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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 IN RELATION TO LEASE RENEWAL OF THE KOWLOON BAY RESTAURANT

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 secured a rent concession with the Megabox Landlord for the Kowloon Bay Restaurant located at Unit 4, Level 13, Megabox, Enterprise Square Five 38 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong and entered into the Megabox Renewal Lease.

ACQUISITION OF RIGHT-OF-USE ASSETS IN RELATION TO LEASE RENEWAL OF THE KOWLOON BAY RESTAURANT

Reference is made to “Business – Properties – Leased properties” of the Prospectus in relation to the details of the Megabox Existing Lease.

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

Principal Terms of the Megabox Renewal Lease

Date	:	20 July 2020
Parties	:	(i) Megabox Development Company Limited, an Independent Third Party, as the landlord (ii) All Perfect, an indirect wholly-owned subsidiary of the Company, as the tenant
Premises	:	Unit 4, Level 13, Megabox, Enterprise Square Five 38 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong
Term	:	Extended the term under the Megabox Existing Lease from 1 April 2016 to 31 March 2022 (both days inclusive) to from 1 April 2016 to 31 March 2024 (both days inclusive)
Total aggregate value of consideration payable	:	HK\$10,391,040 in aggregate (exclusive of management fee, air-conditioning charges, promotional levy and rates) during the term from 1 April 2022 to 31 March 2024, based on the monthly base rent (subject to turnover rent which may be payable in lieu of the monthly base rent pursuant to the terms and conditions of the Megabox Renewal Lease).

All Perfect shall be responsible for management fee, air-conditioning charges, promotional levy and rates during the term.

Concession rent under the Megabox Existing Lease	:	The base rent under the Megabox Existing Lease shall be revised to HK\$8,515,584 in aggregate (exclusive of management fee, air-conditioning charges, promotional levy and rates) for the period of months from 1 July 2020 to 31 March 2022 (both days inclusive).
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Pursuant to the terms of the Megabox Renewal Lease, if the turnover rent (which is effectively 10% on monthly gross sales turnover of the Kowloon Bay Restaurant) is higher than the base rent, All Perfect shall pay the turnover rent in lieu of the base rent.

All Perfect shall be responsible for management fee, air-conditioning charges, promotional levy and rates during the said period.

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 Megabox Premises will be recognised as right-of-use assets for an amount of approximately HK\$18.0 million, which is calculated with reference to the present value of the aggregated lease payments to be made for the remaining term of the Megabox Existing Lease, as extended by the Megabox Renewal Lease.

REASONS FOR AND BENEFITS OF THE MEGABOX RENEWAL LEASE

The Group is currently leasing the Megabox Premises for the operation of its Kowloon Bay Restaurant. In order to secure the rent concession under the Megabox Existing Lease for its remaining term, All Perfect as the tenant of the Megabox Premises agreed with the Megabox Landlord to extend the term of the Megabox Existing Lease for 24 months from the expiry of the Megabox Existing Lease.

The Directors, including the independent non-executive Directors, considered that the transactions contemplated under the Megabox Renewal Lease was entered into in the ordinary and usual course of business of the Group, and the Megabox Renewal Lease was entered into on normal commercial terms after arm's length negotiations between the parties after taking into consideration the prevailing market price for comparable premises in the vicinity of the Megabox Premises and the existing rent under the Megabox Existing Lease, and the terms of the transactions contemplated under the Megabox 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)”.

All Perfect

All Perfect is a limited liability company incorporated under the laws of Hong Kong on 19 December 2014, which is an indirect wholly-owned subsidiary of the Company. All Perfect operates the Kowloon Bay Restaurant under the brand name, “Palace One (煌府一號)”.

The Megabox Landlord

The Megabox Landlord, Megabox Development Company Limited, is a limited liability company incorporated under the laws of Hong Kong on 17 January 2005, which is an indirect wholly-owned subsidiary of Kerry Properties Limited (stock code: 683). To the best knowledge, information and belief of the Directors, (i) the principal activities of the Megabox Landlord include property investment and handling the leasing of the premises of Megabox shopping mall; and (ii) the principal activity of Kerry Properties Limited is investment holding and the principal activities of its subsidiaries, associates and joint ventures companies comprise property development, investment and management in Hong Kong, the Mainland and the Asia Pacific region, hotel ownership in Hong Kong, and hotel ownership and operations in the Mainland etc.

The Megabox Landlord, its ultimate beneficial owners and their 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 Megabox Renewal Lease is more than 5% and below 25%, the Megabox 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:

“All Perfect”	All Perfect Limited (皆美有限公司), a limited liability company incorporated under the laws of Hong Kong on 19 December 2014 and an indirect wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Company”	Palace Banquet Holdings Limited (首灃控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 7 June 2018
“Director(s)”	the directors of the Company

“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
“Kowloon Bay Restaurant”	the restaurant located at Unit 4, Level 13, Megabox, Enterprise Square Five 38 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong and operated by All Perfect under the brand name “Palace One (煌府一號)”
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Megabox Existing Lease”	the existing lease dated 4 June 2015 entered into between the Megabox Landlord as landlord and All Perfect as tenant in relation to the lease of the Megabox Premises for a term from 1 April 2016 to 31 March 2022 (both days inclusive)
“Megabox Landlord”	Megabox Development Company Limited, a limited liability company incorporated under the laws of Hong Kong on 17 January 2005, which is an Independent Third Party and the landlord of the Megabox Premises
“Megabox Premises”	Unit 4, Level 13, Megabox, Enterprise Square Five 38 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong
“Megabox Renewal Lease”	an agreement dated 20 July 2020 entered into between the Megabox Landlord as landlord and All Perfect as tenant in relation to, among others, the extension of the Megabox Existing Lease from 1 April 2022 to 31 March 2024 (both days inclusive) and supplemental to the Megabox Existing Lease

“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

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

Hong Kong, 20 July 2020

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