised Net Proceeds, such that they may also be used for general corporate purposes, in addition to supporting strategic investment when suitable opportunities arise.

On the other hand, apart from the traditional Cantonese cuisine, the Board has noted a fast-growing interest in different other cuisines as well as fusion food in Hong Kong. Therefore, the Board proposed to allocate approximately HK\$5 million to open new restaurants catering different other cuisines with the objective of accommodating the changes of the catering and dining industry which, in turn, would allow the Company to capture new customers.

The Directors consider that the development direction of the Company is still focusing on the offering of dining and banquet services, which is in line with the disclosures in the Prospectus in spite of the change in use of proceeds as stated above. As at the date of this announcement, the Directors confirm that there is no material change in the nature of business of the Group as set out in the Prospectus. The Board considers the above change in the use of the unutilised Net Proceeds is fair and reasonable as this would enable the Company to broaden its customer base, effectively meet the financial needs of the Group and enhance the flexibility in financial management of the Company, and is in line with the current business needs of the Group, and therefore, is in the best interests of the Company and its shareholders as a whole.

The Directors will continuously assess the plans for the use of unused Net Proceeds and may revise or amend such plans where necessary to cope with the changing market conditions and strive for better business performance for the Group.

By order of the Board  
**Palace Banquet Holdings Limited**  
**Hu Zhi Xiong**  
*Chairman and non-executive Director*

Hong Kong, 18 October 2022

*As at the date of this announcement, the non-executive Director is Mr. Hu Zhi Xiong, the executive Directors are Mr. Tam Kar Wai and Mr. Cheng Man Cheong; and the independent non-executive Directors are Mr. Wong Tat Keung, Mr. Wong Wai Ming and Mr. Tang Tsz Tung.*