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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 2022

FINANCIAL HIGHLIGHTS

- Revenue was approximately HK\$294.1 million for the year ended 31 March 2022 (2021: approximately HK\$224.1 million), representing an increase of approximately 31.2%.
- Loss for the year ended 31 March 2022 was approximately HK\$32.0 million, as compared to loss for the year ended 31 March 2021 of approximately HK\$124.3 million.
- Basic loss per share was approximately HK2.8 cents for the year ended 31 March 2022, as compared to basic loss per share for the year ended 31 March 2021 of approximately HK11.6 cents.
- The Board does not recommend the payment of a final dividend for the year ended 31 March 2022.

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 2022, together with comparative figures for the year ended 31 March 2021 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 2022, 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

	<i>Notes</i>	Year ended 31 March	
		2022	2021
		HK\$'000	HK\$'000
Revenue	4	294,120	224,081
Other income	4	11,943	55,626
Other gains/(losses), net	5	10,530	(18,385)
Cost of inventories consumed		(73,864)	(57,521)
Staff costs	8	(108,029)	(92,628)
Property rentals and related expenses		(16,284)	(49,924)
Utilities expenses		(22,056)	(20,815)
Depreciation of property, plant and equipment		(15,972)	(26,047)
Depreciation of right-of-use assets		(69,343)	(87,646)
Other expenses	8	(34,492)	(37,032)
Finance costs	6	(8,486)	(13,662)
Loss before tax		(31,933)	(123,953)
Income tax expenses	7	(80)	(316)
Loss and total comprehensive expense for the year attributable to owners of the Company	8	(32,013)	(124,269)
Loss per share			
– Basic and diluted (HK cents)	10	(2.8)	(11.6)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 March	
	Notes	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Property, plant and equipment	11	21,352	45,106
Right-of-use assets	11	138,177	238,123
Deposit paid for acquisition of subsidiaries		13,000	13,000
Deposit placed for a life insurance policy		15,889	15,488
Rental deposits		30,680	38,139
Deferred tax assets		–	80
		219,098	349,936
Current assets			
Inventories		1,938	4,503
Trade and other receivables	12	13,371	31,172
Tax recoverable		2,006	2,898
Time deposit with maturity over three months		20,002	–
Bank balances and cash		80,180	147,501
		117,497	186,074
Current liabilities			
Trade and other payables	13	17,096	20,293
Contract liabilities		36,418	52,372
Bank borrowings	14	44,448	63,957
Lease liabilities		79,083	84,326
Provision for reinstatement costs		750	650
		177,795	221,598
Net current liabilities		(60,298)	(35,524)
Total assets less current liabilities		158,800	314,412
Non-current liabilities			
Lease liabilities		133,751	254,705
Other payables		1,202	1,261
Contract liabilities		–	670
Provision for reinstatement costs		5,080	6,996
		140,033	263,632
		18,767	50,780
Capital and reserves			
Share capital	15	11,500	11,500
Reserves		7,267	39,280
Equity attributable to owners of the Company		18,767	50,780

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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 and sale of food 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.

The Group incurred a net loss of approximately HK\$32,013,000 during the year ended 31 March 2022 and, as of the date, the Group’s current liabilities exceeded its current assets by approximately HK\$60,298,000.

The directors of the Company have reviewed the Group’s cash flow projections prepared by the management. The cash flow projections cover a period of twelve months from date of approval for issue of these consolidated financial statements. They are of the opinion that, taking into account the plans and measures as stated below, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from date of approval for issue of these consolidated financial statements. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above results, the consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent upon the success of the Group’s future operations, its ability to generate adequate cash flows in order to meet its obligations as and when fall due and its ability to refinance or restructure its borrowings such that the Group can meet its future working capital and financing requirements. Also, the directors of the Company are of the opinion that the Group will be able to finance its future financing requirements and working capital based on the following considerations:

1) **Financial support from ultimate controlling party**

Mr. Tam Kar Wai, the ultimate controlling party of the Company who have agreed to continuously provide financial support for the continuing operations of the Company so as to enable it to meet its liabilities when they fall due and carry on its business without a significant curtailment of operations in the twelve months from date of approval for issue of these consolidated financial statements.

2) **Cost control**

The Group is taking measures to tighten cost control with an aim to attain cash flow from operations.

Should the Group be unable to continue to operate as a going concern, it may be unable to realise its assets and discharge its liabilities in the normal course of business. Adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO HKFRSs

Amedments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by HKICPA for the first time, which are mandatorily effective for the current period for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	COVID-19-Related Rent Concessions
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “Committee”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions and Amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021

The Group has applied the Amendment to HKFRS 16 Covid-19-Related Rent Concessions for the first time and Amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021 in the current year. The amendments introduce a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions that occurred as a direct consequence of the Covid-19 pandemic that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 *Leases* (“HKFRS 16”) if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application has had no impact to the opening accumulated loss at 1 April 2021.

In addition, during the year, certain lessors agreed to waive/reduce lease payments on several leases in premises. The Group has derecognised the part of lease liabilities that have been extinguished using the discount rates originally applied to these leases respectively, resulting in a decrease in lease liabilities of HK\$8,908,000.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and related Amendments ²
Amendments to HKFRS 3	Reference to Conceptual Framework ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKFRS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, plant and Equipment: Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ¹

¹ Effective for annual periods beginning on or after 1 January 2022.

² Effective for annual periods beginning on or after 1 January 2023.

³ Effective for annual periods beginning on or after a date to be determined.

The Directors anticipate that the application of all new and amendments to HKFRSs will have no material impact on the results and the consolidated financial statements in the foreseeable future.

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 both years.

4. REVENUE AND OTHER INCOME

	Year ended 31 March	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Chinese restaurant operations (Note (a))	291,820	222,178
Sales of food (Note (a))	2,300	1,903
	<u>294,120</u>	<u>224,081</u>

	Year ended 31 March	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other income		
Government grants (Note (b))	5,174	44,088
Forfeiture of deposits received (Note (a))	2,960	3,339
Sponsorship income received from utility companies	1,896	3,242
Sundry income	975	1,941
Imputed interest income on rental deposits	421	2,097
Interest income from deposit placed for a life insurance policy	515	495
Bank interest income	2	424
	<u>11,943</u>	<u>55,626</u>

Notes:

- (a) Revenue derived from Chinese restaurant operations, sales of food and forfeiture of deposits received are from contract with customers and recognised at a point in time.
- (b) During the year ended 31 March 2022, the Group recognised the COVID-19-related subsidies of approximately HK\$174,000 (2021: HK\$nil), HK\$nil (2021: HK\$538,000) and HK\$5,000,000 (2021: HK\$43,550,000) related to SME Export Marketing Fund, Employment Support Scheme and Catering Business Subsidy Scheme, respectively, provided by the Government of Hong Kong Special Administrative Region under the Anti-Epidemic Fund.

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 GAINS/(LOSSES), NET

	Year ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
Impairment loss on right-of-use assets, net	(23,818)	(49,284)
Impairment loss on property, plant and equipment, net	(5,343)	(6,078)
Loss on disposal of property, plant and equipment, net	–	(3,839)
Written off of property, plant and equipment, net	(6,841)	–
Gain on termination of lease	4,936	36,170
Gain on lease modification	–	3,570
Gain on disposal of subsidiaries, net	41,596	1,072
Others	–	4
	<u>10,530</u>	<u>(18,385)</u>

6. FINANCE COSTS

	Year ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
Interest on lease liabilities	6,843	12,746
Interest on bank borrowings	1,609	868
Unwinding of discounting on provision for reinstatement costs	34	48
	<u>8,486</u>	<u>13,662</u>

7. INCOME TAX EXPENSES

	Year ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
Current income tax – Hong Kong:		
– Current year provision	–	96
– Under-provision in prior years	–	57
	<u>–</u>	<u>153</u>
Deferred tax	80	163
	<u>80</u>	<u>316</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years. For the year of assessment 2020/21 and 2021/22, 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.

No provision for Hong Kong profits tax has been made for the year ended 31 March 2022 as the Group has sufficient tax losses brought forward available to offset the current year’s estimated assessable profits.

8. LOSS FOR THE YEAR

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

	Year ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
Directors' remuneration	<u>12,561</u>	<u>7,829</u>
Other staff cost (excluding Directors' remuneration):		
Salaries, allowances and other benefits	93,070	81,839
Reversal of provision of long service payment	(27)	(421)
(Reversal of)/provision of unutilised annual leave	(613)	415
Retirement benefit scheme contributions	<u>3,038</u>	<u>2,966</u>
	<u>95,468</u>	<u>84,799</u>
Total staff costs	<u>108,029</u>	<u>92,628</u>
Covid-19 related rent concessions	(8,908)	–
Cleaning fee	9,320	8,393
Legal and professional fees	6,661	5,623
Insurances	1,475	3,902
Repair and maintenance	2,411	3,368
Consumables	2,434	2,510
Advertising and promotion	2,638	2,018
Bank charges	3,041	1,853
Auditor's remuneration	1,400	1,400
Premium and handling charges on a life insurance policy	261	228
Others	<u>4,851</u>	<u>7,737</u>
Total other expenses	<u>34,492</u>	<u>37,032</u>

9. DIVIDENDS

No dividend was paid or proposed by the Company during the years ended 31 March 2022 and 2021. 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	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company	<u>(32,013)</u>	<u>(124,269)</u>
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>1,150,000</u>	<u>1,072,739</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 2022, the Group acquired items of property, plant and equipment amounting to approximately HK\$4,402,000 (2021: HK\$11,881,000).

For the year ended 31 March 2022, additions to the right-of-use assets including capitalised lease payments, present value adjustment of refundable rental deposit and provision for reinstatement costs amounted to approximately HK\$11,136,000 (2021: HK\$95,157,000), due to new/renewal of leases of restaurants and warehouse.

Certain restaurants recorded loss during the year due to the economic downturn and COVID-19 pandemic and the operation may be continuously affected by the uncertainties from the COVID-19 pandemic. As a result, the management recognised a net impairment loss of approximately HK\$5,343,000 (2021: HK\$6,078,000) for certain property, plant and equipment and HK\$23,818,000 (2021: HK\$49,284,000) for certain right-of-use assets during the year ended 31 March 2022, which was estimated based on the recoverable amount of each individual restaurant cash generating unit.

The management reviewed the recoverable amount of the restaurants with reference to the valuation performed by an independent qualified professional valuer not connected to the Group. The recoverable amounts of each restaurant cash generating units are determined based on the value in-use calculation which uses cash flow projections based upon continued use of the assets approved by the Directors and a pre-tax discount rate range of 13.04% to 14.77% (2021: 12.28%).

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.

	As at 31 March	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	<u>40</u>	<u>271</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 recognised as at 31 March 2022 and 2021.

13. TRADE PAYABLES

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

	As at 31 March	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	<u>466</u>	<u>4,280</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.

14. BANK BORROWINGS

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

	As at 31 March	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	21,540	21,660
After one year but not exceeding two years	7,390	12,297
After two years but not exceeding five years	15,518	30,000
	<u>44,448</u>	<u>63,957</u>

Carrying amounts were carried as follows:

	As at 31 March	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest rate		
– Floating rate	14,448	23,957
– Fixed rate	30,000	40,000
	<u>44,448</u>	<u>63,957</u>

As at 31 March 2022, the bank borrowing carried floating interest rate of 1 month HIBOR plus 1% per annum (2021: 1 month HIBOR plus 1% per annum and Hong Kong Dollars Best Lending Rate minus 2% per annum) and other bank borrowings carried fixed rate of 2.75% (2021: 2.75%). The effective interest rate on the bank borrowings is 2.59% (2021: 1.20%) per annum during the year ended 31 March 2022.

As at 31 March 2022 and 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\$15,889,000 (2021: HK\$15,488,000) and guaranteed by a director of the Company.

15. SHARE CAPITAL

The share capital as at 31 March 2022 represented the share capital of the Company.

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022	5,000,000	50,000
Issued and fully paid:		
At 1 April 2020	1,000,000	10,000
Placing of new shares (Note)	150,000	1,500
At 31 March 2021, 1 April 2021 and 31 March 2022	1,150,000	11,500

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.

16. CAPITAL COMMITMENT

	As at 31 March	
	2022	2021
	HK\$'000	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

Business Review

The Group is a full-service restaurant group in Hong Kong offering Cantonese dining and banquet services including wedding banquet services. During the year ended 31 March 2022, the COVID-19 Pandemic (the “**Pandemic**”) in Hong Kong was under control in first three quarters. The Hong Kong Government had relaxed the control and prevention measures (the “**Measures**”) where the number of guests for dining and the number of banquet services were increased accordingly. However, following the outbreak of fifth wave Pandemic since January 2022, the Hong Kong Government tightened the Measures again which led to the temporary suspension of our restaurants and the performance of our restaurants in fourth quarter was greatly affected. For the year ended 31 March 2022, the turnover increased by approximately HK\$70.0 million, or 31.2%, to approximately HK\$294.1 million from approximately HK\$224.1 million for the year ended 31 March 2021.

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

	Year ended 31 March	
	2022	2021
Number of restaurants at the beginning of the year	11	18
Number of newly opened restaurant during the year	–	1
Number of closed restaurants during the year (<i>note (a)</i>)	(2)	(8)
Number of restaurants at the end of the year	9	11

Note:

(a) Details of restaurants closed during the Reporting Year are indicated as follows:

February 2022	Tuen Mun Restaurant
March 2022	Cheung Sha Wan Restaurant

As at 31 March 2022, the Group has seven Chinese full-service restaurants operating under the brand “Palace (煌府)”, 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 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 that more banquet services were provided by the Group.

Cost of food and beverages

The Group's cost of food and beverages increased by approximately 28.5%, from approximately HK\$57.5 million for the year ended 31 March 2021 to approximately HK\$73.9 million for the year ended 31 March 2022. The increase was in line with the increase in revenue during the year ended 31 March 2022. The cost of food and beverages as a percentage of revenue decreased from 25.7% for the year ended 31 March 2021 to approximately 25.1% for the year ended 31 March 2022 as ordering of food and beverages are closely related to opening days/hours of restaurants which was improved by the relaxation of social distancing measures imposed by the Hong Kong Government during the year.

Gross profit and gross profit margin

The Group's gross profit increased by approximately 32.2% from approximately HK\$166.6 million for the year ended 31 March 2021 to approximately HK\$220.2 million for the year ended 31 March 2022. The increase was in line with the increase in revenue during the year ended 31 March 2022. The gross profit margin increased from 74.3% for the year ended 31 March 2021 to 74.9% for the year ended 31 March 2022 mainly due to the relaxation of social distancing measures imposed by the Hong Kong Government that more banquet services were provided, which had a higher gross profit margin.

Staff costs

The Group's staff costs increased by approximately 16.6%, from approximately HK\$92.6 million for the year ended 31 March 2021 to approximately HK\$108.0 million for the year ended 31 March 2022. Such increase was mainly due to increase in headcount and employing more part-time employee for restaurants operations and banquet services as a result of the relaxation of social distancing measures imposed by the Hong Kong Government. The staff costs as a percentage of revenue decreased to 36.7% (2021: 41.3%). Such decrease was mainly due to a portion of staff remuneration being fixed in nature and therefore, if the Group's revenue increases, its weight towards the revenue will decrease.

Property rentals and related expenses

The Group's property rentals and related expenses decreased by approximately 67.3%, from approximately HK\$49.9 million for the year ended 31 March 2021 to approximately HK\$16.3 million for the year ended 31 March 2022. Such significant decrease was mainly attributable to the decrease in total number of restaurants in operation and the rent concessions offered by the landlords during the year ended 31 March 2022 when compared to last year.

Depreciation

The Group's depreciation of property, plant and equipment decreased to approximately HK\$16.0 million (2021: HK\$26.0 million) mainly due to recognition of impairment loss on property, plant and equipment in last year and the decrease in total number of restaurants in operation during the year ended 31 March 2022 when compared to last year.

The Group's depreciation of right-of-use assets decreased to approximately HK\$69.3 million (2021: HK\$87.6 million) mainly due to (a) the recognition of impairment loss on right-of-use assets in last year; (b) lease modification under the change in terms after negotiation the landlords in last year; and (c) the decrease in total number of restaurants in operation during the year ended 31 March 2022 when compared to last year.

Finance costs

Finance costs decreased to HK\$8.5 million for the year ended 31 March 2022 (2021: HK\$13.7 million) due to the lease modification under the change in terms after negotiation the landlords in last year.

Loss for the year

The loss for the year decreased by approximately HK\$92.3 million, from HK\$124.3 million for the year ended 31 March 2021 to HK\$32.0 million for the year ended 31 March 2022 mainly due to the combined effect of the factors discussed above.

SIGNIFICANT EVENTS

Change in shareholding structure

On 15 December 2021, Wonderful Cosmos Limited (the "**Offeror**"), Ms. Wai Ka Po ("**Ms. Wai**") and Ms. Lo Yung Yung ("**Ms. Lo**"), as purchasers, entered into a sale and purchase agreement (the "**SPA**") with Agile Valley Limited ("**Agile Valley**") (with Agile Valley being the then controlling shareholder of the Company) and Bright Firewood Limited ("**Bright Firewood**"), as vendors, pursuant to which the Offeror, Ms. Wai and Ms. Lo have conditionally agreed to acquire and the Vendors have conditionally agreed to sell a total of 685,000,000 shares (the "**Shares**") of the Company (the "**Sale Shares**"), representing approximately 59.57% of the then entire issued share capital of the Company. The consideration for the Sale Shares is HK\$157,550,000 (equivalent to HK\$0.23 per Sale Share). The completion of the SPA (the "**Completion**") took place immediately upon the signing of the SPA on 15 December 2021.

Immediately prior to the Completion, none of the Offeror and the offeror's concert parties (including Mr. Tam, Ms. Wai and Ms. Lo) (the "**the Offeror's Concert Parties**") owned, controlled or had direction over any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

Immediately upon the Completion, the Offeror and the Offeror's Concert Parties are in aggregate interested in a total of 685,000,000 Shares, representing approximately 59.57% of the total issued share capital of the Company.

Accordingly, immediately upon the Completion, the Offeror is required to make the mandatory unconditional cash offer (the “**Offer**”) for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and the Offeror’s Concert Parties) pursuant to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers. For further details, please refer to the joint announcement of the Company dated 16 December 2021.

Immediately before the Offer was made, the Offeror and the Offeror’s Concert Parties were in aggregate interested in 685,000,000 Shares, representing approximately 59.57% of the entire issued share capital of the Company.

Immediately after the close of the Offer, taking into account that there is no valid acceptance in respect of the Shares, the Offeror and the Offeror’s Concert Parties are interested in an aggregate of 685,000,000 Shares, representing approximately 59.57% of the entire issued share capital of the Company. For further details, please refer to the joint announcement of the Company dated 27 January 2022.

Change of directors, chairman of the board, company secretary, composition of the board committees and change of head office and principal place of business in Hong Kong

On 27 January 2022, the Board announced the following changes in the composition of the Board with effect from 4 p.m., 27 January 2022:

- (1) Ms. Chen Xiao Ping has resigned as an executive Director and one of the authorised representatives of the Company under Rule 3.05 of the Listing Rules;
- (2) Ms. Qian Chunlin has resigned as an executive Director;
- (3) Mr. Chan Shou Ming has ceased to act as the chairman of the Board;
- (4) Mr. Lee Wai Man has resigned as an independent non-executive Director and ceased to act as the chairman of the remuneration committee of the Company (the “**Remuneration Committee**”) and a member of each of the Audit Committee and the nomination committee (the “**Nomination Committee**”) of the Company;
- (5) Mr. Ng Kwok Tung has resigned as an independent non-executive Director and ceased to act as the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee;
- (6) Mr. Tsang Hung Kei has resigned as an independent non-executive Director and ceased to act as the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee;
- (7) Mr. Hu Zhi Xiong has been appointed as a non-executive Director and the chairman of the Board;
- (8) Mr. Tam Kar Wai has been appointed as an executive Director, a member of the Nomination Committee and one of the authorised representatives of the Company under Rule 3.05 of the Listing Rules;

- (9) Mr. Cheng Man Cheong has been appointed as an executive Director;
- (10) Mr. Wong Tat Keung has been appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee;
- (11) Mr. Wong Wai Ming has been appointed as an independent non-executive Director, the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee;
- (12) Mr. Tang Tsz Tung has been appointed as an independent non-executive Director, the chairman of the Nomination Committee and a member of each of the Audit Committee and Remuneration Committee;
- (13) Mr. Chan Yu Chi has resigned as the company secretary and one of the authorised representatives of the Company under Rule 3.05 of the Listing Rules;
- (14) Mr. Yu Tsz Ngo has been appointed as the company secretary and one of the authorised representatives of the Company under Rule 3.05 of the Listing Rules; and
- (15) The address of head office and principal place of business in Hong Kong of the Company will be changed to Flat 2203, 22/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wan Chai, Hong Kong.

Detailed information in relation to the above changes in the composition of the Board was set out in the Company's announcement dated 27 January 2022.

Change of auditor

On 30 March 2022, the Board announced that Shinewing (HK) CPA Limited (“**Shinewing**”) has resigned as the auditor of the Company with effect from 30 March 2022 and announced the appointment of HLB Hodgson Impey Cheng Limited as the new auditor of the Company to fill the casual vacancy following the resignation of Shinewing with effect from 30 March 2022. For further details, please refer to the announcement of the Company dated 30 March 2022.

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 2022, the Group's cash and cash equivalents (including time deposits with maturity over three months) were approximately HK\$100.2 million (2021: HK\$147.5 million). As at 31 March 2022, the Group's total current assets and current liabilities were approximately HK\$117.5 million (2021: HK\$186.1 million) and approximately HK\$177.8 million (2021: HK\$221.5 million), while the current ratio of the Group was approximately 0.7 times (2021: approximately 0.9 times). During the year, approximately HK\$4.4 million were incurred for acquiring property, plant and equipment for renovating existing restaurants (2021: HK\$11.9 million) and approximately HK\$29.5 million were used for repayment of bank borrowings (2021: HK\$20.8 million). Excluding the current lease liabilities, the net current assets was HK\$18.8 million (2021: HK\$48.8 million) and the current ratio as at 31 March 2022 was 1.2 times (2021: 1.4 times).

As at 31 March 2022, the Group's total borrowings amounted to approximately HK\$44.4 million (2021: HK\$64.0 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 and fixed interest rate of 2.5% per annum.

As at 31 March 2022, the Group's gearing ratio was approximately 236.8% (2021: 125.9%), which is calculated based on the interest-bearing debts divided by total equity attributable to owners of the Company as at 31 March 2022 and multiplied by 100%. The decrease in gearing ratio was due to the repayment of interest bearing borrowings during the year ended 31 March 2022. The high gearing ratio was mainly due to the loss incurred in recent years which resulted in a significant decrease in equity. 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 2022 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 2022, the Group did not have any material contingent liabilities.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 March 2022, the Group had approximately 137 employees (2021: 280 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 2022.

CHARGES ON GROUP'S ASSETS

As at 31 March 2022, the deposit placed for a life insurance policy amounting to approximately HK\$15.9 million (2021: HK\$15.5 million) was pledged to secure the Group's bank borrowings.

SIGNIFICANT INVESTMENTS

As at 31 March 2022, 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 2022 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.

As disclosed in the announcement of the Company dated 3 March 2021 (the “**Announcement**”), due to the outbreak of COVID-19 since January 2020, the catering industry in Hong Kong, especially for the Chinese restaurant, was adversely affected and the Board had resolved to change the use of the unused Net Proceeds. For further details, please refer to the Announcement.

An analysis of the utilisation of the Net Proceeds as at 31 March 2022 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 2022	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 2024
Renovation of existing restaurants	14.1%	13,063	–	–	–	
Promoting brands	5.0%	4,633	1,843	(1,245)	598	31 March 2024
Additional working capital, strategic investment and other general corporate purposes	4.8%	4,481	30,000	(30,000)	–	31 March 2023
	<u>100.0%</u>	<u>92,734</u>	<u>54,498</u>	<u>(31,245)</u>	<u>23,253</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 2022 (2021: Nil).

ANNUAL GENERAL MEETING

The annual general meeting (the “**AGM**”) of the Company will be held on Tuesday, 30 August 2022. 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 2022 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 Tuesday, 23 August 2022 to Tuesday, 30 August 2022, 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 Monday, 22 August 2022.

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 2022, 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 2022.

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 2022.

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 2022.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The Board has established the Audit Committee which comprises three independent non-executive Directors, namely Mr. Wong Tat Keung (Chairman), Mr. Wong Wai Ming and Mr. Tang Tsz Tung. 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 2022.

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 2022 as set out in the announcement have been agreed by the Company's auditor, HLB Hodgson Impey Cheng Limited (the "**Auditor**"), to the amounts set out in the Group's draft 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) and the Company (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
Hu Zhi Xiong
Chairman and non-executive Director

Hong Kong, 30 June 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, Mr. Chan Shou Ming 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.