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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 TRANSACTIONS

ACQUISITION OF RIGHT-OF-USE ASSETS IN RELATION TO LEASE RENEWAL OF (1) THE PALACE RESTAURANT AT THE ONE (2) ROYAL COURTYARD RESTAURANT AT THE ONE

BACKGROUND

Reference is made to the announcement of the Company dated 21 February 2020 that the Group is in discussions with its various landlords for rent concessions in order to lower the overall rental expenses of the Company as part of its costs control measures.

The Group has separately secured rent concessions with the Landlord for each of The Palace Restaurant and the Royal Courtyard Restaurant located at The One, 100 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong. In consideration of the rent concessions, The Palace Renewal Lease and the Royal Courtyard Renewal Lease have been entered into separately.

(1) ACQUISITION OF RIGHT-OF-USE ASSETS IN RELATION TO LEASE RENEWAL OF THE PALACE RESTAURANT AT THE ONE

Reference is made to “Business – Properties – Leased properties” of the Prospectus in relation to The Palace Restaurant.

In consideration of the rent concession given by the Landlord, Good Lucky, an indirect wholly-owned subsidiary of the Company, has entered into The Palace Renewal Lease as the tenant with the Landlord as the landlord, and the principal terms of The Palace Renewal Lease are set out below:

Principal Terms of The Palace Renewal Lease

- Date : 21 May 2020 (which the Company only received on 10 June 2020)

- Parties : (i) The One Property Limited, an Independent Third Party, as the landlord

(ii) Good Lucky, an indirect wholly-owned subsidiary of the Company, as the tenant

- Premises : Level 13 of The ONE, 100 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong

- Term : from 26 April 2022 to 25 April 2023 (both days inclusive)

- Total aggregate value of consideration payable : HK\$21,960,000 in aggregate (exclusive of service charges, promotion levy and rates) during the term from 26 April 2022 to 25 April 2023, subject to additional turnover rent which may be imposed pursuant to the terms and conditions of The Palace Renewal Lease.

Good Lucky shall be responsible for service charges, promotion levy and rates during the term.

- Termination : The Landlord is entitled to cancel or terminate The Palace Renewal Lease at any time before the end of the term by giving not less than three months advance notice in writing to Good Lucky.

- Concession rent under The Palace Existing Lease : The base rent under The Palace Existing Lease shall be revised to HK\$10,980,000 in aggregate (exclusive of service charges, promotion levy and rates) for a period of 12 months from 1 April 2020 to 31 March 2021 (both days inclusive), subject to additional turnover rent which may be imposed pursuant to the terms and conditions of The Palace Existing Lease. Good Lucky shall be responsible for service charges, promotion levy and rates during the said period.

Option : The parties to The Palace Renewal Lease have acknowledged that the option under The Palace Existing Lease will not be exercised.

The monthly rent payment and the stamp duty will be paid by the Group's internal sources of funding.

(2) ACQUISITION OF RIGHT-OF-USE ASSETS IN RELATION TO LEASE RENEWAL OF THE ROYAL COURTYARD RESTAURANT AT THE ONE

Reference is made to the Announcement of the Company dated 6 December 2019 in relation to the discloseable transaction for the acquisition of right-of-use assets of the lease renewal of the Royal Courtyard Premises.

In consideration of the rent concession given by the Landlord, Perfect Rainbow, an indirect wholly-owned subsidiary of the Company, has entered into the Royal Courtyard Renewal Lease as the tenant with the Landlord as the landlord, and the principal terms of the Royal Courtyard Renewal Lease are set out below:

Principal Terms of the Royal Courtyard Renewal Lease

Date : 21 May 2020 (which the Company only received on 10 June 2020)

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 : from 18 April 2023 to 17 February 2024 (both days inclusive)

Total aggregate value of consideration payable : HK\$7,920,000 in aggregate (exclusive of service charges, promotion levy and rates) during the term from 18 April 2023 to 17 February 2024, subject to additional turnover rent which may be imposed pursuant to the terms and conditions of the Royal Courtyard Renewal Lease.

Perfect Rainbow shall be responsible for service charges, promotion levy and rates during the term.

- Termination : The Landlord is entitled to cancel or terminate the Royal Courtyard Renewal Lease at any time before the end of the term by giving not less than three months advance notice in writing to Perfect Rainbow.
- Concession rent under the Royal Courtyard Existing Lease : The base rent shall be revised to HK\$3,234,000 in aggregate (exclusive of service charges, promotion levy and rates) for the period of ten months from 1 June 2020 to 31 March 2021 (both days inclusive), subject to additional turnover rent which may be imposed pursuant to the terms and conditions of the Royal Courtyard Existing Lease. Perfect Rainbow shall be responsible for service charges, promotion levy and rates during the said period.
- Option : The option (as disclosed in the Announcement) is exercisable by Perfect Rainbow by giving the Landlord a duly signed unconditional notice in writing within the period from and including the day that is nine months prior to the expiry of the term but excluding the day that is six months prior to the expiry of the term.

The monthly rent payment and the stamp duty will be paid by the Group's internal sources of funding.

RIGHT-OF-USE ASSETS

Pursuant to HKFRS16, the tenancy of The Palace Premises and the Royal Courtyard Premises will be recognised as right-of-use assets for an amount of approximately HK\$44.1 million and HK\$39.1 million, respectively, which are calculated with reference to the present value of the aggregated lease payments to be made for the remaining respective terms of The Palace Existing Lease and The Palace Renewal Lease, and the Royal Courtyard Existing Lease and the Royal Courtyard Remaining Lease.

REASONS FOR AND BENEFITS OF THE PALACE RENEWAL LEASE AND THE ROYAL COURTYARD RENEWAL LEASE

The Group is currently leasing The Palace Premises and the Royal Courtyard Premises for the operation of its The Palace Restaurant and the Royal Courtyard Restaurant, respectively. In order to secure the rent concessions for 12 months under The Palace Existing Lease from 1 April 2020 to 31 March 2021, and for ten months under the Royal Courtyard Existing Lease from 1 June 2020 to 31 March 2021, Good Lucky as the tenant of The Palace Premises and Perfect Rainbow as the tenant of the Royal Courtyard Premises, respectively agreed with the Landlord to extend the term of under The Palace Existing Lease and the Royal Courtyard Existing Lease.

The Directors, including the independent non-executive Directors, considered that the transactions contemplated under each of The Palace Renewal Lease and the Royal Courtyard Renewal Lease was entered into in the ordinary and usual course of business of the Group, and each of The Palace Renewal Lease and the Royal Courtyard Renewal Lease was entered into on normal commercial terms after arm's length negotiations between the parties, and the terms of the transactions contemplated under each of The Palace Renewal Lease and the Royal Courtyard Renewal 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)**”.

Good Lucky

Good Lucky is a limited liability company incorporated under the laws of Hong Kong on 29 May 2008, and is an indirect wholly-owned subsidiary of the Company. Good Lucky operates The Palace Restaurant under the brand name “**The Palace (煌府)**”.

Perfect Rainbow

Perfect Rainbow is a limited liability company incorporated under the laws of Hong Kong on 20 March 2015, and is an indirect wholly-owned subsidiary of the Company. Perfect Rainbow operates the 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. To the best knowledge, information and belief of the Directors, (i) the principal activities of the Landlord is real estate investment and leasing; and (ii) based on publicly available information, The One is owned by Ms. Chan Hoi Wan (wife of Mr. Joseph Lau Luen Hung), and their children. The leasing of the premises in The One is handled by China Estates Holdings Limited (stock code: 127) or its affiliates as agent.

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 knowledge, information and belief of the Directors.

LISTING RULES IMPLICATIONS

As one or more than one of the applicable percentage ratios (as defined in the Listing Rules) in respect of The Palace Renewal Lease is more than 5% and below 25%, The Palace Renewal 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.

As one or more than one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Royal Courtyard Renewal Lease is more than 5% and below 25%, the Royal Courtyard Renewal 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:

“Announcement”	the announcement of the Company dated 6 December 2019 in relation to the discloseable transaction for the acquisition of right-of-use assets of the lease renewal of the Royal Courtyard Premises
“Board”	the board of Directors
“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 the Company
“Good Lucky”	Good Lucky Investments Limited (好運投資有限公司), a limited liability company incorporated under the laws of Hong Kong on 29 May 2008 and an indirect wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries 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”	any person or company 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
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“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 each of the Royal Courtyard Premises and The Palace Premises
“Perfect Rainbow”	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
“Prospectus”	the prospectus of the Company dated 31 January 2019
“Royal Courtyard Existing Lease”	the existing lease dated 6 December 2019 entered into between the Landlord as the landlord and Perfect Rainbow as the tenant in relation to the lease of the Royal Courtyard Premises for a term from 18 April 2020 to 17 April 2023 (both days inclusive)
“Royal Courtyard 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
“Royal Courtyard Renewal Lease”	an agreement dated 21 May 2020 entered into between the Landlord as the landlord and Perfect Rainbow as the tenant in relation to, among others, the extension of the Royal Courtyard Existing Lease from 18 April 2023 to 17 February 2024 (both days inclusive) and supplemental to the Royal Courtyard Existing Lease
“Royal Courtyard Restaurant”	the restaurant located at Shops L503 and L504, Level 5, The One, 100 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong and operated by Perfect Rainbow under the brand name “Royal Courtyard (煌苑)”

“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 Palace Existing Lease”	the existing lease dated 5 October 2018 entered into between the Landlord as landlord and Good Lucky as tenant in relation to the lease of The Palace Premises for a term from 26 April 2019 to 25 April 2022 (both days inclusive)
“The Palace Premises”	Level 13 of The ONE, 100 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong
“The Palace Renewal Lease”	an agreement dated 21 May 2020 entered into between the Landlord as landlord and Good Lucky as the tenant in relation to, among others, the extension of The Palace Existing Lease from 26 April 2022 to 25 April 2023 (both days inclusive) and supplemental to The Palace Existing Lease
“The Palace Restaurant”	the restaurant located at Level 13, The One, 100 Nathan Road, Tsim Sha Tsui, Kowloon, Hong Kong and operated by Good Lucky under the brand name “The Palace (煌府)”

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

Hong Kong, 10 June 2020

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.