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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)**

### **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; and (ii) the announcements of the Company dated 18 September 2020 and 6 October 2020 (the “**Announcements**”) in relation to the placing of 150,000,000 Shares at the placing price of HK\$0.25 per Share (the “**Placing**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus and the Announcements.

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

As disclosed in the Prospectus, the net proceeds from the Global Offering (the “**Net Proceeds**”) of approximately HK\$92.7 million was intended to be used for opening a total of eight restaurants, renovation of existing restaurants, promoting the Group’s brands and wedding banquet service and additional working capital, strategic investment and other general corporate purposes and the net proceeds from the Placing of approximately HK\$36.5 million was intended to be used for the general working capital of the Group.

As at the date of this announcement, the net proceeds from the Placing of approximately HK\$36.5 million was fully utilised as the general working capital to support the operation of the Group. The unused Net Proceeds amounted to approximately HK\$54,498,000. The Board has resolved to change the use of the unused Net Proceeds as follows:

Use of Net Proceeds	Allocation of Net Proceeds according to the Prospectus		Unused Net Proceeds as at the date of this announcement	Revised allocation of unused Net Proceeds		Estimated timeline for utilization of the unused Net Proceeds
	%	HK\$'000	HK\$'000	HK\$'000	%	
Opening restaurants ( <i>Note</i> )	54.6	70,557	52,655	22,655	41.6	31 March 2023
Renovation of existing restaurants	10.1	13,063	—	—	—	
Promoting brands	3.6	4,633	1,843	1,843	3.4	31 March 2022
Additional working capital, strategic investment and other general corporate purposes	31.7	4,481	—	30,000	55.0	30 June 2021
<b>Total</b>	<b>100.0</b>	<b>92,734</b>	<b>54,498</b>	<b>54,498</b>	<b>100.0</b>	

*Note:* The total numbers of opening restaurants will be changed from eight to four after revised allocation of unused Net Proceeds.

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

The Group is a full-service restaurant group in Hong Kong offering Cantonese dining service and banquet service, including wedding banquet service. Due to the outbreak of Coronavirus disease 2019 (“COVID-19”) since January 2020, the catering industry in Hong Kong, especially for the Chinese restaurant, was adversely affected. The Group has implemented various measures, such as negotiation with the landlords for rent reduction and concession and adjusting the operating hours of the restaurants and the Group’s staff roster, to control the operating costs.

However, the measures of social distancing and “no dine-in restriction” implemented by the government in response to the surge in local COVID-19 infection cases under the fourth wave of the COVID-19 since November 2020 further affected our business and no banquet can be held after 6 p.m.. Recently, the no dine-in restriction and social distancing is loosened since February 2021 but it still affects our normal banquet operations.

As at the date of this announcement, the Group has utilised approximately HK\$17.9 million of the Net Proceeds to open 2 new restaurants since the Listing. Under such ongoing uncertainties of the Chinese catering operation in Hong Kong, the Board is of the view that the current priority should be to focus on its existing operations and strengthen its position

in the market which would require more working capital to provide stronger support for the operations. Therefore, the Group plans to change the total numbers of opening restaurants from eight to four and the unused Net Proceeds is revised that approximately HK\$30.0 million will be allocated to the general working capital of the Group.

The Board is of the view that the use of proceeds should appropriately adjusted to better meet the current economic climate and is more beneficial to the Group's operational needs in combatting the challenges brought by COVID-19.

The Directors consider that the development direction of the Company is still focusing on the offering of Cantonese dining service and banquet service, 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. As disclosed in the interim report 2020/2021, in view of the ongoing uncertainties of the Chinese catering operation in Hong Kong, the Company will explore business opportunities beyond Hong Kong, including but not limited to those in mainland China. The Directors consider that the strategy is in the best interest of the Company and Shareholders as a whole and will not have any material adverse effect on the existing business and operations of the Group.

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**  
**Chan Shou Ming**  
*Chairman*

Hong Kong, 3 March 2021

*As at the date of this announcement, the executive directors of the Company are Mr. Chan Shou Ming, Ms. Chen Xiao Ping, Ms. Qian Chunlin and Mr. Tam Kar Wai; and the independent non-executive directors of the Company are Mr. Chan Koon Yuen Windaus, Mr. Ng Kwok Tung, Mr. Yue Ming Wai Bonaventure and Mr. Chan Chung Yin Victor.*