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婚宴專門店
Wedding Banquet Specialist

PALACE BANQUET HOLDINGS LIMITED

首灃控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1703)

DISCLOSEABLE TRANSACTION ACQUISITION OF RIGHT-OF-USE ASSETS LEASE RENEWAL OF THE ONE SHOPS L503 AND L504

THE NEW LEASE

The Board announces that on 6 December 2019, Perfect Rainbow, an indirect wholly-owned subsidiary of the Company, entered into the New Lease with the Landlord, an Independent Third Party for renewal of the lease in respect of the Premises under the Existing Lease for a term of three years commencing from 18 April 2020 to 17 April 2023 (both days inclusive) for the Group's restaurant operation in Tsim Sha Tsui.

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

LISTING RULES IMPLICATIONS

Pursuant to HKFRS 16, which the Group adopted on 1 April 2019, the entering into of the New Lease as a lessee will require the Group to recognise the Premises as the right-of-use assets, thus the entering into of the New Lease 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 New Lease is more than 5% and below 25%, the New Lease 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

The Board announces that on 6 December 2019, Perfect Rainbow, an indirect wholly-owned subsidiary of the Company, entered into the New Lease with the Landlord, an Independent Third Party for renewal of the lease in respect of the Premises under the Existing Lease for a term of three years commencing from 18 April 2020 to 17 April 2023 (both days inclusive) for the Group's restaurant operation in Tsim Sha Tsui.

THE NEW LEASE

Details of the principal terms of the New Lease are set out below:

- Date** : 6 December 2019
- Parties** : (i) The One Property Limited, an Independent Third Party, as the Landlord
(ii) Perfect Rainbow, an indirect wholly-owned subsidiary of the Company, as the Tenant
- Premises** : Shops L503 and L504 on Level 5 (also referred to as L5) of The ONE, 100 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong
- Term** : Three years commencing 18 April 2020 and expiring on 17 April 2023 (both days inclusive), with an option to renew for a further term of three years at the option term rent (including the turnover rent).

“option term rent” means (i) a new basic rent, and (ii) the turnover rent. The new basic rent shall be equivalent to the then prevailing market rent, and shall not be less than HK\$660,000 per calendar month and not more than HK\$745,800 per calendar month.
- Gross floor area** : approximately 656.85 square meters
- Rent-free period** : From 18 April 2020 to 6 June 2020 (both days inclusive)
- Monthly rental** : (i) Basic rent being a monthly rent of HK\$660,000; and
(ii) Turnover rent being 14% of the amount by which the Tenant's monthly gross receipts exceeds the basic rent (but any deficit shall not be carried over to the succeeding months).

The rent under the New Lease 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 ONE (The Palace) Restaurant.

The aggregate value of consideration payable under the New Lease is approximately HK\$50,125,000, which will be funded by internal source of funding.

- Rates** : The Tenant shall pay rates charged on the Premises as assessed by the Government of Hong Kong.
- Service charges** : HK\$147,698.40 per calendar month
- Promotion levy** : HK\$12,956.00 per calendar month
- Security deposit** : A cash deposit of HK\$4,592,272, which shall be transferred from the security deposit paid in accordance with the Existing Lease.
- Manner of payment** : The basic rent shall be paid in advance on the first day of each and every successive calendar month without any deduction or set off (whether legal or equitable) or right to withhold rent and other outgoings.

For turnover rent, written statement of gross receipts for each calendar month shall be certified by the Tenant's chief accountants delivered together with the turnover rent (where payable) by the Tenant to the Landlord within the first five days of the following month.

For rates, the Tenant shall pay such sum quarterly in advance which shall be or be deemed to be payable and due on the first day of the months of January, April, July and October.

For promotional levy, the Tenant shall pay to the Landlord monthly in advance throughout the term and on the days and in the manner as the payment of rent the first of such payments of promotional levy to be made on the signing of the New Lease.

RIGHT-OF-USE ASSETS

Pursuant to HKFRS 16, which the Group adopted on 1 April 2019, the Premises leased under the New Lease will be recognised as right-of-use assets for an amount of HK\$42,104,791, which is calculated with reference to the present value of the aggregate lease payments (net of rent-free period), plus stamp duty, imputed interest expense in relation to security deposits and estimated reinstatement costs, and discounted by a discount rate of 5.18% (being the Company's borrowing rate as at the date of this announcement quoted from its principal banker during the entire term of the New Lease).

REASONS FOR AND BENEFITS OF THE NEW LEASE AGREEMENT

The Group is currently leasing the Premises under the Existing Lease for the operation of its The One (Royal Courtyard) Restaurant, which will be expiring in April 2020. The renewal of the Existing Lease will enable the Group to continue its operation of The One (Royal Courtyard) Restaurant at the Premises.

The Directors, including the independent non-executive Directors, considered that the transactions contemplated under the New Lease was entered into in the ordinary and usual course of business of the Group, and the New Lease was entered into on normal commercial terms after arm's length negotiations between the parties, and the terms of the transactions contemplated under the New Lease 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, 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 operates Chinese full-service restaurants under two brand names, namely, brands with the word(s) “**煌府 (Palace)**” and “**Royal Courtyard (煌苑)**”.

Perfect Rainbow

Perfect Rainbow is a limited liability company incorporated under the laws of Hong Kong on 20 March 2015, which is an indirect wholly-owned subsidiary of the Company. Perfect Rainbow operates the The One (Royal Courtyard) Restaurant under the brand name, Royal Courtyard (煌苑).

The Landlord

The Landlord is a limited liability company incorporated under the laws of Hong Kong on 14 June 2002, which is wholly-owned by Asian East Limited, a company incorporated in the British Virgin Islands. The principal activities of the Landlord is real estate leasing, real estate agency and property holding and resale. The Landlord, 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, information and belief.

LISTING RULES IMPLICATIONS

Pursuant to HKFRS 16, which the Group adopted on 1 April 2019, the entering into of the New Lease as a tenant will require the Group to recognise the Premises as the right-of-use assets, thus the entering into of the New Lease 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 New Lease is more than 5% and below 25%, the New Lease 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

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“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
“Director(s)”	: the directors of our Company
“Existing Lease”	: the existing lease dated 21 June 2018 entered into between Perfect Rainbow and The One Property in relation to the lease of the Premises which will be expired on 17 April 2020
“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 not connected persons of the Company and is third party independent of the Company and its connected persons in accordance with the Listing Rules
“The One Property” or the “Landlord”	: The One Property Limited (formerly known as Chinese Estates (The One) Limited), a limited liability company incorporated under the laws of Hong Kong on 14 June 2002, which is an Independent Third Party and the Landlord of the Premises under the Existing Lease and New Lease
“Listing Rules”	: The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“New Lease”	: an agreement entered into between The One Property as the Landlord and Perfect Rainbow as the Tenant on 6 December 2019 in relation to the lease of the Premises
“Perfect Rainbow” or the “Tenant”	: Perfect Rainbow Limited (傑彩有限公司), a limited liability company incorporated under the laws of Hong Kong on 20 March 2015 and an indirect wholly-owned subsidiary of the Company
“Premises”	: Shops L503 and L504 on Level 5 (also referred to as L5) of The ONE, 100 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong
“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
“The One (Royal Courtyard) Restaurant”	: the restaurant located at Shop L503 and L504, Level 5, The ONE, 100 Nathan Road, Tsim Sha Tsui, Kowloon and operated by Perfect Rainbow under the brand name “Royal Courtyard (煌苑)”

“The One (The Palace) Restaurant” : the restaurant located at Level 13, The ONE, 100 Nathan Road, Tsim Sha Tsui, Kowloon and operated by Good Lucky Investments Limited under the brand name “The Palace (煌府)”

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

Hong Kong, 6 December 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.