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## THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of the Offer, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in Palace Banquet Holdings Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or to the licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser(s).

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms of the Offer contained herein.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Composite Document and the Form of Acceptance, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the Form of Acceptance.

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婚室專門店

Wedding Banquet Specialist

**WONDERFUL COSMOS LIMITED**

*(Incorporated in the British Virgin Islands with limited liability)*

**PALACE BANQUET HOLDINGS LIMITED**

**首豐控股有限公司**

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

(Stock Code: 1703)

### COMPOSITE DOCUMENT AND RESPONSE DOCUMENT RELATING TO MANDATORY UNCONDITIONAL CASH OFFER BY CHINA TONGHAI SECURITIES LIMITED FOR AND ON BEHALF OF WONDERFUL COSMOS LIMITED TO ACQUIRE ALL THE ISSUED SHARES OF PALACE BANQUET HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY WONDERFUL COSMOS LIMITED AND THE PARTIES ACTING IN CONCERT WITH IT)

**Financial adviser to the Offerer**

**VEDA | CAPITAL**  
智略資本

**Offer Agent to the Offerer**



**Independent Financial Adviser to the Independent Board Committee**



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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from China Tonghai Securities containing, among other things, details of the terms of the Offer is set out on pages 7 to 17 of this Composite Document. A letter from the Board is set out on pages 18 to 23 of this Composite Document. A letter from the Independent Board Committee containing its advice on the Offer to the Independent Shareholders is set out on pages IBC-1 to IBC-3 of this Composite Document. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee, is set out on pages IFA-1 to IFA-27 of this Composite Document.

The procedures for acceptance and settlement of the Offer and other related information are set out on pages I-1 to I-9 in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptances of the Offer should be received by the Share Registrar by not later than 4:00 p.m. on Thursday, 27 January 2022 or such later time and/or the date as the Offeror may decide and announce in accordance with the requirements under the Takeovers Code.

Persons (including, without limitation, custodians, nominees and trustees) who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside Hong Kong, should read the details in this regard which are contained in the paragraph headed "Overseas Shareholders" of "Letter from China Tonghai Securities" of this Composite Document, before taking any action. It is the responsibility of each Overseas Shareholder wishing to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities, regulatory and/or legal requirements. Each Overseas Shareholder is advised to seek professional advice on deciding whether or not to accept the Offer.

The Composite Document will remain on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at <http://www.palace-rest.com>.hk as long as the Offer remains open.

6 January 2022

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## EXPECTED TIMETABLE

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*The timetable set out below is indicative only and may be subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company as and when appropriate. Unless otherwise specified, all the time and date references contained in this Composite Document and accompanying Form of Acceptance refer to Hong Kong time and dates.*

<b>Events</b>	<b>Hong Kong Date and Time</b>
Despatch date of this Composite Document and the accompanying Form of Acceptance ( <i>Note 1</i> ) . . . . .	Thursday, 6 January 2022
Offer opens for acceptance ( <i>Note 1</i> ) . . . . .	Thursday, 6 January 2022
Latest time and date for acceptance of the Offer ( <i>Notes 2 and 3</i> ) . . . . .	4:00 p.m. on Thursday, 27 January 2022
The Closing Date ( <i>Notes 2 and 5</i> ) . . . . .	Thursday, 27 January 2022
Announcement of the results of the Offer as at the Closing Date to be posted on the website of the Stock Exchange ( <i>Notes 2 and 5</i> ) . . . . .	no later than 7:00 p.m. on Thursday, 27 January 2022
Latest date for posting of remittances for the amounts due in respect of valid acceptances received under the Offer ( <i>Notes 4 and 5</i> ) . . . . .	Thursday, 10 February 2022

*Notes:*

1. The Offer, which is unconditional in all respects, is made on Thursday, 6 January 2022, the date of posting of this Composite Document, and is capable of acceptance on and from that date until 4:00 p.m. on the Closing Date. Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances as set out in the section headed “5. Right of withdrawal” in Appendix I to this Composite Document.
2. In accordance with the Takeovers Code, the Offer must initially be open for acceptance for at least 21 days following the date on which this Composite Document is posted. The Offer will be closed for acceptance on the Closing Date. The latest time and date for acceptance of the Offer will be at 4:00 p.m. on Thursday, 27 January 2022 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror and the Company will jointly issue an announcement through the websites of the Stock Exchange and the Company by no later than 7:00 p.m. on 27 January 2022, stating whether the Offer has been extended, revised or has closed for acceptance. In the event that the Offeror decides to extend or revise the Offer and the announcement does not specify the next closing date, at least 14 days’ notice by way of an announcement will be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer.

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## EXPECTED TIMETABLE

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3. Beneficial owners of the Offer Shares who hold their Offer Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (set out in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.
4. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty) payable in respect of acceptance of the Offer will be despatched to the accepting Shareholder(s) by ordinary post at their own risk as soon as possible, but in any event within seven Business Days following the date of receipt by the Registrar of the duly completed Form of Acceptance and all requisite documents to render the acceptance under the Offer complete and valid in accordance with the Takeovers Code.
5. If there is a tropical cyclone warning signal number 8 or above, or a "black rainstorm warning", or "extreme conditions" caused by super typhoons:
  - (i) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offer and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer will remain at 4:00 p.m. on the same Business Day and the posting of remittances will remain on the same Business Day; or
  - (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer or the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, as the case may be, will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m. or such other day as the Executive may approve in accordance with the Takeovers Code.

Save as mentioned above, if the latest time for acceptance of the Offer and the posting of remittances do not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will jointly notify the Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

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## **IMPORTANT NOTICE**

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### **NOTICE TO OVERSEAS INDEPENDENT SHAREHOLDERS**

The availability of the Offer to any Overseas Shareholders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Shareholders should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibilities of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders in respect of such jurisdictions).

None of the Offeror, the Offeror's Concert Parties, China Tonghai Securities, the Company, Veda Capital, the Independent Financial Adviser, the Registrar and, as the case may be, their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer shall accept responsibilities for any taxation effect on, or liabilities of, such persons as a result of their acceptance or rejection of the Offer. Please see the section headed "Overseas Shareholders" in the "Letter from China Tonghai Securities".

### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Composite Document contains forward-looking statements, which may be identified by words such as "believe", "expect", "anticipate", "intend", "plan", "seek", "estimate", "will", "would" or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. The forward-looking statements included herein are made only as at the Latest Practicable Date. The Offeror and the Company assume no obligation to correct or update the forward-looking statements or opinions contained in this Composite Document, except as required pursuant to applicable laws or regulations, including but not limited to the Listing Rules and/or the Takeovers Code.

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## DEFINITIONS

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*In this Composite Document, unless the context otherwise requires, the following expressions shall have the following meanings:*

“acting in concert”	has the meaning ascribed to it in the Takeovers Code
“Agile Valley”	Agile Valley Limited, being one of the Vendors, is a company incorporated in the British Virgin Islands with limited liability and is wholly owned by Mr. Chan Shou Ming, an executive Director. It held 662,500,000 Shares, representing approximately 57.61% of the entire issued share capital of the Company immediately prior to the Completion
“associate”	has the meaning ascribed thereto in the Takeovers Code
“Board”	the board of Directors
“Bright Firewood”	Bright Firewood Limited, being one of the Vendors, is a company incorporated in the British Virgin Islands with limited liability and is wholly owned by Ms. Chen Xiao Ping, an executive Director. It held 22,500,000 Shares, representing approximately 1.96% of the entire issued share capital of the Company immediately prior to the Completion
“Business Day(s)”	a day(s) on which the Stock Exchange is open for the transaction of business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“China Tonghai Securities”	China Tonghai Securities Limited, a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities, being the agent making the Offer on behalf of the Offeror

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## DEFINITIONS

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“Closing Date”	Thursday, 27 January 2022, being the closing date of the Offer, which is 21 calendar days after the posting of this Composite Document, or any subsequent closing date of the Offer as may be extended and jointly announced by the Company and the Offeror in accordance with the Takeovers Code
“Company”	Palace Banquet Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board (Stock code: 1703)
“Completion”	completion of the sale and purchase of the Sale Shares pursuant to the terms and conditions of the SPA, which took place on 15 December 2021
“Composite Document”	this composite offer document and response document jointly issued by the Offeror and the Company in accordance with the Takeovers Code containing, among other things, details of the Offer, the recommendation from the Independent Board Committee to the Independent Shareholders and the advice from the Independent Financial Adviser to the Independent Board Committee in respect of the Offer
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Consideration”	the consideration for the sale and purchase of the Sale Shares
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Executive”	means the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Form of Acceptance”	means the form of acceptance and transfer of the Offer Share(s) in respect of the Offer accompanying this Composite Document
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited

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## DEFINITIONS

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“HK\$” or “HK Dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, which has been established for the purpose of advising and giving a recommendation to the Independent Shareholders in respect of the Offer and in particular as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer
“Independent Financial Adviser”	Innovax Capital Limited, being the independent financial adviser to the Independent Board Committee in relation to the Offer, a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the terms of the Offer and as to its acceptance
“Independent Shareholder(s)”	Shareholder(s) other than the Offeror and the Offeror’s Concert Parties
“Joint Announcement”	the joint announcement of the Company and the Offeror dated 16 December 2021 regarding, among other things, the SPA and the Offer
“Last Trading Day”	14 December 2021, being the last trading day of the Shares before the publication of the Joint Announcement
“Latest Practicable Date”	3 January 2022, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the main board maintained and operated by the Stock Exchange



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## DEFINITIONS

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“Mr. Tam”	Mr. Tam Kar Wai, the sole shareholder and director of the Offeror, and an executive Director between July 2020 and March 2021
“Ms. Lo”	Ms. Lo Yung Yung, an individual Hong Kong citizen and a third party independent of and not connected with the Company or the Company’s connected persons
“Ms. Wai”	Ms. Wai Ka Po, an individual Hong Kong citizen and a third party independent of and not connected with the Company or the Company’s connected persons
“Offer”	the mandatory unconditional cash offer being made by China Tonghai Securities for and on behalf of the Offeror to acquire 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 Takeovers Code
“Offer Facility”	a loan facility of up to HK\$107,000,000 granted by China Tonghai Securities as lender to the Offeror as borrower, which is secured by a charge over the Offer Shares that may be acquired by the Offeror under the Offer
“Offer Price”	the price of HK\$0.23 per Offer Share payable by the Offeror to the Independent Shareholders for each Offer Share accepted under the Offer
“Offer Share(s)”	all the Share(s) in issue, other than those Shares already owned or agreed to be acquired by the Offeror and the Offeror’s Concert Parties
“Offeror”	Wonderful Cosmos Limited, an investment holding company incorporated in the British Virgin Islands with limited liability, which is wholly owned by Mr. Tam, being the offeror in relation to the Offer
“Offeror’s Concert Parties”	the parties acting in concert and presumed to be acting in concert with the Offeror, including but not limited to Mr. Tam, Ms. Wai and Ms. Lo, as determined in accordance with the Takeovers Code

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## DEFINITIONS

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“Overseas Shareholder(s)”	the Shareholder(s) whose address(es), as shown on the register of members of the Company, is/are outside Hong Kong
“PRC”	the People’s Republic of China, and for the purpose of this Composite Document, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Purchasers”	collectively, the Offeror, Ms. Wai and Ms. Lo
“Registrar”	Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company, being the agent to receive the Form of Acceptance under the Offer
“Relevant Period”	the period from 16 June 2021, being six months prior to 16 December 2021 (being the date of the Joint Announcement and commencement of the Offer Period), up to and including the Latest Practicable Date
“Sale Shares”	685,000,000 Shares sold by the Vendors and acquired by the Purchasers pursuant to the terms and conditions of the SPA, representing approximately 59.57% of the entire issued share capital of the Company as at the Latest Practicable Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“SPA”	the sale and purchase agreement dated 15 December 2021 entered into among Agile Valley and Bright Firewood, as vendors, and the Offeror, Ms. Wai and Ms. Lo, as purchasers, in relation to the sale and purchase of the Sale Shares
“Stock Exchange”	the Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Veda Capital”	Veda Capital Limited, the financial adviser of the Offeror in respect of the Offer, and is a licensed corporation under the SFO, licensed to carry out Type 6 (advising on corporate finance) regulated activity
“Vendors”	collectively, Agile Valley and Bright Firewood
“%”	per cent.

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## LETTER FROM CHINA TONGHAI SECURITIES

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**China Tonghai Securities Limited**  
18/F and 19/F, China Building  
29 Queen's Road Central  
Hong Kong

6 January 2022

*To the Independent Shareholders,*

Dear Sir/Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
CHINA TONGHAI SECURITIES LIMITED  
FOR AND ON BEHALF OF WONDERFUL COSMOS LIMITED  
TO ACQUIRE ALL OF THE ISSUED SHARES OF  
PALACE BANQUET HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED  
OR AGREED TO BE ACQUIRED BY WONDERFUL COSMOS LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

### **INTRODUCTION**

Reference is made to the Joint Announcement in relation to, among other things, the SPA and the Offer.

On 15 December 2021 (before trading hours of the Stock Exchange), the Offeror, Ms. Wai and Ms. Lo, as purchasers, entered into the SPA with Agile Valley (with Agile Valley being the then Controlling Shareholder of the Company) and 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 Sale Shares, representing approximately 59.57% of the entire issued share capital of the Company as at the Latest Practicable Date. The Consideration for the Sale Shares is HK\$157,550,000 (equivalent to HK\$0.23 per Sale Share).

The Completion took place immediately upon the signing of the SPA on 15 December 2021. Immediately following the Completion, each of the Vendors ceased to have any interest in the Shares.

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## LETTER FROM CHINA TONGHAI SECURITIES

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Immediately prior to Completion, the Offeror and the Offeror's Concert Parties had no interest in the Shares. Immediately after Completion and as at the Latest Practicable Date, the Offeror and the Offeror's Concert Parties (including Mr. Tam, Ms. Wai and Ms. Lo) were in aggregate interested in 685,000,000 Shares, representing approximately 59.57% of the total issued share capital of the Company as at the Latest Practicable Date. Accordingly, the Offeror is required to make the mandatory unconditional cash 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 Takeovers Code.

This letter forms part of the Composite Document which sets out, among other things, the principal terms of the Offer, together with the information on the Offeror and the Offeror's intentions regarding the Group. Further details of the terms of the Offer and procedures of acceptance and settlement are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

The Independent Shareholders are strongly advised to carefully consider the information contained in the sections headed "Letter from the Board", "Letter from the Independent Board Committee" and "Letter from the Independent Financial Adviser" as well as the appendices as set out in this Composite Document, and to consult their professional advisers if in doubt, before reaching a decision as to whether or not to accept the Offer.

### **MANDATORY UNCONDITIONAL CASH OFFER TO ACQUIRE THE OFFER SHARES**

#### **Principal terms of the Offer**

China Tonghai Securities, for and on behalf of the Offeror, is making the Offer to acquire all the Offer Shares on the terms set out in this Composite Document issued in accordance with the Takeovers Code on the following basis:

**For each Offer Share . . . . . HK\$0.23 in cash**

The Offer Price of HK\$0.23 per Offer Share is the same as the purchase price per Sale Share paid by the Purchasers under the SPA. The Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of Shares or other conditions.

The Offer Shares to be acquired under the Offer shall be fully paid and free from all encumbrances and together with all rights attaching thereto, including all rights to any dividends or other distributions declared, made or paid on or after the date on which the Offer is made, being the date of this Composite Document.

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## LETTER FROM CHINA TONGHAI SECURITIES

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The Company confirms that as at the Latest Practicable Date, (i) it had not declared any dividend, the record date of which falls on or after the date of despatch of this Composite Document, which is outstanding and not yet paid; and (ii) it did not have any intention to make, declare or pay any future dividend or make other distributions until the Closing Date.

### Comparison of value

The Offer Price of HK\$0.23 per Offer Share represents:

- (i) a discount of approximately 76.29% to the closing price of HK\$0.97 per Share quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 74.16% to the last trading price of HK\$0.89 per Share as quoted on the Stock Exchange on the Last Trading Day immediately before trading in the Shares was halted on 15 December 2021;
- (iii) a discount of approximately 74.16% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.89 per Share;
- (iv) a discount of approximately 73.86% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.88 per Share;
- (v) a discount of approximately 73.86% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last thirty (30) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.88 per Share;
- (vi) a premium of approximately 420.36% over the audited consolidated net asset value attributable to the Shareholders of approximately HK\$0.0442 per Share as at 31 March 2021, calculated based on the audited consolidated net assets attributable to the Shareholders of approximately HK\$50,780,000 as at 31 March 2021 and 1,150,000,000 Shares in issue as at the Latest Practicable Date; and
- (vii) a premium of approximately 724.37% over the unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$0.0279 per Share as at 30 September 2021, calculated based on the unaudited consolidated net assets attributable to the Shareholders of approximately HK\$32,096,000 as at 30 September 2021 and 1,150,000,000 Shares in issue as at the Latest Practicable Date.

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## LETTER FROM CHINA TONGHAI SECURITIES

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### Highest and lowest Share prices

During the Relevant Period:

- (i) the highest closing price of the Shares quoted on the Stock Exchange was HK\$0.97 per Share on 3 January 2022; and
- (ii) the lowest closing price of the Shares quoted on the Stock Exchange was HK\$0.71 per Share on 18, 22 and 29 June 2021 and 13 August 2021, respectively.

### Securities of the Company

As at the Latest Practicable Date, there were 1,150,000,000 Shares in issue, and the Company does not have any outstanding options, derivatives, warrants, relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants, relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) or securities which are convertible or exchangeable into Shares.

### Value of the Offer

As at the Latest Practicable Date, the Offeror and the Offeror's Concert Parties (including Mr. Tam, Ms. Wai and Ms. Lo) were in aggregate interested in 685,000,000 Shares, representing approximately 59.57% of the total issued share capital of the Company.

Save and except for the above, the Offeror and the Offeror's Concert Parties did not hold, own, control or have direction over any Shares or voting rights of the Company or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

On the basis of 1,150,000,000 Shares in issue as at the Latest Practicable Date, save for the 685,000,000 Sale Shares acquired under the SPA by the Purchasers and on the assumption that there is no change to the issued share capital of the Company up to the Closing Date, 465,000,000 issued Shares (representing the Shares not already owned by the Offeror and the Offeror's Concert Parties) will be subject to the Offer. Based on the Offer Price of HK\$0.23 per Offer Share, the entire issued share capital of the Company is valued at HK\$264,500,000, and on the basis of full acceptance of the Offer, the maximum cash consideration payable by the Offeror under the Offer would be HK\$106,950,000.

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## LETTER FROM CHINA TONGHAI SECURITIES

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### **Confirmation of financial resources available to the Offeror**

The Offeror would satisfy the consideration payable under the Offer by the Offer Facility. The Offeror has obtained the Offer Facility from China Tonghai Securities, which is secured by, among other things, all Offer Shares that may be acquired by the Offeror pursuant to the Offer. As at the Latest Practicable Date, China Tonghai Securities did not hold any securities of the Company.

The Offeror confirmed that the payment of the interest on, repayment of or security for any liability (contingent or otherwise) under the Offer Facility will not depend to any significant extent on the business of the Group.

Veda Capital, being the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the total consideration payable by the Offeror upon full acceptance of the Offer.

### **Effect of accepting the Offer**

By accepting the Offer, and such acceptance will also be deemed to constitute a warranty that, the Shareholders will sell their Shares to the Offeror free from all liens, claims, encumbrances and all third-party rights and with all rights attached thereto as at the date on which the Offer is made or subsequently becoming attached to them, including the right to receive all dividends declared, paid or made, if any, at any time on or after the date on which the Offer is made, being the date on which the Composite Document is posted.

The Company confirms that as at the Latest Practicable Date, (i) it had not declared any dividend, the record date of which falls on or after the date of despatch of this Composite Document, which is outstanding and not yet paid; and (ii) it did not have any intention to make, declare or pay any future dividend or make other distributions until the Closing Date.

Acceptance of the Offer would be irrevocable and would not be capable of being withdrawn, except as permitted under the Takeovers Code. Details of acceptance and withdrawal of the Offer are set out in the section headed “5. Right of Withdrawal” in Appendix I to this Composite Document.

**Independent Shareholders are reminded to read the recommendations of the Independent Board Committee and the advice of the Independent Financial Adviser in respect of the Offer which are included in this Composite Document.**



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## LETTER FROM CHINA TONGHAI SECURITIES

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### **Settlement**

Settlement of the considerations for the Offer Shares would be made in cash as soon as possible but in any event within seven (7) Business Days following the date on which the duly completed and signed Form of Acceptance of the Offer and the relevant documents of title are received by the Offeror (or its agent) to render each such acceptance complete and valid.

No fractions of a cent (HK\$) will be payable and the amount of the consideration payable to a Shareholder who accepts the Offer will be rounded up to the nearest cent (HK\$).

### **Hong Kong stamp duty**

In Hong Kong, seller's ad valorem stamp duty payable by the Shareholders who accept the Offer is calculated at a rate of 0.13% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is the higher, and will be deducted from the amount payable by the Offeror to such person on acceptance of the Offer. The Offeror will then pay the seller's ad valorem stamp duty on behalf of the relevant Shareholders accepting the Offer and will bear the buyer's ad valorem stamp duty in relation to the acceptance of the Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

### **Taxation advice**

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, the Offeror's Concert Parties, China Tonghai Securities, the Company, Veda Capital, the Independent Financial Adviser and, as the case may be, their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

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## LETTER FROM CHINA TONGHAI SECURITIES

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### Overseas Shareholders

The availability of the Offer to any Overseas Shareholders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Shareholders should fully observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibilities of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders in respect of such jurisdictions).

The attention of the Overseas Shareholders is drawn to Appendix I to this Composite Document.

**Acceptance of the Offer by any Overseas Shareholders will be deemed to constitute a representation and warranty from such Overseas Shareholders to the Offeror that all local laws and requirements have been complied with. The Overseas Shareholders should consult their professional advisers if in doubt.**

### Further terms of the Offer

Your attention is drawn to the further details of the Offer including, among other things, the procedures for acceptance, settlement, acceptance period and taxation matters as set out in Appendix I to this Composite Document and in the Form of Acceptance.

## INFORMATION ON THE PURCHASERS

### The Offeror

The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability. As at the Latest Practicable Date, the Offeror is wholly owned by Mr. Tam, who is also the sole director of the Offeror.

Mr. Tam, aged 60, has over 30 years of experience in commercial design and marketing in the catering industry. Mr. Tam was an executive Director from July 2020 to March 2021. Prior to joining the Company, he was the marketing director of Guangzhou Cai Lan Baodao Catering Management Co., Ltd.\* (廣州市蔡瀾寶島美食餐飲管理有限公司), a company principally engaged in the catering business in the PRC, from March 2015 to December 2018 and was subsequently promoted to become the president of brand management from January 2019 to September 2019.

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## LETTER FROM CHINA TONGHAI SECURITIES

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### **Ms. Wai, one of the Offeror's Concert Parties**

Ms. Wai, aged 69, has over 20 years of working experience in the banking industry. She is a retired individual and an active participant to primary and secondary market with respect to dealings in securities.

### **Ms. Lo, one of the Offeror's Concert Parties**

Ms. Lo, aged 39, has over 15 years of experience in the accounting and finance industries. Ms. Lo obtained a bachelor's degree of science in the faculties of Newark College of Arts and Sciences and the Rutgers Business School from Rutgers, the State University of New Jersey in 2006. She joined PricewaterhouseCoopers in New Jersey, United States of America in 2006. Ms. Lo had been a data analyst with Bloomberg L.P. in Hong Kong from 2007 to 2015. Ms. Lo has been the chief financial officer of Zhong Yang Financial Group since 2021.

### **PUBLIC FLOAT AND LISTING STATUS OF THE COMPANY**

The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the Closing Date.

The Stock Exchange has stated that if, upon closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25%, of the Shares are held by the public or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market, the Stock Exchange will consider exercising its discretion to suspend trading in the Shares until a level of sufficient public float is restored.

The sole director of the Offeror and the Directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

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## LETTER FROM CHINA TONGHAI SECURITIES

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### INTENTIONS OF THE OFFEROR

The Offeror is of the view that the acquisition of the Sale Shares represented an attractive investment as the Group has a well-established network and reputation in the catering and dining industry in Hong Kong. The intention of the Offeror is that the Company's existing principal activities will be maintained and the Offeror will assist the Company in reviewing its business and operations and seek for new opportunities to enhance and strengthen the business of the Group.

Accordingly, the Offeror will conduct a detailed review on the financial position and the operations of the Company and will formulate long-term business plans and strategies of the Company, explore other business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Company. As at the Latest Practicable Date, no investment or business opportunities has been identified nor have the Offeror entered into any agreement, arrangements, understandings or negotiation in relation to (i) the injection of any assets or business into the Group; or (ii) the disposal of any assets or business of the Group, other than those conducted by the Company in its ordinary course of business and/or those which are immaterial in nature.

The Offeror has no intention to introduce any major changes in the existing operations and business of the Group, including any redeployment of fixed assets other than those in its ordinary course of business. Save for the change(s) to the composition of the Board (details of which are disclosed in the paragraph headed "PROPOSED CHANGE TO THE BOARD COMPOSITION OF THE COMPANY" below), the Offeror has no plan to terminate the employment of any other employees or other personnel of the Group. However, the Offeror reserves the right and cannot rule out making any changes that it deems necessary or appropriate to the Group's businesses and operations to enhance the value of the Group. Should such corporate actions materialise, further announcement(s) will be made in accordance with the Listing Rules as and when appropriate.

### PROPOSED CHANGE TO THE BOARD COMPOSITION OF THE COMPANY

As at the Latest Practicable Date, the Board was made up of six Directors, comprising three executive Directors, being Mr. Chan Shou Ming, Ms. Chen Xiao Ping and Ms. Qian Chunlin, and three independent non-executive Directors, being Mr. Lee Wai Man, Mr. Ng Kwok Tung and Mr. Tsang Hung Kei.

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## LETTER FROM CHINA TONGHAI SECURITIES

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All Directors will resign with effect from a date which is no earlier than such date as permitted under Rule 7 of the Takeovers Code.

As at the Latest Practicable Date, the Offeror intends to nominate new directors to the Board and such appointments will not take effect earlier than the date of posting of this Composite Document or such other date as permitted under the Takeovers Code. As at the Latest Practicable Date, the Offeror is in the course of identifying additional candidates for the Board and has not reached any final decision as to who will be nominated and the final composition of the Board. Any changes to the Board will be made in compliance with the Takeovers Code, the Listing Rules and the articles of association of the Company, and a separate announcement will be made in this regard in accordance with the Listing Rules as and when appropriate.

Save for the change(s) to the composition of the Board as mentioned above, the Offeror has no intention to introduce any significant changes to the management of the Group, or to discontinue the employment of the employees, following the Closing Date.

### **COMPULSORY ACQUISITION**

The Offeror does not intend to exercise or apply any right which may be available to it to acquire compulsorily any Shares outstanding after the Closing Date.

### **GENERAL**

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions regarding the Offer.

All documents and remittances to be sent to the Independent Shareholders will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent to the Independent Shareholders at their respective addresses as they appear in the register of the members of the Company and in the case of joint Independent Shareholders, to such Independent Shareholder whose name appears first in the register of members of the Company, unless otherwise specified in the accompanying Forms of Acceptance completed, returned and received by the Registrar. The Offeror, the Offeror's Concert Parties, China Tonghai Securities, the Company, Veda Capital, the Independent Financial Adviser and, as the case may be, their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer will not be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof or in connection therewith.

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## LETTER FROM CHINA TONGHAI SECURITIES

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### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Composite Document and the accompanying Form of Acceptance, which form part of this Composite Document. You are reminded to carefully read the “Letter from the Board”, the “Letter from the Independent Board Committee”, the “Letter from the Independent Financial Adviser” and other information about the Group, which are set out in this Composite Document before deciding whether or not to accept the Offer.

Yours faithfully,  
For and on behalf of  
**China Tonghai Securities Limited**  
**WONG Stacey Martin**  
*Director*

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LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Chan Shou Ming (*Chairman*)  
Ms. Chen Xiao Ping (*Chief Executive Office*)  
Ms. Qian Chunlin

*Independent non-executive Directors:*

Mr. Lee Wai Man  
Mr. Ng Kwok Tung  
Mr. Tsang Hung Kei

*Registered office in the Cayman Islands:*

Cricket Square  
Hutchins Drive  
P. O. Box 2681  
Grand Cayman  
KY1-1111 Cayman Islands

*Headquarters and Principal Place of  
Business of Hong Kong:*

Unit 2, 14/F., Win Century Centre  
No. 2A Mong Kok Road  
Kowloon  
Hong Kong

6 January 2022

*To the Independent Shareholders,*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
CHINA TONGHAI SECURITIES LIMITED  
FOR AND ON BEHALF OF WONDERFUL COSMOS LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF  
PALACE BANQUET HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED  
OR AGREED TO BE ACQUIRED BY WONDERFUL COSMOS LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

**INTRODUCTION**

Reference is made to the Joint Announcement.

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## LETTER FROM THE BOARD

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As disclosed in the Joint Announcement, on 15 December 2021 (before trading hours), the Offeror, Ms. Wai and Ms. Lo, as purchasers entered into the SPA with Agile Valley and Bright Firewood, as vendors, pursuant to which the Offeror, Ms. Wai and Ms. Lo have conditionally agreed to acquire 685,000,000 Shares from the Vendors, representing approximately 59.57% of all the entire issued share capital of the Company as at the Latest Practicable Date, at a total consideration of HK\$157,550,000 (equivalent to HK\$0.23 per Sale Share). As disclosed in the Joint Announcement, the Completion took place immediately upon the signing of the SPA on 15 December 2021.

As mentioned in the “LETTER FROM CHINA TONGHAI SECURITIES” contained in this Composite Document, upon Completion and as at the Latest Practicable Date, the Offeror and the Offeror’s Concert Parties with it owned an aggregate 685,000,000 Shares (representing approximately 59.57% of the total issued share capital of the Company). Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory general offer in cash for all the issued Shares other than those already owned or agreed to be acquired by the Offeror and the Offeror’s Concert Parties.

This letter forms part of this Composite Document and set out, among other things, (i) information relating to the Group, the Offeror and the Offer; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the terms of the Offer and as to acceptance of the Offer; and (iii) the letter from the Independent Financial Adviser, containing its advice and recommendation to the Independent Board Committee in relation to the Offer.

Unless the context otherwise requires, terms defined in the Composite Document shall have the same meanings when used in this letter.

### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee, comprising all non-executive Directors, namely, Mr. Lee Wai Man, Mr. Ng Kwok Tung and Mr. Tsang Hung Kei, has been established to advise the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer. The above-named non-executive Directors have no direct or indirect interest or involvement in the Offer. It is considered appropriate for them to be members of the Independent Board Committee in this regard.

Innovax Capital Limited has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Offer, and in particular, as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer. The appointment of the Independent Financial Adviser has been approved by the Independent Board Committee.



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## LETTER FROM THE BOARD

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The full texts of the letter from the Independent Board Committee addressed to the Independent Shareholders and the letter from the Independent Financial Adviser addressed to the Independent Board Committee and the Independent Shareholders are set out in this Composite Document. You are advised to read both letters and the additional information contained in the appendices to this Composite Document carefully before taking any action in respect of the Offer.

### THE OFFER

As set out in the “LETTER FROM CHINA TONGHAI SECURITIES” contained in this Composite Document, the Offer is being made by China Tonghai Securities for and on behalf of the Offeror in compliance with the Takeovers Code on the following terms:

**For each Offer Share . . . . . HK\$0.23 in cash**

The Offer Price is the same as the purchase price per Sale Share paid by the Offeror under the SPA. The Offer is unconditional in all respects.

As at the Latest Practicable Date, the Company had 1,150,000,000 Shares in issue, and had no other outstanding securities, options, warrants or derivatives which are convertible into or which confer rights to require the issue of Shares and the Company had no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the Latest Practicable Date. Taking into account 685,000,000 Shares that are already owned or agreed to be acquired by the Purchasers, a total of 465,000,000 Shares will be subject to the Offer.

Please also refer to the “LETTER FROM CHINA TONGHAI SECURITIES” contained in Appendix I to this Composite Document and the accompanying Form of Acceptance for further information in relation to, among other things, the Offer and acceptance and settlement procedures of the Offer.

### INFORMATION ON THE GROUP

The Company was incorporated in the Cayman Islands with limited liability and the Shares are listed on the Main Board (stock code: 1703). The Company is an investment holding company and its subsidiaries are principally engaged in Chinese restaurant operation in Hong Kong. The Group is a full-service restaurant group in Hong Kong offering Cantonese dining and banquet services including wedding banquet services.

Your attention is drawn to Appendices II and IV to this Composite Document which contain further financial and general information of the Group.

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## LETTER FROM THE BOARD

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### SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) immediately before the Completion; (ii) immediately after the Completion as at the Latest Practicable Date:

Shareholders	Immediately before the Completion		Immediately after the Completion and as at the Latest Practicable Date	
	Number of Shares	Approximate %	Number of Shares	Approximate %
The Offeror and the Offeror's				
Concert Parties	–	–	685,000,000	59.57
– Offeror	–	–	586,500,000	51.00
– Ms. Wai	–	–	52,500,000	4.57
– Ms. Lo	–	–	46,000,000	4.00
Agile Valley <sup>(1)</sup>	662,500,000	57.61	–	–
Bright Firewood <sup>(2)</sup>	22,500,000	1.96	–	–
Public Shareholders	<u>465,000,000</u>	<u>40.43</u>	<u>465,000,000</u>	<u>40.43</u>
 Total	 <u><u>1,150,000,000</u></u>	 <u><u>100.00</u></u>	 <u><u>1,150,000,000</u></u>	 <u><u>100.00</u></u>

*Notes:*

- Agile Valley is 100% owned by Mr. Chan Shou Ming, an executive Director and the chairman of the Board, and he is deemed, or taken to be, interested in all the Shares held by Agile Valley by virtue of Part XV of the SFO.
- Bright Firewood is 100% owned by Ms. Chen Xiao Ping, an executive Director, and she is deemed, or taken to be, interested in all the Shares held by Bright Firewood by virtue of Part XV of the SFO.
- Certain percentage figures included in this table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

### INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed “INFORMATION ON THE PURCHASERS” in the “LETTER FROM CHINA TONGHAI SECURITIES” contained in this Composite Document.

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## LETTER FROM THE BOARD

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### INTENTION OF THE OFFEROR

Please refer to the section headed “INTENTIONS OF THE OFFEROR” in the “LETTER FROM CHINA TONGHAI SECURITIES” contained in this Composite Document for details regarding Offeror’s intention on the business of the Group. The Board is pleased to learn that the Offeror intends to maintain existing principal businesses of the Group and that the Offeror has no intention to terminate the employment of any employees of the Group (except for the proposed change to the Board as set out in the section headed “PROPOSED CHANGE TO THE BOARD COMPOSITION OF THE COMPANY” in the “LETTER FROM CHINA TONGHAI SECURITIES” contained in this Composite Document) or redeploy the fixed assets of the Group other than those in its ordinary and usual course of business.

### PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25%, of the issued Shares are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

As stated in the “LETTER FROM CHINA TONGHAI SECURITIES” contained in this Composite Document, the Offeror intends the Company to remain listed on the Stock Exchange. The existing Director(s) and the sole director of the Offeror have jointly and severally undertaken and the new Directors to be appointed to the Board will jointly and severally undertake, to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Company’s Shares. The Company and the Offeror will issue a separate announcement as and when necessary in this regard.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

Your attention is drawn to (i) the “LETTER FROM THE INDEPENDENT BOARD COMMITTEE” as set out on pages IBC-1 to IBC-3 of this Composite Document, which contains its recommendation to the Independent Shareholders in respect of the Offer, and (ii) the “LETTER FROM THE INDEPENDENT FINANCIAL ADVISER” as set out on pages IFA-1 to IFA-27 of this Composite Document, which contains, among other things, its advice to the Independent Board Committee and the Independent Shareholders in relation to the Offer and the principal factors considered by it before arriving at its recommendation.

### ADDITIONAL INFORMATION

Your attention is also drawn to the “LETTER FROM CHINA TONGHAI SECURITIES” and the additional information contained in the appendices to this Composite Document.

Yours faithfully,  
By order of the Board  
**Palace Banquet Holdings Limited**  
**Chan Shou Ming**  
*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of a letter from the Independent Board Committee to the Independent Shareholders in respect of the Offer for inclusion in this Composite Document.*



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)**

6 January 2022

*To the Independent Shareholders,*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
CHINA TONGHAI SECURITIES LIMITED  
FOR AND ON BEHALF OF WONDERFUL COSMOS LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF  
PALACE BANQUET HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED  
OR AGREED TO BE ACQUIRED BY WONDERFUL COSMOS LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

### **INTRODUCTION**

We refer to the Composite Document issued jointly by the Offeror and the Company dated 6 January 2022 of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meaning as those defined in the Composite Document.

We have been appointed by the Board to form the Independent Board Committee to consider and to advise the Independent Shareholders as to whether or not the terms of the Offer is fair and reasonable and to make a recommendation as to the acceptance of the Offer.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Innovax Capital Limited has been appointed as the Independent Financial Adviser to advise us in respect of the above. The appointment of the Independent Financial Adviser has been approved by us. Detail of its advice and the principal factors and reasons taken into consideration in arriving at its recommendation are set out in the “LETTER FROM THE INDEPENDENT FINANCIAL ADVISER” on pages IFA-1 to IFA-27 of the Composite Document.

We also wish to draw your attention to the “LETTER FROM CHINA TONGHAI SECURITIES” and the “LETTER FROM THE BOARD” as set out in the Composite Document as well as the additional information set out in the appendices to the Composite Document.

We, being the members of the Independent Board Committee, have declared that, we are independent and do not have any conflict of interest in respect of the Offer and are therefore able to consider the terms of the Offer and to make recommendations to the Independent Shareholders.

### RECOMMENDATIONS

Having considered the terms of the Offer and the advice from the Independent Financial Adviser, in particular the factors, reasons and recommendations as set out in its letter in the Composite Document, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Offer. The Independent Shareholders are recommended to read the full text of the “LETTER FROM THE INDEPENDENT FINANCIAL ADVISER” as set out in the Composite Document.

However, for those Independent Shareholders who are considering to realise all or part of their holdings in the Shares, they should closely monitor the market price and liquidity of the Shares during the period of the Offer. Should the market price of the Shares exceed the Offer Price during the period of the Offer, and the sale proceeds (net of transaction costs) exceed the net proceeds receivable under the Offer, the Independent Shareholders may wish to consider selling their Shares in the market instead of accepting the Offer.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Notwithstanding our recommendations, the Independent Shareholders are strongly advised that their decision to realise or to hold their investment in the Shares depends on their own individual circumstances and investment objectives. If in any doubt, the Independent Shareholders should consult their own professional advisers for professional advice.

Yours faithfully,  
For and on behalf of the  
**Independent Board Committee**

**Mr. Lee Wai Man**  
*Independent*  
*non-executive Director*

**Mr. Ng Kwok Tung**  
*Independent*  
*non-executive Director*

**Mr. Tsang Hung Kei**  
*Independent*  
*non-executive Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Set out below is a letter of advice from the Independent Financial Adviser, Innovax Capital Limited, to the Independent Board Committee, which has been prepared for the purpose of inclusion in this Composite Document.*



**Innovax Capital Limited**  
Room 2002, 20/F,  
Chinachem Century Tower,  
178 Gloucester Road,  
Wan Chai, Hong Kong

6 January 2022

*To: Independent Board Committee*

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
CHINA TONGHAI SECURITIES LIMITED  
FOR AND ON BEHALF OF WONDERFUL COSMOS LIMITED  
TO ACQUIRE ALL OF THE ISSUED SHARES OF  
PALACE BANQUET HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED  
OR AGREED TO BE ACQUIRED BY WONDERFUL COSMOS LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer, details of which are set out in the Composite Document dated 6 January 2022 jointly issued by the Company and the Offeror, of which this letter forms part. Terms used herein shall have the same meanings as defined in the Composite Document unless the context otherwise requires.

On 15 December 2021 (before trading hours of the Stock Exchange), the Offeror, Ms. Wai and Ms. Lo, as purchasers, entered into the SPA with Agile Valley (with Agile Valley being the then Controlling Shareholder of the Company) and 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 Sale Shares, representing approximately 59.57% of the entire issued share capital of the Company as at the Latest Practicable Date. The Consideration for the Sale Shares is HK\$157,550,000 (equivalent to HK\$0.23 per Sale Share). The Completion took place immediately upon the signing of the SPA on 15 December 2021. Immediately following the Completion, each of the Vendors ceased to have any interest in the Shares.



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## **LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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Immediately prior to the Completion, none of the Offeror and 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 after Completion and as at Latest Practicable Date, the Offeror and the Offeror's Concert Parties (including Mr. Tam, Ms. Wai and Ms. Lo) were in aggregate interested in a total of 685,000,000 Shares, representing approximately 59.57% of the total issued share capital of the Company as at the Latest Practicable Date.

Accordingly, immediately upon the Completion, the Offeror is required to make the mandatory unconditional cash 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 Takeovers Code.

### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee, comprising all the independent non-executive Directors (namely, Mr. Lee Wai Man, Mr. Ng Kwok Tung and Mr. Tsang Hung Kei) who have no direct or indirect interest in the Offer, has been constituted to give a recommendation to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

We, Innovax Capital Limited, have been appointed as the independent financial advisor to the Independent Board Committee and the Independent Shareholders in respect of the Offer, and in particular, as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer. The appointment of the Independent Financial Adviser has been approved by the Independent Board Committee.

### **INDEPENDENCE**

As at the Latest Practicable Date, we are not associated or connected with the Group or the Offeror, their respective substantial or controlling shareholders or any party acting, or presumed to be acting, in concert with any of them. During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, save for this appointment as the Independent Financial Adviser in respect of the Offer, there were no other engagements between Innovax Capital Limited and the Group or the Offeror or the parties acting in concert with it and us. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Group or the Offeror, their respective substantial or controlling shareholders or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are considered eligible to give independent advice in respect of the Offer.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee, we have reviewed, amongst others, the Joint Announcement, the annual reports of the Company for the years ended 31 March 2020 and 2021 and the interim report of the Company for the six months ended 30 September 2021 (the “**2020 Annual Report**”, the “**2021 Annual Report**”, the “**2021/2022 Interim Report**”, respectively). We have also discussed with and reviewed the information provided by the management of the Group (the “**Management**”) regarding the business and outlook of the Group.

We have relied on the statements, information, opinions and representations contained or referred to in the Composite Document and the information and representations as provided to us by the Directors and the Offeror (where applicable). We have assumed that all information and representations that have been provided by the Directors and the Offeror (where applicable), for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and the Offeror (where applicable) in the Composite Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Composite Document, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors and the Offeror (where applicable), which have been provided to us. Our opinion is based on the Directors’ and the Offeror’s representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Offer. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules and Rule 2 of the Takeovers Code.

Your attention is drawn to the responsibility statements as set out in the sections headed “RESPONSIBILITY STATEMENT” of Appendix III and Appendix IV to the Composite Document. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Composite Document, save and except for this letter of advice.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Offeror, or their respective subsidiaries or associates (if applicable), nor have we considered the taxation implication on the Group or the Shareholders resulting from his or her acceptance or non-acceptance of the Offer. In particular, the Independent Shareholders who are resident overseas or subject to overseas taxation or Hong Kong taxation on securities dealing should consider that their own tax position and, if in any doubt, should consult their own professional advisers.

We have assumed that the Offer will be consummated in accordance with the terms and conditions set forth in the Composite Document without any waiver, amendment, addition or delay of any terms or conditions. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Innovax Capital Limited to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

### PRINCIPAL TERMS OF THE OFFER

In accordance with the Takeovers Code, China Tonghai Securities, for and on behalf of the Offeror, is making the mandatory unconditional cash 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), on the following basis:

For each Offer Share	HK\$0.23 in cash
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The Offer Price of HK\$0.23 per Offer Share is the same as the purchase price per Sale Share paid by the Purchasers under the SPA. The Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of Shares or other conditions. The Offer is extended to all the Independent Shareholders in accordance with the Takeovers Code.

Save for the 685,000,000 Sale Shares acquired under the SPA by the Purchasers and with 1,150,000,000 Shares in issue as at the Latest Practicable Date, 465,000,000 Shares are subject to the Offer.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Based on the Offer Price of HK\$0.23 per Offer Share, the entire issued share capital of the Company is valued at HK\$264,500,000, and on the basis of full acceptance of the Offer, the maximum cash consideration payable by the Offeror under the Offer would be HK\$106,950,000.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

#### 1 Background information of the Group

##### 1.1 Principal activities

The Company was incorporated in the Cayman Islands with limited liability and the Shares are listed on the Main Board (stock code: 1703). The Company is an investment holding company and its subsidiaries are principally engaged in Chinese restaurant operation in Hong Kong. The Group is a full-service restaurant group in Hong Kong offering Cantonese dining and banquet services including wedding banquet services.

As at 31 March 2019, 2020 and 2021, the Group operated a total of 19, 18 and 11 restaurants mainly under the two brand names “Palace (煌府)” and “Royal Courtyard (煌苑)”.

##### 1.2 Historical Financial information of the Group

Set out below is a summary of the consolidated financial information of the Group for the three financial years ended 31 March 2019, 2020 and 2021 (“FY2019”, “FY2020” and “FY2021”, respectively) and for the six months ended 30 September 2020 and 2021 (“1H2020/2021” and “1H2021/2022”, respectively) as extracted from the annual report of the Company for FY 2020 (the “2020 Annual Report”) and FY 2021 (the “2021 Annual Report”) and the interim report of the Company 1H2021/2022 (the “2021/2022 Interim Report”):

	Year ended 31 March			Six months ended	
	2019	2020	2021	30 September 2020	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	848,567	650,801	224,081	105,090	156,011
Profit/(Loss) before tax	50,703	(106,338)	(123,953)	(57,199)	(18,684)
Profit/(Loss) for the year/ period	37,749	(112,371)	(124,269)	(57,295)	(18,684)

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Comparison between FY2020 and FY2019*

The Group recorded revenue of approximately HK\$650.8 million for FY2020, which represented a decrease of 23.3% as compared to that for FY2019. According to the 2020 Annual Report, such decrease was mainly due to the decrease in revenue from comparable restaurants sale which have been operating throughout the year/period under comparison by approximately 29.8% as a result of (i) social events in Hong Kong since late June 2019; and (ii) the outbreak of COVID-19 in the peak season for the Group's banquet services, both of which adversely affected customer's sentiment in dining out, hosting and/or attending banquet. Therefore, the average spending per customer of comparable restaurants decreased from HK\$130 for FY2019 to HK\$119 for FY2020.

The Group recorded net loss for the year of approximately HK\$112.4 million for FY2020 as compared to net profit for the year of approximately HK\$37.7 million for FY2019. Such net loss was mainly due to (i) a decrease in revenue as mentioned above; (ii) increase in depreciation of property, plant and equipment and financial cost after initial adoption of HKFRS 16 and (iii) impairment loss of property, plant and equipment and right-of-use assets as certain restaurants were making loss during the year due to the economic downturn and the outbreak of COVID-19.

### *Comparison between FY2021 and FY2020*

The Group recorded revenue of approximately HK\$224.1 million for FY2021, which represented a significant decrease of 65.6% as compared to that for FY2020. According to the 2021 Annual Report, such significant decrease was mainly due to the anti-pandemic measures imposed by the government to contain the spread of COVID-19 which limited the seating capacity and operating hours of restaurant in Hong Kong. Furthermore, the Group temporarily suspended operation of their restaurants after the prohibition of offering dine-in service after 6 p.m. and closed down or sold out various underperforming restaurants during the year.

Net loss for the year further worsened from approximately HK\$112.4 million for FY2020 to approximately HK\$124.3 million for FY2021. Such increase was mainly due to (i) significant decrease in revenue as mentioned above; and partially offset by (ii) decrease in cost of good and beverage which was in line with the decrease in revenue; and (iii) decrease in staff cost as a result of temporary suspension of restaurant operations and banquet services and the closing down of restaurants during FY2021.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Comparison between 1H2021/2022 and 1H2020/2021*

The Group recorded revenue of approximately HK\$156.0 million for 1H2021/2022, which represented a significant increase of 48.4% as compared to that for 1H2020/2021. According to the 2021/2022 Interim Report, such increase was mainly due to the relaxation of social distancing measures imposed by the Hong Kong government during the first half of 2021 and hence, the number of guests for dining and banquet services increased.

Net loss for the period decreased from approximately HK\$57.3 million for 1H2020/2021 to approximately HK\$18.7 million for 1H2021/2022. Such decrease was mainly due to (i) significant increase in revenue as mentioned above; and (ii) decrease in property rentals and related expenses mainly as a result of the decrease in number of restaurants in operation when compared to 1H2020/2021.

### *Financial Position*

Set out below is a summary of the consolidated statement of financial position of the Group as at 31 March 2019, 2020 and 2021 and 30 September 2021 as extracted from the 2020 Annual Report, 2021 Annual Report and 2021/2022 Interim Report:

	As at 31 March		As at 30 September	
	2019	2020	2021	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)	(unaudited)
Non-current assets	150,148	582,225	336,936	295,544
Current assets	289,412	183,669	199,074	192,203
Current liabilities	158,422	238,538	221,598	224,047
Non-current liabilities	30,468	389,057	263,632	231,604
Net current assets/(liabilities)	130,990	(54,869)	(22,524)	(31,844)
Net assets	250,670	138,299	50,780	32,096
Equity attributable to owners				
of the Company	250,670	138,299	50,780	32,096
Gearing ratio (%) <sup>(Note 1)</sup>	22.9	32.4	125.9	211.2
Current ratio (times) <sup>(Note 2)</sup>	1.8	0.8	0.9	0.9

*Notes:*

1. Gearing ratio equals to interest-bearing debts divided by total equity attributable to owners of the Company as at the year end/period.
2. Current ratio equals to current assets divided by current liabilities as at the year end/period.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Group's overall financial position has deteriorated significantly as a result of net losses recorded since FY2020. Net assets of the Group decreased significantly from approximately HK\$250.7 million as at 31 March 2019 to approximately HK\$138.3 million as at 31 March 2020, and further to approximately HK\$50.8 million at 31 March 2021, primarily as a result of (i) the net losses for the year of approximately HK\$112.4 million in FY2020 and approximately HK\$124.3 million in FY2021, respectively; and net-off by (ii) the completion of a fund-raising exercise (the "**Placing**") in October 2020 to issue 150,000,000 new Shares to independent third parties (details of which are set out in the announcements of the Company dated 18 September 2020 and 6 October 2020) which raised net proceeds of approximately HK\$36.8 million. Net assets of the Group further decreased to HK\$32.1 million as at 30 September 2021, as a result of the net loss for the period of approximately HK\$18.7 million in 1H2021/2022.

The Group was in a net current assets position of approximately HK\$131.0 million as at 31 March 2019, but turned into a net current liabilities position of approximately HK\$54.9 million as at 31 March 2020, mainly due to (i) the increase in lease liabilities of approximately HK\$123.8 million as a result of the impact on adoption of HKFRS 16; and (ii) the significant decrease in bank balances and cash of approximately HK\$123.5 million. Net current liabilities decreased to approximately HK\$22.5 million as at 31 March 2021, mainly due to the decrease in lease liabilities of approximately HK\$39.5 million. Net current liabilities of the Group then remained relatively stable at as approximately HK\$31.8 million as at 30 September 2021. The net current liabilities as at 31 March 2020 and 2021 and 30 September 2021 indicated that the Group may not have sufficient working capital to cover its short-term liabilities, particularly considering its persistent loss making conditions. Therefore, if the Group's financial performance continues to deteriorate, there is an imminent need for working capital to support the Group's restaurant operation.

In view of such deteriorating financial position, the Group took out more borrowings to increase working capital for their business operation. Together with the decrease in equity attributable to owners of the Company due to the continued loss making conditions, the Group's gearing ratio increased significantly over FY2020, FY2021 and 1H2021/2022 from approximately 22.9% as at 31 March 2019 and approximately 32.4% as at 31 March 2020, to approximately 125.9% as at 31 March 2021, and further to 211.2% as at 30 September 2021.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Group's current ratio was relatively stable at 0.8 times, 0.9 times and 0.9 times as at 31 March 2020 and 2021 and 30 September 2021, respectively, despite that the Group's overall financial position has deteriorated. The current ratio of the Group decreased from 1.8 times as at 31 March 2019 to 0.8 times as at 31 March 2020 which primarily due to decrease in bank balances and cash and increase in lease liabilities after the adoption of HKFRS 16.

### *Analysis*

As demonstrated above, the Group's overall financial performance and financial position have deteriorated significantly, as demonstrated by (i) the Group's persistent loss making conditions for the two consecutive full financial years of FY2020, FY2021 and also in the latest interim period of 1H2021/2022; (ii) the Group's net current liabilities position as at 31 March 2020, 2021 and 30 September 2021; (iii) the significant decrease in the Group's net assets positions, recording a historic low of approximately HK\$32.1 million as at 30 September 2021 since listing in spite of the funds raised from the completion of Placing; and (iv) the Group's increasing financial leverage, as demonstrated by the gearing ratio, which has been going up during FY2020, FY2021 and 1H2021/2022. If the Group continues to record net loss in the coming financial years, the Group will need to consider other fund raising activities in the near future in order to meet its working capital requirement to support the Group's operation.

### **1.3 Historical dividend payout**

The Company has adopted a dividend policy and the declaration and recommendation of dividends are subject to the decision of the Board after considering the Company's ability to pay dividends, subject to Shareholders' approval were applicable. As originally stated in the Prospectus, the Board recommend dividends of approximately 30.0% of the profit and total comprehensive income after tax available for distribution of the Group to the Shareholders in the coming financial years. However, having assessed the cash flows and working capital required in the current challenging business environment, there has not been any dividend and distribution declared by the Company over the past three years ended 31 March 2021 and up to the Latest Practicable Date.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Company confirms that as at the Latest Practicable Date, (i) it had not declared any dividend, the record date of which falls on or after the date of despatch of this Composite Document, which is outstanding and not yet paid; and (ii) it did not have any intention to make, declare or pay any future dividend or make other distributions until the Closing Date.

Under such challenging environment, we doubt if there will be any dividends to be distributed by the Company in the foreseeable future, which makes the investment in the Shares less attractive, in particular, for those who are after dividend income from their investment.

### ***1.4 Business prospects of the Group***

All the revenue of the Group was generated from Hong Kong. Therefore, the results of operations are heavily depending on the Hong Kong economy. The economic growth of Hong Kong was hit by the wave of COVID-19 outbreak in the early 2020 in particular after the implementation of a series of anti-pandemic and social-distancing measures since the first quarter of 2020 which disrupted consumption-related activities. The economy measured by real gross domestic products contracted by 6.1% in 2020 as compared to the prior year. The unemployment rate rose from 2.9% in 2019 to 5.8% in 2020. Slowdown in social activities and high unemployment rate dampened consumer sentiment. Domestic demand as reflected in private consumption expenditure contracted by 9.9% in 2020.

With reference to the restaurant receipts published by the Census and Statistics Department of Hong Kong, the value of total receipts of the restaurants sector decreased by 29.4% from approximately HK\$112.4 billion in 2019 to approximately HK\$79.3 billion in 2020. Analysed by type of restaurant, total receipts of Chinese restaurants decreased from approximately HK\$46.9 billion in 2019 to approximately HK\$29.0 billion in 2020, represented a decrease of approximately 38.2%

As disclosed in the 2020 Annual Report and 2021 Annual Report, the outbreak of COVID-19 led to (i) most of the non-wedding banquet service of the Group booked in February and March in 2020 were either cancelled or deferred to a later period; (ii) the Group temporarily closed its restaurants to reduce net loss and (iii) the Group closed down/sold out various underperforming restaurants. Due to this adverse business environment, it was the first time since the financial year of 2016 that the Group reported loss for FY2020.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As the COVID-19 has been put under control in Hong Kong, the economy began to show signs of recovery as the Hong Kong government relaxed some of the social distancing measures. The launch of consumption voucher scheme by the Hong Kong government in second half of 2021 also contributed positively to the catering industry. The value of total receipts of the restaurants sector in third quarter of 2021 represented a year-on-year increase of 43.8%, in particular the total receipts of Chinese restaurants increased by 61.6% in third quarter of 2021 as compared with the corresponding period last year. However, the total receipts of restaurants sector and Chinese restaurants in the first nine months of 2021 was still sizably lower than the levels before the COVID-19.

Considering the ongoing COVID-19 pandemic with the surge of the omicron variant; and certain anti-pandemic measures and social distancing requirements are still in place to prevent the spread of COVID-19 as at the Latest Practicable Date, we are of the view that the overall business environment of the catering industry will remain challenging in the near-term and may take time to gradually recover to a level comparable to the pre-COVID 19 period. In view of (i) the persistent loss making conditions of the Group's operation; and (ii) the net current liabilities position of the Group as at 30 September 2021, notwithstanding the recent improvement in financial performance and the Placing conducted in October 2020 to support the operation of the Group, the Group will need to consider other fund raising activities in the near future in order to meet its working capital requirements to support the Group's operation.

## 2 Information on the Purchasers

### 2.1 Background information of the Offeror, Ms. Wai and Ms. Lo

#### *The Offeror*

The Offeror is an investment holding company incorporated in the British Virgin Islands with limited liability. As at the Latest Practicable Date, the Offeror is wholly-owned by Mr. Tam, who is also the sole director of the Offeror.

Mr. Tam, aged 60, has over 30 years of experience in commercial design and marketing in the catering industry. Mr. Tam was an executive Director from July 2020 to March 2021. Prior to joining the Company, he was the marketing director of Guangzhou Cai Lan Baodao Catering Management Co., Ltd.\* 廣州市蔡瀾寶島美食餐飲管理有限公司, a company principally engaged in the catering business in the PRC, from March 2015 to December 2018 and was subsequently promoted to become the president of brand management from January 2019 to September 2019.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Ms. Wai, one of the Offeror's Concert Parties*

Ms. Wai, aged 69, has over 20 years of working experience in banking industry. She is a retired individual and an active participant to primary and secondary market with respect to dealings in securities.

*Ms. Lo, one of the Offeror's Concert Parties*

Ms. Lo, aged 39, has over 15 years of experience in accounting and finance industries. Ms. Lo obtained a bachelor's degree of science in the faculties of Newark College of Arts and Sciences and the Rutgers Business School from Rutgers, the State University of New Jersey in 2006. She joined PricewaterhouseCoopers in New Jersey, United States of America in 2006. Ms. Lo had been a data analyst with Bloomberg L. P. in Hong Kong from 2007 to 2015. Ms. Lo has been the chief financial officer of Zhong Yang Financial Group since 2021.

### **2.2 Intentions of the Offeror in relation to the Group**

As stated in the "Letter from China Tonghai Securities", the Offeror's intentions on the operational matters, proposed change to the Board composition of the Company; and the public float and listing status of the Company as set out below:

*(i) Operational matters*

As stated in the "Letter from China Tonghai Securities", the Offeror is of the view that the acquisition of the Sale Shares represented an attractive investment as the Group has a well-established network and reputation in the catering and dining industry in Hong Kong. The intention of the Offeror is that the Company's existing principal activities will be maintained and the Offeror will assist the Company in reviewing its business and operations and seek for new opportunities to enhance and strengthen the business of the Group.

Accordingly, the Offeror will conduct a detailed review on the financial position and the operations of the Company and will formulate long-term business plans and strategies of the Company, explore other business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Company. As at Latest Practicable Date, no investment or business opportunities have been identified nor have the Offeror entered into any agreement, arrangements, understandings or negotiation in relation to (i) the injection of any assets or business into the Group; or (ii) the disposal of any assets or business of the Group, other than those conducted by the Company in its ordinary course of business and/or those which are immaterial in nature.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Offeror has no intention to introduce any major changes in the existing operations and business of the Group, including any redeployment of fixed assets other than those in its ordinary course of business. Save for the change(s) to the composition of the Board as mentioned below, the Offeror has no plan to terminate the employment of any other employees or other personnel of the Group. However, the Offeror reserve the right and cannot rule out making any changes that it deems necessary or appropriate to the Group's businesses and operations to enhance the value of the Group. Should such corporate actions materialise, further announcement(s) will be made in accordance with the Listing Rules as and when appropriate.

*(ii) Proposed change to the Board composition of the Company*

As stated in the "Letter from China Tonghai Securities", as at the Latest Practicable Date, all Directors will resign with effect from a date which is no earlier than such date as permitted under Rule 7 of the Takeovers Code. The Offeror intends to nominate new directors to the Board and such appointments will not take effect earlier than the date of posting of the Composite Document or such other date as permitted under the Takeovers Code. As at the Latest Practicable Date, the Offeror is in the course of identifying additional candidates for the Board and has not reached any final decision as to who will be nominated and the final composition of the Board. Any changes to the Board will be made in compliance with the Takeovers Code, the Listing Rules and the articles of association of the Company, and a separate announcement will be made in this regard in accordance with the Listing Rules as and when appropriate.

Save for the change(s) to the composition of the Board as mentioned above, the Offeror has no intention to introduce any significant changes to the management of the Group, or to discontinue the employment of the employees, following the Closing Date.

*(iii) Public float and listing status of the Company*

As stated in the "Letter from China Tonghai Securities", the Offeror intends to maintain the listing of the Shares on the Stock Exchange after the closing of the Offer.

The Stock Exchange has stated that if, upon closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25%, of the Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, the Stock Exchange will consider exercising its discretion to suspend trading in the Shares until a level of sufficient public float is restored.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The sole director of the Offeror and the Directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that a sufficient public float exists in the Shares.

Having considered the facts that (i) no investment or business opportunities have been identified, as at Latest Practicable Date; (ii) the Offeror is in the course of identifying additional candidates for the Board and has not reached any final decision as to who will be nominated and the final composition of the Board, as at Latest Practicable Date; and (iii) the prospect for catering industry in Hong Kong, in which the Group is principally engaged, will remain challenging (please refer to our analysis as disclosed in the paragraph headed “1.4. Business prospects of the Group” under the section headed “1. Background information of the Company” above for further details), we are of the opinion that there remains uncertainty in the future performance of the Group.

### 3 Offer Price

#### 3.1 Offer Price comparison

The Offer Price of HK\$0.23 per Offer Share represents:

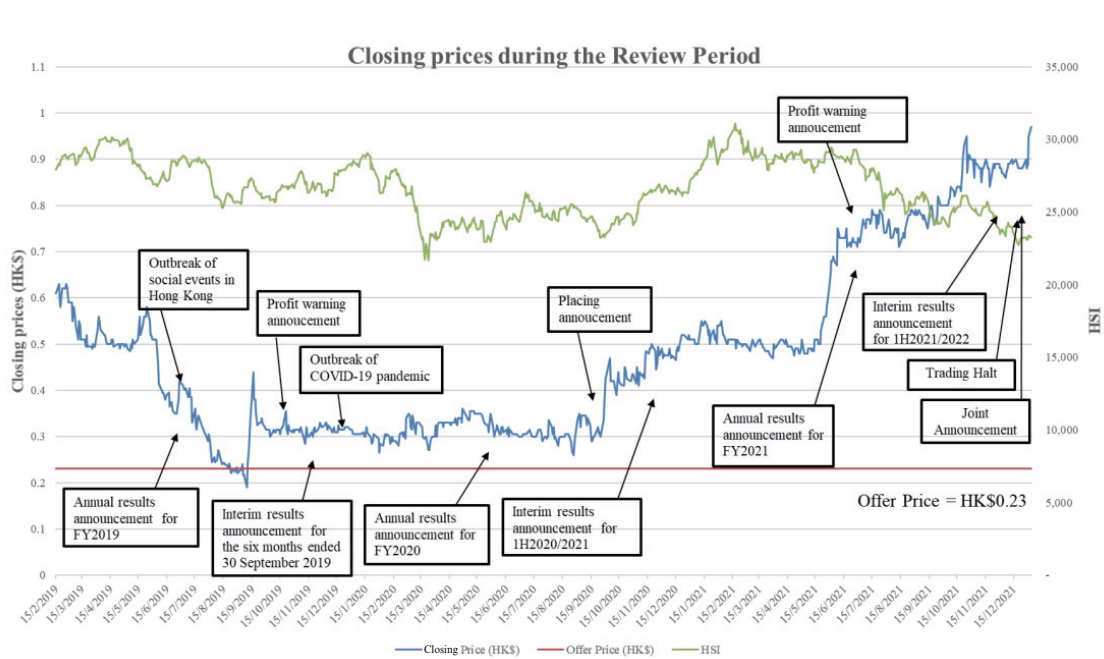
- (i) a discount of approximately 76.29% to the closing price of HK\$0.97 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 74.16% to the last trading price of HK\$0.89 per Share as quoted on the Stock Exchange on the Last Trading Day immediately before trading in the Shares was halted on 15 December 2021;
- (iii) a discount of approximately 74.16% to the average of the closing price of the Shares as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.89 per Share;
- (iv) a discount of approximately 73.86% to the average of the closing price of the Shares as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.88 per Share;
- (v) a discount of approximately 73.86% to the average of the closing price of the Shares as quoted on the Stock Exchange for the last thirty (30) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.88 per Share;

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (vi) a premium of approximately 420.36% over the audited consolidated net asset value attributable to the Shareholders of approximately HK\$0.0442 per Share as at 31 March 2021, calculated based on the audited consolidated net assets attributable to the Shareholders of approximately HK\$50,780,000 as at 31 March 2021 and 1,150,000,000 Shares in issue as at the Latest Practicable Date; and
- (vii) a premium of approximately 724.37% over the unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$0.0279 per Share as at 30 September 2021, calculated based on the unaudited consolidated net assets attributable to the Shareholders of approximately HK\$32,096,000 as at 30 September 2021 and 1,150,000,000 Shares in issue as at the Latest Practicable Date.

### 3.2 Historical price performance of the Shares

The graph below illustrates the historical closing prices of the Shares as quoted on the Stock Exchange during the period from 15 February 2019 (being the listing date of the Group) and up to and including the Latest Practicable Date (the “**Review Period**”):



Source: the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

Note: Trading in the Shares was halted from 15 December 2021 to 16 December 2021

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have reviewed the movements in the closing price of the Shares during the Review Period. We consider the length of the Review Period to be reasonably long enough to illustrate the relationship between the historical trend of the closing price of the Shares and the Offer Price.

During the Review Period, the closing prices of the Shares ranged from the lowest of HK\$0.19 on 9 September 2019 and the highest of HK\$0.97 on 3 January 2022. The average closing price of Shares during the Review Period was at HK\$0.48. The Offer Price of HK\$0.23 per Offer Share is (i) represents a discount of approximately 76.3% and a premium of approximately 21.1% to the highest closing price and the lowest closing price, respectively, during the Review Period; and (iii) represents a discount of approximately 51.8% to the average closing price of the Shares during the Review Period.

We observed a downward pattern in the closing price of the Shares at the beginning of the Review Period from February 2019 to September 2019, with the closing price of Shares dropped significantly from HK\$0.61 on 15 February 2019 to HK\$0.19 on 9 September 2019, following the outbreak of social events in Hong Kong since late June 2019. After reaching its lowest level followed by a spark in mid-September 2019, we then observed a generally stable pattern in the closing price of the Shares from mid-September 2019 to mid-September 2020, which hovered in the range of HK\$0.26 to HK\$0.38.

We then noticed a spark in the trading of the Share following the announcement on the Placing on 18 September 2020, where the closing price of the Shares surged from HK\$0.30 on 18 September 2020 to HK\$0.47 on 5 October 2020.

In line with the Hang Seng Index, as economy started to show signs of recovery, the closing price of the Shares gradually climbed up during the fourth quarter in 2020. The closing price of the Shares then remained generally stable from January 2021 to April 2021, within the range of HK\$0.47 to HK\$0.55 during the period.

Since May 2021 to the Last Trading Day, the Shares were traded in a generally upward trend. With the situation of COVID-19 in Hong Kong under control as evidenced by the daily number of cases under 20, the Hong Kong government gradually relaxed the social distancing measures, thereby improving the consumer and business sentiments in catering industry.

Save as disclosed above, the Management and we are not aware of any other reasons or other announcements published by the Company which may have correlation to the Share price movement shown in the graph above.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We also noted that the Offer Price represents a discount to the closing prices on the Last Trading Day and the average closing prices of the Shares for the last 5, 10, and 30 consecutive trading days up to and including the Last Trading Day, in a range of approximately 73.86% to 74.16%, the Independent Shareholders should note that historical average daily trading volume of the Shares has been relatively low as demonstrated in the table and the analysis below, and apart from February to March 2019, being the first two months after the listing of the Group and the beginning of the Review Period, the historical average daily trading volume of the Shares in all other months during the Review Period represented less than 1% of the total number of issued Shares and the total number of the Shares held by public, respectively, meaning that it may be difficult to divest meaningful stake of the Shares at the prevailing market price.

After the publication of the Joint Announcement on 16 December 2021 and up to the Latest Practicable Date, the closing price of the Shares surged to the range of HK\$0.88 to HK\$0.97 per Share.

**Independent Shareholders should note that the information set out above is not an indicator of the future performance of the Shares and that the price of the Shares may increase or decrease from its closing price after the Latest Practicable Date.**

### ***3.3 Historical trading price against net asset value per Share***

The Offer Price represents a premium of (i) approximately 420.36% over the audited consolidated net asset value (“NAV”) attributable to the Shareholders of approximately HK\$0.0442 per Share as at 31 March 2021, calculated based on the audited consolidated net assets attributable to the Shareholders of approximately HK\$50,780,000 as at 31 March 2021 and 1,150,000,000 Shares in issue as at the Latest Practicable Date; and (ii) approximately 724.37% over the unaudited consolidated net asset value attributable to the Shareholders of approximately HK\$0.0279 per Share as at 30 September 2021, calculated based on the unaudited consolidated net assets attributable to the Shareholders of approximately HK\$32,096,000 as at 30 September 2021 and 1,150,000,000 Shares in issue as at the Latest Practicable Date.

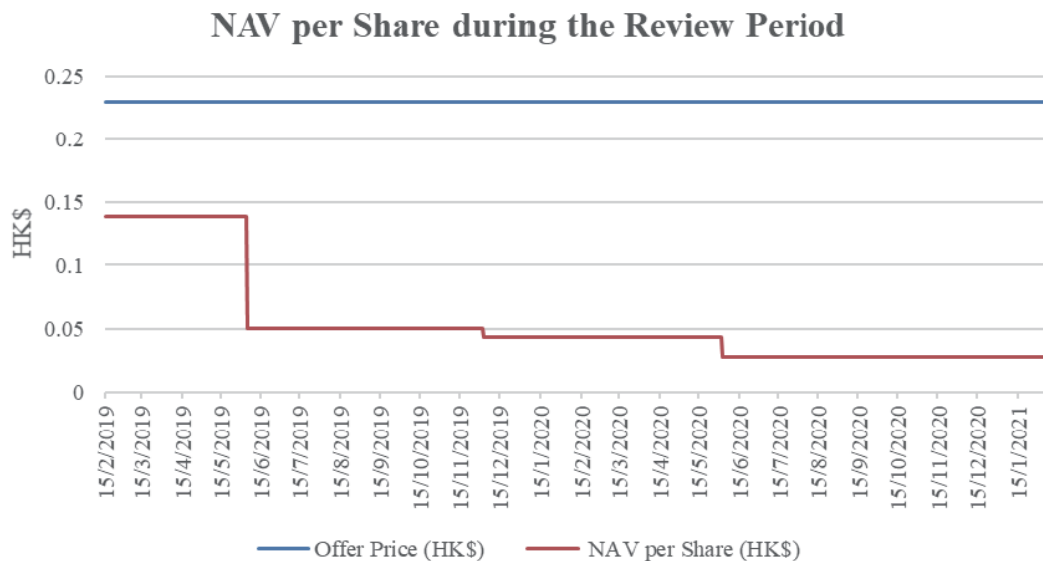


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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The chart below illustrates the Offer Price and prevailing NAV attributable to Shareholders during the Review Period, and up to the Latest Practicable Date:



Source: the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

Note: The NAV per Share was calculated based on the equity attributable to the owners of the Company as set out in the respective interim or annual results of the Company divided by the total number of Shares then in issue.

As shown in the chart above, except for the beginning of Review Period from mid-February 2019 to March 2019, the Offer Price represents a consistent premium over the NAV per Share during the Review Period and such premium had increased over the period as NAV per Share decreased following continued losses recorded by the Group. We are of the view that the Offer Price did not solely reflect the Shares based on the underlying value of the Company's asset but also reflected other factors including the business prospects of the Group as well as the prevailing market condition. Although the Company is a revenue-based company (rather than an asset-based company), the Offer Price still represents a premium over the NAV (rather than at a discount to the NAV), which is therefore in the interests of the Independent Shareholders.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 3.4 Historical trading liquidity of the Shares

Apart from the Share price analysis above, we have also conducted a review on the trading liquidity of the Shares. The table below sets out the average daily trading volume of the Shares on a monthly basis during the Review Period and the respective percentages of the average daily trading volume of the Shares as compared to the total number of issued Shares and Shares held by the Public:

Month	Total trading volume of the Shares	Number of trading days in the month	Average daily trading volume of the Shares	Percentage of average daily trading volume to total Shares (Note 1) <i>Approximate %</i>	Percentage of average daily trading volume to total number of Shares held by public Shareholders (Note 2) <i>Approximate %</i>
<b>2019</b>					
February (from the beginning of the Review Period, i.e., 15 February 2019)	550,130,000	10	55,013,000	5.5013%	18.3377%
March	180,735,000	21	8,606,429	0.8606%	2.8688%
April	55,835,000	19	2,938,684	0.2939%	0.9796%
May	54,500,000	21	2,595,238	0.2595%	0.8651%
June	71,060,000	19	3,740,000	0.3740%	1.2467%
July	20,780,500	22	944,568	0.0945%	0.3149%
August	17,660,000	22	802,727	0.0803%	0.2676%
September	163,853,000	21	7,802,524	0.7803%	2.6008%
October	22,045,000	21	1,049,762	0.1050%	0.3499%
November	28,355,000	21	1,350,238	0.1350%	0.4501%
December	31,575,000	20	1,578,750	0.1579%	0.5263%
<b>2020</b>					
January	12,900,000	20	645,000	0.0645%	0.2150%
February	11,345,000	20	567,250	0.0567%	0.1891%
March	11,605,000	22	527,500	0.0528%	0.1758%
April	6,655,000	19	350,263	0.0350%	0.1168%
May	6,410,000	20	320,500	0.0321%	0.1068%
June	4,755,000	21	226,429	0.0226%	0.0755%
July	5,715,000	22	259,773	0.0260%	0.0866%
August	62,090,000	21	2,956,667	0.2957%	0.9856%
September	25,595,000	22	1,163,409	0.1163%	0.3878%
October	51,930,000	18	2,885,000	0.2509%	0.6204%
November	12,385,000	21	589,762	0.0513%	0.1268%
December	36,685,000	22	1,667,500	0.1450%	0.3586%

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Month	Total trading volume of the Shares	Number of trading days in the month	Average daily trading volume of the Shares	Percentage of average daily trading volume to total Shares (Note 1) Approximate %	Percentage of average daily trading volume to total number of Shares held by public Shareholders (Note 2) Approximate %
<b>2021</b>					
January	22,900,000	20	1,145,000	0.0996%	0.2462%
February	18,150,000	18	1,008,333	0.0877%	0.2168%
March	9,390,000	23	408,261	0.0355%	0.0878%
April	12,695,000	19	668,158	0.0581%	0.1437%
May	20,805,000	20	1,040,250	0.0905%	0.2237%
June	29,625,000	21	1,410,714	0.1227%	0.3034%
July	17,360,000	21	826,667	0.0719%	0.1778%
August	22,945,000	22	1,042,955	0.0907%	0.2243%
September	44,235,000	21	2,106,429	0.1832%	0.4530%
October	45,225,000	18	2,512,500	0.2185%	0.5403%
November	13,975,000	22	635,227	0.0552%	0.1366%
December	33,690,000	20	1,684,500	0.1465%	0.3623%
<b>2022</b>					
January (up to and including the Latest Practicable Date)	1,540,000	1	1,540,000	0.1339%	0.3312%

*Source: the website of the Stock Exchange (www.hkex.com.hk)*

**Notes:**

1. The percentage of average daily trading volume to total Shares is calculated based on the average daily trading volume of Shares divided by the total issued Shares of the Company at the end of each month/period or as at the Latest Practicable Date, as applicable.
2. The total number of Shares held by the public Shareholders is calculated based on the number of total Shares excluding those held by Mr. Chan Shou Ming, Ms. Chen Xiao Ping and Ms. Qian Chunlin as at the end of each month/period or as at the Latest Practicable Date, as applicable.

As illustrated in the table above, during the Review Period and up to the Latest Practicable Date, the liquidity of Shares was generally very low. Excluding February to March 2019, being the first two months after the listing of the Group and the beginning of the Review Period, the percentages of the average daily trading volume to the total number of issued Shares ranged from approximately 0.0226% to 0.7803%. The percentage of the average daily trading volume to the Shares held by public ranged from approximately 0.0755% to 2.6008%. The average daily trading volume of the Shares since the beginning

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of the Review Period up to the Latest Practicable Date was approximately 2,443,000 Shares, representing approximately 0.212% and 0.525% of the total number of issued Shares and the total number of the Shares held by public, respectively.

Given that the generally very thin liquidity of the Shares during the Review Period, it is uncertain whether there would be sufficient liquidity in the trading of the Shares for the Independent Shareholders in the foreseeable future to dispose of a significant number of the Shares in the open market without depressing the Share price. We, therefore, consider that the Offer, provide the Independent Shareholders, particularly those who hold a large number of Shares, with an immediate opportunity to dispose of part or all of their Shares and redeploy the cash received from accepting the Offer into other investment opportunities, if they wish to.

### **3.5 Market comparable analysis**

To assess the fairness and reasonableness of the Offer Price, we have considered the price-to-earnings ratio (the “**P/E Ratio**”), the price-to-book ratio (the “**P/B Ratio**”) and the price-to-sale ratios (the “**P/S Ratio**”), which are the most commonly adopted valuation benchmarks in comparing the valuation of a company’s shares. However, (i) given that the Company reported consolidated net loss attributable to the owners of the Company for FY2021, the P/E Ratio analysis may not yield any conclusive meaning and the comparison on P/E Ratio was not adopted; and (ii) given that the Company principally engaged in the catering business which is not an asset-based business, P/B Ratio analysis may not yield any conclusive meaning and the comparison on P/B Ratio was also not adopted. As the Group is a revenue-based company and has been loss making, we consider the use of P/S Ratio in market comparable analysis is appropriate.

As an additional reference in assessing the reasonableness of the Offer Price, we have applied the enterprise value-to-earnings before interest, taxes, depreciation and amortization analysis (the “**EV/EBITDA Ratio**”), being another commonly adopted valuation benchmarks in comparing the valuation of a company’s shares among catering businesses. EBITDA considers earnings from restaurant operations only. It excludes earnings related to accounting, financing, and capital expenses because they are not directly related to business operations.

Based on our search on the website of the ET Net and the Stock Exchange and on a best effort basis, we have identified 14 companies listed on the Stock Exchange based on the criteria (representing an exhaustive list) that (i) is principally engaged in the catering industry in Hong Kong, similar to the Group; (ii) has a market capitalisation lower than HK\$2 billion; and (iii) did not record net liabilities and/or negative EBITDA in the latest financial year (the “**Market Comparables**”).

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The following table set out the details of the Market Comparables:

Company name (Stock code)	Principal business(es)	Market capitalization <i>(Note 1)</i>  <i>HK\$ million</i>	P/S Ratio <i>(Note 2)</i>	EV/EBITDA Ratio <i>(Note 3)</i>
Carrianna Group Holdings Company Limited (126)	Investment holding, property investment and development, and the operations of hotel, restaurant and food businesses	1,050	1.32	7.18
Tao Heung Holdings Ltd (573)	Restaurant and bakery operations, provision of food catering services, production, sale and distribution of food products and other items related to restaurant operations and poultry farm operations	894	0.37	3.42
Tsui Wah Holdings Limited (1314)	Restaurant operation and the sale of food.	333	0.35	5.16
Fulum Group Holdings Limited (1443)	Restaurant operations in Hong Kong and Mainland China, and the production, sale and distribution of food products related to restaurant operations.	345	0.29	5.54
Lh Group Limited (1978)	Operation of restaurant chains and sales of food ingredients in Hong Kong	840	1.05	2.57
Tai Hing Group Holdings Limited (6811)	Operation and management of restaurants	1,320	0.47	3.22
Classified Group (Holdings) Limited (8232)	Operation of western cuisine in both casual dining and full service environment	22	0.29	12.26
Royal Catering Group Holdings Company Limited (8300)	Casual dining food catering services in Hong Kong	95	2.23	146.53

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Company name (Stock code)	Principal business(es)	Market capitalization <i>(Note 1)</i> <i>HK\$ million</i>	P/S Ratio <i>(Note 2)</i>	EV/EBITDA Ratio <i>(Note 3)</i>
Simplicity Holding Limited (8367)	Casual dining full service restaurant operator	466	4.78	14.09
Taste • Gourmet Group Limited (8371)	Operation of full-service restaurants and kiosks in Hong Kong	356	0.94	4.48
Bar Pacific Group Holdings Limited (8432)	Operation of a chained bar group offering beverages and light refreshments and (ii) properties investment in Hong Kong.	46	0.80	23.47
MS Concept Limited (8447)	Provision of catering services in Hong Kong	84	0.49	2.45
1957 & Co. (Hospitality) Limited (8495)	Operation of full-service restaurants under the group's self-owned brands and franchised/sublicensed brands in Hong Kong	113	0.35	2.63
Jia Group Holdings Limited (8519)	Provision of catering and membership services	117	0.68	13.52
		<b>Average</b>	1.03	17.61
			<b>Median</b>	5.35
			<b>Maximum</b>	146.53
			<b>Minimum</b>	2.45
<b>The Company</b>		1,120	1.18 <i>(Note 4)</i>	152.85 <i>(Note 5)</i>

Source: the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)), ET Net (<http://www.etnet.com.hk>), and Bloomberg

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*Note:*

1. Being the market capitalisations as at the Latest Practicable Date as extracted from Bloomberg.
2. The P/S Ratio of the Market Comparables are calculated by dividing the respective market capitalisation as at the Latest Practicable Date by their revenue as extracted from the respective latest annual report.
3. The EV/EBITDA Ratio of the Market Comparables are calculated by dividing the enterprise value by their EBITDA based on their latest annual report. The enterprise value is the sum of (i) market capitalisation as at the Latest Practicable Date; (ii) non-controlling interests; and (iii) total debt minus cash as extracted from the respective latest annual report.
4. Calculated based on (i) the Offer Price of HK\$0.23 per Offer Share; (ii) 1,150,000,000 Shares in issue as at the Latest Practicable Date; and (iii) the revenue of the Group in FY2021.
5. Calculated based on (i) the Offer Price of HK\$0.23 per Offer Share; (ii) 1,150,000,000 Shares in issue as at the Latest Practicable Date; and (iii) net debt and EBITDA of the Group in FY2021.

Based on (i) the Offer Price of HK\$0.23 per Offer Share; (ii) 1,150,000,000 Shares in issue as at the Latest Practicable Date; and (iii) the revenue of the Group of approximately HK\$224 million in FY2021, the P/S ratio implied by the Offer Price is approximately 1.18 times (the “**Implied P/S ratio**”). Upon comparison, we noted that the Implied P/S ratio are (i) is within the range of P/S Ratios of the Market Comparables of approximately 0.29 times to 4.78 times; (ii) approximates the average among the Market Comparables of approximately 1.03 times; and (iii) is higher than the median among the Market Comparables of approximately 0.58 times.

Based on (i) the Offer Price of HK\$0.23 per Offer Share; (ii) 1,150,000,000 Shares in issue as at the Latest Practicable Date; and (iii) the net debt as at 31 March 2021 and EBITDA of the Group for FY2021, the EV/EBITDA ratio implied by the Offer Price is approximately 152.85 times (the “**Implied EV/EBITDA ratio**”). Upon comparison, we noted that the range of EV/EBITDA Ratio of the Market Comparables is large. However, the Implied EV/EBITDA ratio is (i) higher than the average among the Market Comparables of approximately 17.61 times; and (ii) higher than the median among the Market Comparables of approximately 5.35 times.

Based on the analysis on P/S Ratio and EV/EBITDA Ratio as set out above, we are of the view that the Offer Price is towards the favourable end among the market prices of the Market Comparables, and is, therefore, fair and reasonable so far as the Independent Shareholders are concerned.

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### RECOMMENDATION

Taking into consideration of the aforementioned principal factors and reasons, in particular, the following:

- (i) The Group's overall financial performance and financial position have deteriorated significantly, as demonstrated by (i) the Group's persistent loss making conditions for the two consecutive full financial years of FY2020, FY2021 and also in the latest interim period of 1H2021/2022; (ii) the Group's net current liabilities position as at 31 March 2020, 2021 and 30 September 2021; (iii) the significant decrease in the Group's net assets positions, recording a historic low of approximately HK\$32.1 million as at 30 September 2021 since listing in spite of the funds raised from the completion of Placing in October 2020; and (iv) the Group's increasing financial leverage, as demonstrated by the gearing ratio, which has been going up during FY2020, FY2021 and 1H2021/2022. Further, considering (i) the ongoing COVID-19 pandemic with the surge of the omicron variant; and (ii) certain anti-pandemic measures and social distancing requirements are still in place to prevent the spread of COVID-19 as at the Latest Practicable Date, we are of the view that the overall business environment of the catering industry will remain challenging in the near-term and may take time to gradually recover to a level comparable to the pre-COVID 19 period. If the Group continues to record net loss in the coming financial years, the Group will need to consider other fund raising activities in the near future in order to meet its working capital requirements to support its business's operation;
- (ii) At the Latest Practicable Date, (i) no investment or business opportunities have been identified; and (ii) the Offeror is in the course of identifying additional candidates for the Board and has not reached any final decision as to who will be nominated and the final composition of the Board, we are of the opinion that there remains uncertainty in the future performance of the Group;
- (iii) Except for the beginning of Review Period from mid-February 2019 to March 2019, the Offer Price represents a consistent premium over the NAV per Share during the Review Period and such premium had increased over the period as NAV per Share decreased following continued losses recorded by the Group. We are of the view that, the Offer Price did not solely reflect the Shares based on the underlying value of the Company's asset but also reflected other factors including the business prospects of the Group as well as the prevailing market condition. Although the Company is a revenue-based company (rather than an asset-based company), the Offer Price still represents a premium over the NAV (rather than at a discount to the NAV), which is therefore in the interests of the Independent Shareholders;



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- (iv) We noted that the Offer Price represents a discount to the closing prices on the Last Trading Day and the average closing prices of the Shares for the last 5, 10, and 30 consecutive trading days up to and including the Last Trading Day. While Independent Shareholders can closely monitor the market price and consider selling their Shares in the open market rather than accepting the Share Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net proceeds receivable under the Offer, the Independent Shareholders should note that based on the review on the historical trading liquidity of the Shares during the Review Period and up to the Latest Practicable Date, the liquidity of Shares was generally very low. As a result of the low trading volume of the Shares, it may be difficult to divest meaningful stake of the Shares at the prevailing market price. As such, the Offer would present an immediate opportunity for Independent Shareholders to realise their investments in the Offer Shares for cash and redeploy the cash received from accepting the Offer into other investment opportunities, if they wish to; and
- (v) Based on the analysis on P/S Ratio and EV/EBITDA Ratio of the Market Comparables, we are of the view the Offer Price is towards the favourable end among the market prices of the Market Comparables, and is, therefore, fair and reasonable.

We are of the opinion that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer.

**Independent Shareholders who intend to accept the Share Offer are reminded that they should closely monitor the market price and the liquidity of the Shares during the Offer Period and should consider selling their Shares in the open market rather than accepting the Share Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net proceeds receivable under the Offer.**

For those Independent Shareholders who are attracted by and confident in the future prospects of the Group and do not wish to accept the Offer, given the background and future intention of the Offeror as detailed in the “Letter from China Tonghai Securities” contained in the Composite Document, they may benefit from the new business opportunities to be explored by the Offeror for the Group. However, given that as at the Latest Practicable Date, no investment or business opportunities have been identified, the Independent Shareholders who do not accept the Offer will still be subject to the uncertainties on the future prospects and performance of the Group’s business. We would also like to remind the Independent Shareholders that if they consider retaining their Shares or tendering less than all their Shares under the Offer, they should carefully consider the potential difficulties they may encounter in disposing of their investments in the Shares at the Offer Price in the market after the close of the Offer in view of the historical low liquidity of the Shares and there is no guarantee that the prevailing level of the Share price will sustain during and after the Offer Period.

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**In any case, the Independent Shareholders and investors of the Company should exercise extreme caution when dealing in the securities of the Company and, if in doubt as to their position, consult their professional advisers.**

Yours faithfully,

For and on behalf of

**Innovax Capital Limited**

**Alvin Kam**

**Erica Ling**

*Managing Director*

*Director*

*Notes:*

Mr. Alvin Kam is a Responsible Officer under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has over 18 years of experience in investment banking and corporate finance.

Ms. Erica Ling is a Responsible Officer under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has over 10 years of experience in investment banking and corporate finance.

**1. PROCEDURES FOR ACCEPTANCE**

To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which form part of the terms of the Offer.

- (i) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) is/are in your name, and you wish to accept the Offer, you must send the duly completed and signed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the number of Shares in respect of which you intend to accept the Offer, by post or by hand, to the Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong in an envelope marked "Palace Banquet Holdings Limited – General Offer" to be received by the Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce, with the consent of the Executive, in accordance with the Takeovers Code.
- (ii) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your Shares (whether in full or in part), you must either:
  - (a) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the duly completed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
  - (b) arrange for the Shares to be registered in your name by the Company through the Registrar, and send the duly completed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

- (c) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
  - (d) if your Shares have been lodged with your investor participant's account maintained with CCASS, give your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.
- (iii) If the share certificate(s) and/or transfer receipt(s) and/or any other documents of title in respect of your Share(s) is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer in respect of your Share(s), the Form of Acceptance should nevertheless be completed, signed and delivered in an envelope marked "Palace Banquet Holdings Limited – General Offer" to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title in respect of your Share(s) or that it is/they are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of your Share(s) should be forwarded to the Registrar as soon as possible thereafter. If you have lost the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title in respect of your Share(s), or they are not readily available, you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar. The Offeror shall have the absolute discretion to decide whether any Share(s) in respect of which the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title is/are not readily available and/or is/are lost will be taken up by the Offeror.

- (iv) If you have lodged transfer(s) of any of your Share(s) for registration in your name and have not yet received your share certificate(s), and you wish to accept the Offer in respect of your Share(s), you should nevertheless complete and sign the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to collect from the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such certificate(s) to the Registrar as if it was/they were delivered to the Registrar together with the Form of Acceptance.
- (v) Acceptance of the Offer will be treated as valid only if the completed and signed Form of Acceptance is received by the Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce, with the consent of the Executive, in accordance with the Takeovers Code and the Registrar has recorded that the relevant Form of Acceptance and the relevant document(s) as required under this paragraph have been so received, and are:
- (a) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title is/are not in your name, such other document(s) in order to establish your right to become the registered holder of the relevant Share(s); or
  - (b) from a registered Shareholder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Share(s) which are not taken into account under another subparagraph of this paragraph (v)); or
  - (c) certified by the Registrar or the Stock Exchange.
- (vi) If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.

- (vii) Seller's ad valorem stamp duty payable by the relevant Independent Shareholders in connection with the acceptance of the Offer at the rate of 0.13% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is the higher, will be deducted from the cash amount payable by the Offeror to such Independent Shareholders on acceptance of the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Independent Shareholders accepting the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).
- (viii) No acknowledgement of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) will be given.

## **2. ACCEPTANCE PERIOD AND REVISIONS**

- (i) Unless the Offer has previously been revised or extended, with the consent of the Executive, in accordance with the Takeovers Code, the Form of Acceptance must be received by the Registrar by 4:00 p.m. on the Closing Date in accordance with the instructions printed on the relevant Form of Acceptance, and the Offer will be closed on the Closing Date. The Offer is unconditional.
- (ii) The Offeror and the Company will jointly issue an announcement in accordance with the Takeovers Code through the websites of the Stock Exchange and the Company by no later than 7:00 p.m. on the Closing Date stating whether the Offer has been extended, revised or has expired.
- (iii) In the event that the Offeror decides to extend the Offer, at least fourteen (14) days' notice by way of announcement will be given, before the latest time and date for acceptance of the Offer, to those Independent Shareholders who have not accepted the Offer.
- (iv) If the Offeror revises the terms of the Offer, all Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to the revised terms. The revised Offer must be kept open for at least fourteen (14) days following the date on which the revised offer document is posted.

- (v) If the Closing Date of the Offer is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date of the Offer so extended.

### **3. ANNOUNCEMENT**

- (i) As required under Rule 19 of the Takeovers Code, by 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offer. The Offeror must publish an announcement in accordance with the requirements of the Takeovers Code by 7:00 p.m. on the Closing Date stating whether the Offer has been extended, revised or has expired.

Such announcement must state the total number of Shares and rights over Shares:

- (a) for which acceptances of the Offer have been received;
- (b) held, controlled or directed by the Offeror or any Offeror's Concert Parties before the Offer Period; and
- (c) acquired or agreed to be acquired by the Offeror or any Offeror's Concert Parties during the Offer Period.

The announcement must also include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any Offeror's Concert Parties has borrowed or lent, save for any borrowed securities which have been either on-lent or sold and the percentages of the relevant classes of share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

- (ii) In computing the total number of Shares represented by acceptances, only valid acceptances that are complete and which have been received by the Registrar no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offer, shall be included.
- (iii) As required by the Takeovers Code and the Listing Rules, all announcements in relation to the Offer which the Executive and the Stock Exchange have confirmed that they have no further comments thereon must be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company (<https://www.palace-rest.com.hk/home/>).

**4. NOMINEE REGISTRATION**

To ensure equality of treatment to all Independent Shareholders, those registered Independent Shareholders who hold the Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

**5. RIGHT OF WITHDRAWAL**

- (i) Acceptance of the Offer tendered by the Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in sub-paragraph (ii) below.
- (ii) If the Offeror is unable to comply with the requirements set out in the paragraph headed “3. ANNOUNCEMENT” in this Appendix, the Executive may require, pursuant to Rule 19.2 of the Takeovers Code, that the Independent Shareholders who have tendered acceptances of the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements of Rule 19 of the Takeovers Code are met.

In such case, when the Independent Shareholders withdraw their acceptances, the Offeror shall, as soon as possible but in any event within ten (10) days thereof, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Offer Shares lodged with the Form(s) of Acceptance to the relevant Independent Shareholders at their own risk.

**6. SETTLEMENT OF THE OFFER**

Provided that the accompanying Form of Acceptance, together with the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the relevant Offer Shares are valid, complete and have been received by the Registrar no later than 4:00 p.m. on the Closing Date, a cheque for the amount due to each of the accepting Independent Shareholders in respect of the Offer Shares tendered under the Offer (less seller’s ad valorem stamp duty payable by him/her/it) will be despatched to such Independent Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event within seven (7) Business Days after the date of receipt of all relevant documents to render such acceptance complete and valid by the Registrar in accordance with the Takeovers Code.



Settlement of the consideration to which any accepting Independent Shareholder is entitled under the Offer will be paid by the Offeror in full in accordance with the terms of the Offer (save in respect of the payment of seller's ad valorem stamp duty) set out in this Composite Document (including this Appendix) and the accompanying Form of Acceptance, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholder.

## **7. OVERSEAS SHAREHOLDERS**

The availability of the Offer to any Overseas Shareholders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Shareholders should fully observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibilities of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders in respect of such jurisdictions).

**Acceptance of the Offer by any Overseas Shareholders will be deemed to constitute a representation and warranty from such Overseas Shareholders to the Offeror that all local laws and requirements have been complied with. The Overseas Shareholders should consult their professional advisers if in doubt.**

## **8. HONG KONG STAMP DUTY AND TAX IMPLICATIONS**

Sellers' Hong Kong ad valorem stamp duty on acceptances of the Offer at a rate of 0.13% of the consideration payable in respect of the relevant acceptances or, if higher, the market value of the Shares subject to such acceptance, will be deducted from the amounts payable to the Independent Shareholders who accept the Offer. The Offeror will arrange for payment of sellers' ad valorem stamp duty on behalf of the Independent Shareholders who accept the Offer and pay the buyer's Hong Kong ad valorem stamp duty in connection with the acceptance of the Offer and the transfers of the relevant Offer Shares in accordance with the Stamp Duty Ordinance (Cap. 117 of the Laws of Hong Kong).

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, the Offeror's Concert Parties, China Tonghai Securities, the Company, Veda Capital, the Independent Financial Adviser and, as the case may be, their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

**9. GENERAL**

- (i) All communications, notices, Forms of Acceptance, certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offer to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Offeror, the Offeror's Concert Parties, China Tonghai Securities, the Company, Veda Capital, the Independent Financial Adviser and, as the case may be, their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer accepts any liability for any loss or delay in postage or any other liabilities whatsoever which may arise as a result thereof.
- (ii) Acceptance of the Offer by any Independent Shareholder will constitute a warranty by such person to the Offeror and China Tonghai Securities that all Offer Shares to be sold by such person under the Offer are fully paid and free from all encumbrances whatsoever together with all rights attached thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date of this Composite Document.
- (iii) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror and China Tonghai Securities that the number of Offer Shares in respect of which it has indicated in the Form of Acceptance is the aggregate number of Shares held by such nominee for such beneficial owners who accept the Offer.
- (iv) All acceptances, instructions, authorities and undertakings given by the Independent Shareholders in the Form of Acceptance shall be irrevocable, except as permitted under the Takeovers Code.
- (v) The provisions set out in the accompanying Form of Acceptance form part of the terms of the Offer.
- (vi) The accidental omission to despatch this Composite Document and/or the accompanying Form of Acceptance or either of them to any person to whom the Offer is made shall not invalidate the Offer in any way.
- (vii) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.

- (viii) Due execution of the Form of Acceptance will constitute an irrevocable authority to the Offeror and/or China Tonghai Securities and/or such person or persons as any of them may direct to complete, amend and execute any document on behalf of the person accepting the Offer, and to do any other act that may be necessary or expedient for the purpose of vesting in the Offeror, or such person or persons as it may direct, the Offer Shares in respect of which such person has accepted the Offer.
- (ix) The Offer is made in accordance with the Takeovers Code.
- (x) Subject to the Takeovers Code, the Offeror reserves the right to notify any matter (including the making of the Offer) to all or any Independent Shareholders and with registered address(es) outside Hong Kong or whom the Offeror or China Tonghai Securities knows to be nominees, trustees or custodians for such persons by announcement in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any such Independent Shareholders to receive or see such notice, and all references in this Composite Document to notice in writing shall be construed accordingly.
- (xi) In making their decision, the Independent Shareholders must rely on their own examination of the Offeror, the Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the accompanying Form of Acceptance shall not be construed as any legal or business advice on the part of the Offeror, the Offeror's Concert Parties, China Tonghai Securities, the Company, Veda Capital, the Independent Financial Adviser and, as the case may be, their respective ultimate beneficial owners, directors, officers, advisers, agents or associates. The Independent Shareholders should consult their own professional advisers for professional advice.
- (xii) This Composite Document has been prepared for the purposes of compliance with the legislative and regulatory requirements applicable in respect of the Offer in Hong Kong and the operating rules of the Stock Exchange.
- (xiii) References to the Offer in this Composite Document and the Form of Acceptance shall include any extension and/or revision thereof.
- (xiv) The English text of this Composite Document and of the accompanying Form of Acceptance shall prevail over the Chinese text.

**1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP FOR EACH OF THE THREE YEARS ENDED 31 MARCH 2019, 2020 AND 2021 AND FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020 AND 2021**

The following is a summary of the financial results of the Group (i) for each of the three years ended 31 March 2019, 2020 and 2021, which are extracted from the annual reports of the Company for the three years ended 31 March 2019, 2020 and 2021; and (ii) for the six months ended 30 September 2020 and 2021, which are extracted from the interim reports of the Company for the six months ended 30 September 2020 and 2021.

	For the year ended 31 March			For the six months ended	
	2021	2020	2019	30 September 2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)	(Unaudited)	(Unaudited)
Revenue	224,081	650,801	848,567	156,011	105,090
(Loss)/Profit before taxation	(123,953)	(106,338)	50,703	(18,684)	(57,199)
Income tax expense	(316)	(6,033)	(12,954)	Nil	(96)
(Loss)/Profit attributable to – Owners of the Company	(124,269)	(112,371)	37,749	(18,684)	(57,295)
(Loss)/Earnings per share					
Basic and diluted	(11.6) cents	(11.2) cents	4.8 cents	(1.62) cents	(5.73) cents
Dividends	Nil	Nil	Nil	Nil	Nil
Dividends per share	Nil	Nil	Nil	Nil	Nil

The auditors of the Company for the three years ended 31 March 2021 was ShineWing (HK) CPA Limited. Their opinions on the consolidated financial statements of the Group for each of the three years ended 31 March 2021 were unqualified.

There was no change in the Group's accounting policy during the three years ended 31 March 2021 which would result in the figures in its consolidated financial statements being not comparable to a material extent.

**2. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021 AND AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE YEAR ENDED 31 MARCH 2021**

The unaudited condensed consolidated results of the Group for the six months ended 30 September 2021 are contained in the interim report of the Company for the six months ended 30 September 2021 (the “**2021/2022 Interim Report**”) which was published on the websites of the Company (<http://www.palace-rest.com.hk/>) and the Stock Exchange (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/1206/2021120600646.pdf>).

**(i) Condensed Consolidated Statement of Financial Position as at 30 September 2021**

Please refer to pages 24 to 25 of the 2021/2022 Interim Report.

**(ii) Condensed Consolidated Statement of Cash Flows for the six months ended 30 September 2021**

Please refer to page 27 to 28 of the 2021/2022 Interim Report.

**(iii) Other Consolidated Financial Statements for the six months ended 30 September 2021*****(a) Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the six months ended 30 September 2021***

Please refer to page 23 of the 2021/2022 Interim Report.

***(b) Condensed Consolidated Statement of Changes in Equity for the six months ended 30 September 2021***

Please refer to page 26 of the 2021/2022 Interim Report.

**(iv) Summary of Principal Accounting Policies and Notes to the Financial Statements for the six months ended 30 September 2021**

Please refer to pages 29 to 60 of the 2021/2022 Interim Report.

The audited consolidated financial statements of the Group for the year ended 31 March 2021 are contained in the annual report of the Company for the year ended 31 March 2021 (the “**2021 Annual Report**”) which was published on the websites of the Company (<http://www.palace-rest.com.hk/>) and the Stock Exchange (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0729/2021072901583.pdf>).

**(i) Consolidated Statement of Financial Position as at 31 March 2021**

Please refer to pages 57 to 58 of the 2021 Annual Report.

**(ii) Consolidated Statement of Cash Flows for the year ended 31 March 2021**

Please refer to page 60 to 61 of the 2021 Annual Report.

**(iii) Other Consolidated Financial Statements for the year ended 31 March 2021**

**(a) Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2021**

Please refer to page 56 of the 2021 Annual Report.

**(b) Consolidated Statement of Changes in Equity for the year ended 31 March 2021**

Please refer to page 59 of the 2021 Annual Report.

**(iv) Summary of Significant Accounting Policies and Notes to the Consolidated Financial Statements for the year ended 31 March 2021**

Please refer to pages 62 to 131 of the 2021 Annual Report.

### 3. INDEBTEDNESS

As at 30 November 2021, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, the indebtedness position of the Group was as follows:

	<i>HK\$'000</i>
<b>Current liabilities</b>	
Bank borrowings	67,437
Lease liabilities	92,098
<b>Non-current liabilities</b>	
Lease liabilities	<u>206,780</u>
Total	<u><u>366,315</u></u>

Save as aforesaid and apart from intra-group liabilities, intra-group guarantees, and normal trade and other payables, contract liabilities and provision for reinstatement costs, the Group did not, as at 30 November 2021, have any loan capital issued and outstanding or agreed to be issued, bank overdrafts or other similar indebtedness, liabilities under acceptances or acceptance credit, debentures, hire purchase commitments, mortgages, charges, material contingent liabilities or guarantees outstanding.

### 4. MATERIAL CHANGE

The Directors confirm that, save and except for the following, there was no material change in the financial or trading position or outlook of the Group since 31 March 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

As disclosed in the interim report of the Company for the six months ended 30 September 2021,

- (i) the Group recoded an increase in revenue by approximately 48.4% from approximately HK\$105.1 million for the six months ended 30 September 2020 (“**6M FY2020**”) to approximately HK\$156.0 million for the six months ended 30 September 2021 (“**6M FY2021**”) which was mainly due to the relaxation of social distancing measures imposed by the Hong Kong Government, which resulted in the increase in number of guests for dining and banquet services during the first half of 2021;

- (ii) the Group recorded an increase in cost of inventories consumed by approximately 51.3% from approximately HK\$26.3 million for 6M FY2020 to approximately HK\$39.8 million for 6M FY2021, which was generally in line with the increase in revenue;
- (iii) the Group recorded a decrease in other income by approximately 88.1% from approximately HK\$29.3 million for 6M FY2020 to approximately HK\$3.5 million for the 6M FY2021 which was mainly due to the recognition of one-off government grants of approximately HK\$22.9 million received during 6M FY2020;
- (iv) the Group recorded an increase in staff costs by approximately 22.3% from approximately HK\$44.0 million for 6M FY2020 to approximately HK\$53.8 million for 6M FY2021 mainly due to the increase in number of headcount and part-time employees upon the recovery of restaurant operations and banquet services during 6M FY2021, which was partially offset by the decrease in number of restaurants in operation during 6M FY2021 as compared to the corresponding period in the prior year;
- (v) the Group recorded a decrease in property rentals and related expenses by approximately 58.5% from approximately HK\$26.5 million for 6M FY2020 to approximately HK\$11.0 million for 6M FY2021 which was mainly due to the decrease in number of restaurants in operation during 6M FY2021 as compared to the corresponding period in the prior year;
- (vi) the Group recorded an aggregated decrease in depreciation of property, plant and equipment and right-of-use assets by approximately 20.7% from approximately HK\$57.4 million for 6M FY2020 to approximately HK\$45.5 million for 6M FY2021 mainly due to (a) the decrease in capital expenditure on property, plant and equipment during 6M FY2021; and (b) the decrease in depreciation of right-of-use assets in respect of leased restaurants as a result of the decrease in number of restaurants in operation during 6M FY2021;
- (vii) the Group recorded a decrease in other expenses by approximately 24.8%, from approximately HK\$22.6 million for 6M FY2020 to approximately HK\$17.0 million for 6M FY2021 mainly due to (a) the decrease in legal and professional fees, handling charge, insurance expenses, repairs and maintenance expenses and other expenses during 6M FY2021; and (b) the recognition of forfeited security deposit in respect of early termination of leases during 6M FY2020 while no such expense was recognized during 6M FY2021;



- (viii) the Group recorded a decrease in finance cost by approximately 42.9%, from approximately HK\$7.7 million for 6M FY2020 to approximately HK\$4.4 million for 6M FY2021 mainly due to the decrease in interest on lease liabilities as a result of the decrease in number of restaurants in operation during 6M FY2021; and
- (ix) as a result of the foregoing, the Group recorded a reduction in loss attributable to the Shareholders from approximately HK\$57.3 million for 6M FY2020 to approximately HK\$18.7 million for 6M FY2021.

**1. RESPONSIBILITY STATEMENT**

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this Composite Document (other than those relating to the Group), and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Composite Document (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

**2. DISCLOSURE OF INTERESTS**

As at the Latest Practicable Date, the Offeror and the Offeror's Concert Parties collectively hold a total of 685,000,000 Shares, representing approximately 59.57% of the entire issued share capital of the Company. Save for the aforesaid, the Offeror and the Offeror's Concert Parties do not hold, own, control or have direction over any Shares or voting rights of the Company or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

**3. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS**

The Offeror and the Offeror's Concert Parties confirm that, as at the Latest Practicable Date:

- (i) save for a total of 685,000,000 Shares acquired by the Purchasers pursuant to the terms and conditions of the SPA on Completion, none of the Offeror and/or the Offeror's Concert Parties had dealt for value in any shares, convertible securities, warrants or options of the Company or any derivatives in respect of such securities during the Relevant Period;
- (ii) the Offeror and the Offeror's Concert Parties have not received any irrevocable commitment to accept or reject the Offer;
- (iii) there is no outstanding derivative in respect of securities in the Company which is owned, controlled or directed by, or has been entered into by the Offeror and/or any of the Offeror's Concert Parties;
- (iv) there is no arrangement (whether by way of option, indemnity or otherwise) of any kind (as referred to in Note 8 to Rule 22 of the Takeovers Code) in relation to the Shares;

- (v) save for the Sale Shares, none of the Offeror and/or the Offeror's Concert Parties holds, owns or has control or direction over any voting rights or rights over any Shares or convertible securities, options, warrants or derivatives of the Company;
- (vi) there is no agreement or arrangement to which any of the Offeror is a party which relates to circumstances in which they may or may not invoke or seek to invoke condition to the Offer;
- (vii) no benefit (other than statutory compensation required under the applicable laws) had been or would be given to any Directors as compensation for loss of office or otherwise in connection with the Offer;
- (viii) there is no relevant security (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror and/or the Offeror's Concert Parties has borrowed or lent;
- (ix) save for the Offer Facility, there is no agreement, arrangement or understanding which may result in the securities of the Company to be acquired in pursuance of the Offer being transferred, charged or pledged to any other persons;
- (x) there is no understanding, arrangement or agreement which constitutes special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror or any of the Offeror's Concert Parties on the one hand, and the Vendors and any parties acting in concert with any of them on the other hand;
- (xi) there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between (a) any Shareholder; and (b)(1) the Offeror and any of the Offeror's Concert Parties, or (b)(2) the Company, its subsidiaries or associated companies;
- (xii) there is no understanding, arrangement or agreement between (a) the Offeror or any of the Offeror's Concert Parties; and (b) any of the directors, recent directors, shareholders or recent shareholders of the Company have any connection with or dependence upon the Offer; and
- (xiii) save for the consideration for the Sale Shares, there is no other consideration, compensation or benefit in whatever form paid or to be paid by the Offeror or any of the Offeror's Concert Parties to the Vendors and their respective parties acting in concert in respect of the Sale Shares.

#### 4. QUALIFICATION AND CONSENT OF EXPERTS

The following are the qualifications of the experts who have given opinions or advices which are contained or referred to in this Composite Document:

Name	Qualification
<b>China Tonghai Securities</b>	A corporation licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
<b>Veda Capital</b>	A corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, each of the experts mentioned above had given and had not withdrawn its written consent to the issue of this Composite Document with the inclusion of its letter, advice and/or references to its name in the form and context in which they are respectively included.

#### 5. MARKET PRICES

The table below shows the closing prices of the Shares as quoted on the Stock Exchange on (a) the last day on which trading took place in each of the calendar months during the Relevant Period; (b) the Last Trading Day; and (c) the Latest Practicable Date.

Date	Closing price per Share (HK\$)
30 June 2021	0.73
30 July 2021	0.74
31 August 2021	0.79
30 September 2021	0.80
29 October 2021	0.90
30 November 2021	0.88
Last Trading Day	0.89
31 December 2021	0.95
Latest Practicable Date	0.97

During the Relevant Period:

- (i) the highest closing price of the Shares quoted on the Stock Exchange was HK\$0.97 per Share on 3 January 2022; and
- (ii) the lowest closing price of the Shares quoted on the Stock Exchange was HK\$0.71 per Share on 18, 22 and 29 June 2021 and 13 August 2021.

## **6. MISCELLANEOUS**

- (i) The Offeror is incorporated in the British Virgin Islands with limited liability and its registered office is situated at Sea Meadow House, Blackburne Highway (P.O. Box 116), Road Town, Tortola, British Virgin Islands, and the correspondence address of Mr. Tam, the sole director and sole shareholder of the Offeror, is Unit A, 3/F Cheong Sun Tower, 116-118 Wing Lok Street, Sheung Wan, Hong Kong;
- (ii) China Tonghai Securities provides the Offer Facility to the Offeror and is the agent making the Offer on behalf of the Offeror. Its registered office is situated at 18th and 19th Floors, China Building, 29 Queen's Road Central, Hong Kong;
- (iii) Veda Capital is the financial adviser to the Offeror, and its registered office is situated at Suites 1001-02, 10/F., 299 QRC, 299 Queen's Road Central, Hong Kong; and
- (iv) the English text of this Composite Document and the accompanying Form of Acceptance shall prevail over the Chinese text in case of inconsistency.

## **7. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection on (i) the website of the SFC (<http://www.sfc.hk>); (ii) the website of the Company (<https://www.palace-rest.com.hk/home/>); and (iii) at the principal place of business of the Company at Unit 2, 14/F, Win Century Centre, No. 2A Mong Kok Road, Kowloon, Hong Kong during normal business hours from 9:30 a.m. to 6:00 p.m., Monday to Friday (except public holidays), from the date of this Composite Document up to and including the Closing Date:

- (i) the memorandum and articles of association of the Offeror;
- (ii) the letter from China Tonghai Securities, the text of which is set out on pages 7 to 17 in this Composite Document; and
- (iii) the written consents as referred to in the section headed "4. Qualification and Consent of Experts" in this appendix.

## 1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Offeror and the parties acting in concert with it), and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the sole director of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

## 2. SHARE CAPITAL

The authorized and issued share capital of the Company as at the Latest Practicable Date were as follows:

<b>As at the Latest Practicable Date</b>	<b>HK\$</b>
<i>Authorised:</i>	
5,000,000,000 Shares of HK\$0.01 each	50,000,000.00
<i>Issued:</i>	
1,150,000,000 Shares of HK\$0.01 each	11,500,000.00

All the existing Shares in issue are fully paid and rank *pari passu* with each other in all respects, including all rights in respect of capital, dividends and voting.

Since 31 March 2021 (being the date to which the Company's latest published audited accounts were prepared) and up to the Latest Practicable Date, no Shares had been issued by the Company.

As at the Latest Practicable Date, save as disclosed above, the Company has no other outstanding securities, options, warrants or derivatives which are convertible into or which confer rights to require the issue of Shares, and has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

### 3. DISCLOSURE OF INTERESTS

#### (i) Interests and short positions in the securities of the Company and its associated corporations of the Directors and chief executive

As at the Latest Practicable Date, none of the Directors and their respective associates nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under the provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange; or (d) to be disclosed in this Composite Document pursuant to the Takeovers Code.

#### (ii) Interests and short positions of substantial Shareholders

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Name of Shareholders	Capacity/ Nature of interest	No. of Shares held/ interested in	Approximate percentage of the total issued share capital of the Company
The Offeror	Beneficial owner	586,500,000	51.00%
Mr. Tam	Interest of controlled corporation ( <i>Note 1</i> )	586,500,000	51.00%

*Note:*

- Mr. Tam beneficially owns the entire issued share capital of the Offeror. Therefore, Mr. Tam is deemed, or taken to be, interested in 586,500,000 Shares held by the Offeror for the purpose of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group, or which would be required to be disclosed pursuant to the requirements of the Takeovers Code.

#### **4. SHAREHOLDINGS AND DEALINGS IN SECURITIES**

During the Relevant Period and up to the Latest Practicable Date,

- (a) save for the sale of the Sale Shares under the SPA, none of the Company or the Directors had dealt for value in any Shares, warrants, share options, derivatives and securities carrying conversion or subscription rights into Shares;
- (b) save that Mr. Chan Shou Ming (the chairman of the Board) and Ms. Chen Xiao Ping (an executive Director and the chief executive officer of the Company) were interested in the Sale Shares immediately before the Completion, no other Director had owned or controlled any Shares, warrants, share options, derivatives and securities carrying conversion or subscription rights into Shares; and
- (c) none of the Company or the Directors had owned or controlled, or had dealt for value in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Offeror.

During the Offer Period and up to the Latest Practicable Date:

- (a) none of the subsidiaries of the Company or the pension funds of the Company or any member of the Group or any persons who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (excluding exempt principal traders and exempt fund managers) had owned or controlled, or had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company;



- (b) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code; and
- (c) no Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company.

As at the Latest Practicable Date:

- (a) none of the Company or the Directors had borrowed or lent any Shares, convertible securities, warrants, options or derivatives in respect of any Shares;
- (b) none of the Directors held any beneficial shareholdings in the Company which would otherwise entitle them to accept or reject the Offer; and
- (c) there is no understanding, arrangement or agreement or special deal between any Shareholders on the one hand, and the Company, its subsidiaries or associated companies on the other hand.

## **5. ARRANGEMENTS AFFECTING AND RELATING TO DIRECTORS**

As at the Latest Practicable Date:

- (a) no benefit (other than statutory compensation) was or would be given to any Director as compensation for loss of office or otherwise in connection with the Offer;
- (b) save for the SPA, there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer; and
- (c) save for the SPA, no material contracts had been entered into by the Offeror in which any Director had a material personal interest.

**6. DIRECTORS' SERVICE CONTRACTS**

Mr. Lee Wai Man, as an independent non-executive Director, entered into a service contract with the Company for a term of one year commencing from 14 July 2021, subject to early termination by either Mr. Lee Wai Man giving one month's prior notice in writing to the Company, or the Company giving notice in writing to Mr. Lee Wai Man effective forthwith. The basic annual remuneration of Mr. Lee Wai Man under the service contract is HK\$120,000 payable by 12 monthly instalments.

As at the Latest Practicable Date, save as disclosed above, none of the Directors had any existing service contracts with any member of the Group or any associated company of the Group:

- (a) which (including both continuous and fixed contracts) have been entered into or amended within the Relevant Period;
- (b) which are continuous contracts with a notice period of 12 months or more;
- (c) which are fixed term contracts with more than 12 months to run irrespective of the notice period; or
- (d) was not determinable by the Group within one year without payment of compensation (other than statutory compensation).

**7. MATERIAL CONTRACTS**

The Group did not enter into any contract which are or may be material other than those entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries within two years immediately preceding the date of the Joint Announcement and up to and including the Latest Practicable Date.

**8. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any other member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance were known to the Directors to be pending or threatened against any member of the Group.

## 9. EXPERT'S QUALIFICATION AND CONSENT

The followings is the qualification of the expert who has given opinion or advice contained in this Composite Document:

<b>Name</b>	<b>Qualification</b>
Innovax Capital Limited (“ <b>Innovax Capital</b> ”)	A licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the terms of the Offer and as to acceptance

Innovax Capital has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of its advice or report, as the case may be, and reference to its name in the form and context in which they are respectively included.

## 10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) on the website of the Company (<http://www.palace-rest.com.hk/>); (ii) on the website of the SFC ([www.sfc.hk](http://www.sfc.hk)); and (iii) during normal business hours from 9 a.m. to 5 p.m. (other than Saturdays, Sundays and public holidays) at the principal place of business in Hong Kong of the Company at Unit 2, 14/F., Win Century Centre, No. 2A Mong Kok Road, Kowloon, Hong Kong from the date of this Composite Document up to and including the Closing Date:

- (i) the memorandum and articles of association of the Company;
- (ii) the annual reports of the Company for the three financial years ended 31 March 2019, 2020 and 2021;
- (iii) the interim report of the Company for the six months ended 30 September 2021;
- (iv) the letter from the Board, the text of which is set out on pages 18 to pages 23 of this Composite Document;

- (v) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages IBC-1 to IBC-3 of this Composite Document;
- (vi) the letter of advice from Innovax Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages IFA-1 to IFA-27 of this Composite Document;
- (vii) the service contracts referred to in the paragraph headed “6. Directors’ Service Contracts” in this Appendix;
- (viii) the written consent referred to in the paragraph headed “9. Expert’s Qualification and Consent” in this Appendix; and
- (ix) this Composite Document.

#### **11. MISCELLANEOUS**

- (i) The principal share registrar and transfer office of the Company in the Cayman Islands is Conyers Trust Company (Cayman) Limited, which is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business in Hong Kong is situated at Unit 2, 14/F, Win Century Centre, No. 2A Mong Kok Road, Kowloon, Hong Kong.
- (ii) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (iii) The registered office of Innovax Capital is situated at Room 2002, 20/F, Chinachem Century Tower, 178 Gloucester Road, Wan Chai, Hong Kong.
- (iv) The English text of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese text in case of inconsistency.