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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE 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, 12 January 2022 and 18 October 2022 (the “**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.

The Board wishes to supplement the following information in relation to the further change in use of the Net Proceeds.

THE FURTHER CHANGE IN USE OF NET PROCEEDS ALIGNS WITH COMPANY’S PLAN AS DISCLOSED IN THE PROSPECTUS

As disclosed in the Prospectus, the Company had intended to expand its restaurant network and geographic coverage by opening eight new restaurants in Hong Kong by the year ending 31 March 2021. However, in view of the adverse impact of the social unrest in Hong Kong in 2019 and the outbreak of COVID-19 on the dining and catering industry, the Board considered that the Group should focus on maintaining its existing operations as its main priority. As such, the original plan to open new restaurants was halted by the above force majeure factors.

Having noted the gradual socio-economic recovery in recent months, the Board has reconsidered the industry outlook and is of the view that opening restaurants in a more diverse range of cuisines can bring potential growth to the Group. As disclosed in the Announcement, approximately HK\$17.7 million from the unused Net Proceeds has been reallocated to the general working capital of the Group and approximately HK\$5 million has been reallocated to opening new restaurants. As at the date of this announcement, the Board has formed plans to open eight new restaurants in different areas of Hong Kong by 30 September 2023. Details of the planned eight restaurants are as follows:

No.	Type of cuisine	Location	Expected commencement of operation	Operating model	Planned capital expenditure	Source of funding
1	Chinese	New Territories	By 31 March 2023	Cooperation with third party restaurant operator	HK\$1.5 million	Reallocated unused Net Proceeds for opening restaurants as disclosed in the Announcement dated 18 October 2022
2	Chinese	New Territories	By 31 March 2023	Cooperation with third party restaurant operator	HK\$1.5 million	Reallocated unused Net Proceeds for opening restaurants as disclosed in the Announcement dated 18 October 2022
3	Swiss	Hong Kong Island	By 31 March 2023	Cooperation with third party restaurant operator	HK\$0.8 million	Reallocated unused Net Proceeds for opening restaurants as disclosed in the Announcement dated 18 October 2022
4	Japanese	Hong Kong Island	By 31 March 2023	Cooperation with third party restaurant operator	HK\$1.2 million	Reallocated unused Net Proceeds for opening restaurants as disclosed in the Announcement dated 18 October 2022
5	Chinese	Hong Kong Island	By 31 March 2023	Cooperation with third party restaurant operator	HK\$1.2 million	Group's internal funding (<i>Note</i>)
6	Chinese	Hong Kong Island	By 31 March 2023	Opening a new restaurant in an existing restaurant venue	HK\$1.5 million	Group's internal funding (<i>Note</i>)
7	Chinese	Kowloon	By 30 September 2023	Opening a new restaurant in an existing restaurant venue	HK\$1.5 million	Group's internal funding (<i>Note</i>)
8	Southeast Asian	Hong Kong Island	By 30 September 2023	Opening a new restaurant in an existing restaurant venue	HK\$1.5 million	Group's internal funding (<i>Note</i>)

Note: Assuming further relaxation of dining and social distancing restrictions will be in place in Hong Kong and the Group will commence operation of the new restaurants, the Group anticipates that the monthly revenue and profit generated by the Group will gradually increase, which the Company will utilise to fund the opening of new restaurants.

As set out in the table above, in addition to its existing self-operated restaurants, the Group plans to open restaurants through different business models including but not limited to cooperation with third party restaurant operators and opening new restaurants in existing restaurant venues, in order to benefit from the expertise and resources of other operators. Of the eight new restaurants, five will cater Chinese cuisine to strengthen the Group's competitiveness in the full-service restaurant banquet market. The remaining three restaurants will offer other types of cuisines which can diversify the Group's operations in different market segments within the dining industry and attract new customers. Therefore, the Board believes that the latest plan for opening restaurants is aligned with the Group's ultimate objective to expand its restaurant network, geographic coverage and customer base, as disclosed in the Prospectus.

REASONS FOR THE REVISED ALLOCATION OF USE OF NET PROCEEDS

As disclosed in the Announcement, the Board resolved to reallocate approximately HK\$17.7 million from opening restaurants to general working capital of the Group.

As at 31 August 2022, the Company has available cash of approximately HK\$66 million, comprising time deposits of approximately HK\$11.1 million (exclusive of the unutilised Net Proceeds) and bank balance and cash of approximately HK\$55.0 million.

Based on the monthly operating cashflow analysis of the Company in respect of August 2022, the Company incurred operating expenses (including food costs, staff costs, rental and property related expenses and utilities) of approximately HK\$26.0 million, resulting in net cash outflow of approximately HK\$5.2 million. On this basis and the assumption that the current COVID-19 situation would remain prevalent for the rest of the financial year, the Directors anticipate that there will be a total net cash outflow of around HK\$36.2 million from 1 September 2022 to 31 March 2023 incurred in the form of operational expenses in the Company's usual course of business.

Under the present arrangement, the Board anticipates that there are other capital commitments totaling approximately HK\$32.0 million (including payment of unpaid salaries, trade payables and corporate expenses and settlement of bank loans) from 1 September 2022 to 31 March 2023.

On the other hand, in light of the Group's plan to open six new restaurants by 31 March 2023, the Company anticipates that the working capital need up to 31 March 2023 will be further increased by approximately HK\$14.7 million. The breakdown is tabled as follows.

Predicted working capital needs for opening restaurants between 1 September 2022 and 31 March 2023

HK\$'000

Food costs	1,800
Staff costs	5,400
Rental and other property related expenses	2,400
Renovation and maintenance costs	3,000
Marketing costs	1,500
Utilities, general administrative and other expenses	600
Total	14,700

Accordingly, the Board considers that an increase of allocation of the unused Net Proceeds to general working capital as disclosed in the Announcement would be more suitable to meet the current capital needs of the Group's current business operation and plan of opening restaurants, which in essence is in line with the Company's plan of opening restaurants as disclosed in the Prospectus, and thus provides greater flexibility in managing the Company's finances and cashflow.

CONCLUSION

In the circumstances, after considering the available working capital of the Group, the current business needs of the Group and the new business model of the Group in respect of opening restaurants, the Directors are of the view that the further change in use of the unutilised Net Proceeds as disclosed in the Announcement is fair and reasonable and would be most beneficial to the business development of the Group and is in the best interest 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, 23 November 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.