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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)

DISCLOSEABLE TRANSACTION TSUEN WAN LEASE AGREEMENT

THE TSUEN WAN LEASE AGREEMENT

On 17 June 2019, Full Prestige, a wholly-owned subsidiary of the Company, as the tenant entered into the Tsuen Wan Lease Agreement with Yan Yan Motors, an Independent Third Party, as the landlord pursuant to which Yan Yan Motors agreed to lease the Premises (together with three carpark stalls) to Full Prestige for the Group's new restaurant operation in Tsuen Wan.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, Yan Yan Motors and its ultimate beneficial owners are Independent Third Parties.

LISTING RULES IMPLICATIONS

Pursuant to HKFRS16, the entering into of the Tsuen Wan Lease Agreement as a lessee will require the Group to recognise the Premises and carpark stalls as the right-of-use assets, thus the entering into of the Tsuen Wan Lease Agreement and the transactions contemplated thereunder will be regarded as acquisition of assets by the Group in according to the Listing Rules.

As one or more than one of the applicable percentage ratios in respect of the Tsuen Wan Lease Agreement is more than 5% and below 25%, the Tsuen Wan Lease Agreement constitutes a discloseable transaction for the Company, and is therefore subject to the notification and announcement requirements but exempt from Shareholders' approval requirement pursuant to Chapter 14 of the Listing Rules.

BACKGROUND

On 17 June 2019, Full Prestige, a wholly-owned subsidiary of the Company, as the tenant entered into the Tsuen Wan Lease Agreement with Yan Yan Motors, an Independent Third Party, as the landlord pursuant to which Yan Yan Motors agreed to lease the Premises (together with three carpark stalls) to Full Prestige for the Group's new restaurant operation in Tsuen Wan.

THE TSUEN WAN LEASE AGREEMENT

Details of the principal terms of the Tsuen Wan Lease Agreement are set out below:

Date	:	17 June 2019
Parties	:	(i) Yan Yan Motors, an Independent Third Party, as the landlord (ii) Full Prestige, a wholly-owned subsidiary of the company, as the tenant
Premises	:	4/F, Nan Fung Centre 264-298 Castle Peak Road Tsuen Wan New Territories, Hong Kong
Carparks	:	Carpark stalls numbered 3, 4 and 30 are included under the lease
Term	:	Five years commencing 1 August 2019
Gross floor area	:	approximately 2,200 square meters
Rent-free period	:	From 1 to 31 August 2019 (both days inclusive)
Monthly rental	:	<i>For the Premises</i> (i) From 1 August 2019 to 31 July 2022 for a monthly rent of HK\$1,000,000; and (ii) From 1 August 2022 to 31 July 2024 for a monthly rent of HK\$1,100,000.

For the Carparks

For a monthly rent of HK\$7,000.

The rent under the Tsuen Wan Lease Agreement was determined after arm's length negotiations between the parties, after taking into consideration the prevailing market price for comparable premises in the vicinity of the Premises and the existing rent under the lease agreement of the Tsuen Wan Nan Fung Restaurant.

The aggregate value of consideration payable under the Tsuen Wan Lease Agreement being the aggregate lease payments (net of rent-free period), stamp duty and estimated reinstatement cost to be paid by Full Prestige is approximately HK\$62,488,000, which will be funded by internal source of funding.

As at the date of this announcement, Full Prestige has paid HK\$1.0 million as deposit for the lease under the Tsuen Wan Lease Agreement.

The parties to the Tsuen Wan Lease Agreement will enter into a formal lease agreement in or about July 2019 detailing the rights and responsibilities between the parties.

RIGHT-OF-USE ASSETS

Pursuant to HKFRS16, the Premises and carpark stalls leased under the Tsuen Wan Lease Agreement will be recognised as right-of-use assets for an amount of HK\$54,221,000, which is calculated with reference to the present value of the aggregate lease payments (net of rent-free period), plus stamp duty and estimated reinstatement costs, and discounted by a discount rate of 4.90%.

REASONS FOR AND BENEFITS OF THE NEW LEASE AGREEMENT

The Group currently operates the Tsuen Wan Nan Fung Restaurant on the fifth floor of the same building of the Premises and the landlord of the Tsuen Wan Nan Fung Restaurant is the same landlord as the Premises. The current tenant of the Premises is operating a Chinese restaurant offering mainly Cantonese dining service at the Premises for close to 20 years, which is a competitor of the Group. It has come to the attention of the Company that the current landlord is seeking a new tenant at the Premises as the current tenant will not renew its tenancy due to retirement planning, to the Directors' knowledge. The Tsuen Wan Nan Fung Restaurant has been showing positive results

in the past and in the latest financial year, being the year ended 31 March 2019. Furthermore, as disclosed in “Business – Business Strategies – Expanding our restaurant network and geographic coverage by opening more restaurants in Hong Kong” and “Business – Business Strategies – Our restaurant expansion plan” in the Prospectus, the Group has plans to develop dining services in its new restaurants so as to benefit from a more stable revenue throughout the year and growing demand for the dining services. As such, the Company plans to operate this new restaurant at the Premises to focus on dining services rather than wedding banquets. This will ensure the Company can expand its revenue base without compromising the service offerings or creating competition with its existing Tsuen Wan Nan Fung Restaurant. The Company will fund this expansion through its internal source of funding.

The Directors, including the independent non-executive Directors, considered that the transactions contemplated under the Tsuen Wan Lease Agreement was entered into in the ordinary and usual course of business of the Group, and the Tsuen Wan Lease Agreement was entered into on normal commercial terms after arm’s length negotiations between the parties, and the terms of the transactions contemplated under the Tsuen Wan Lease Agreement were fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES

The Company

The Company is an investment holding company that holds all of the subsidiaries of the Group, and the shares of which are listed on the Stock Exchange (stock code: 1703). The Group is a full-service restaurant group in Hong Kong offering Cantonese dining service and banquet service, including wedding banquet service. The Group currently operates Chinese full-service restaurants under two brand names, namely, brands with the word(s) “煌府 (Palace)” and “Royal Courtyard (煌苑)”.

Full Prestige

Full Prestige is a limited liability company incorporated under the laws of Hong Kong on 14 June 2019, which is a wholly-owned subsidiary of the Company. Full Prestige is a newly incorporated company and its principal business will be Chinese restaurant operations.

Yan Yan Motors

Yan Yan Motors is a limited liability company incorporated under the laws of Hong Kong on 11 March 1977, which is wholly-owned by Kwong Fat Lung Holdings Limited, a company incorporated in the British Virgin Islands. The principal activities of Yan Yan Motors is taxi cabs public light bus and investment. Yan Yan Motors, its ultimate beneficial owners and its respective associates are Independent Third Parties to the Group and its connected persons as defined under the Listing Rules to the best of the Directors’ knowledge.

LISTING RULES IMPLICATIONS

Pursuant to HKFRS16, the entering into of the Tsuen Wan Lease Agreement as a lessee will require the Group to recognise the Premises and carparks stalls as the right-of-use assets, thus the entering into of the Tsuen Wan Lease Agreement and the transactions contemplated thereunder will be regarded as acquisition of assets by the Group in according to the Listing Rules.

As one or more than one of the applicable percentage ratios in respect of the Tsuen Wan Lease Agreement is more than 5% and below 25%, the Tsuen Wan Lease Agreement constitutes a discloseable transaction for the Company, and is therefore subject to the notification and announcement requirements but exempt from Shareholders' approval requirement pursuant to Chapter 14 of the Listing Rules.

DEFINITIONS

“Board”	the board of Directors of the Company
“Company”	Palace Banquet Holdings Limited (首豐控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 7 June 2018
“Discloseable Transaction”	transaction contemplated under the Tsuen Wan Lease Agreement
“Director(s)”	the directors of our Company
“Full Prestige”	Full Prestige Limited (威滿有限公司), a limited liability company incorporated under the laws of Hong Kong on 14 June 2019, which is a wholly-owned subsidiary of the Company
“Group”	the Company, its subsidiaries and the consolidated affiliated entities from time to time
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People's Republic of China

“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is/are not connected persons of the Company and is/are third party independent of the Company and its connected persons in accordance with the Listing Rules
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Premises”	4/F, Nan Fung Centre 264-298 Castle Peak Road Tsuen Wan New Territories, Hong Kong
“Prospectus”	the prospectus of the Company dated 31 January 2019
“Shareholder(s)”	holder(s) of the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tsuen Wan Lease Agreement”	an agreement entered into between the Yan Yan Motors as the landlord and Full Prestige as the tenant on 17 June 2019 in relation to the lease of the Premises
“Tsuen Wan Nan Fung Restaurant”	the restaurant located at 5/F, Nan Fung Centre, 264-298 Castle Peak Road, Tsuen Wan, New Territories and operated by Well Strong under the brand name “Wedding Banquet Specialist (煌府婚宴專門店)”
“Yan Yan Motors”	Yan Yan Motors Limited (人人汽車有限公司), a limited liability company incorporated under the laws of Hong Kong on 11 March 1977, which is an Independent Third Party

By order of the Board
Palace Banquet Holdings Limited
Chan Shou Ming
Chairman

Hong Kong, 17 June 2019

As at the date of this announcement, the executive Directors are Mr. Chan Shou Ming, Ms. Chen Xiao Ping and Ms. Qian Chunlin; and the independent non-executive Directors are Mr. Chan Koon Yuen Windaus, Mr. Ng Kwok Tung and Mr. Yue Ming Wai Bonaventure.