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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 NEW LEASE AT CHINA HONG KONG CITY**

##### **THE NEW LEASE**

The Board announces that on 15 September 2020, As Great HK, an indirect wholly-owned subsidiary of the Company, as tenant entered into the New Lease with Million Success, an Independent Third Party, as landlord in respect of the Premises for a term of seven years commencing on 16 September 2020 and ending on 31 March 2027 (both days inclusive) for the new China Hong Kong City Restaurant to be opened by the Group.

Pursuant to HKFRS 16, the tenancy of the Premises will be recognized as right-of-use assets for an amount of approximately HK\$26.8 million, which is calculated with reference to the present value of the aggregated lease payments to be made under the New Lease.

##### **LISTING RULES IMPLICATIONS**

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 15 September 2020, As Great HK, an indirect wholly-owned subsidiary of the Company, as tenant entered into the New Lease with Million Success, an Independent Third Party, as landlord in respect of the Premises for a term of seven years commencing from 16 September 2020 and ending on 31 March 2027 (both days inclusive) for the new China Hong Kong City Restaurant to be opened by the Group.

## **THE NEW LEASE**

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

|  |   |   |
|--|---|---|
| Date   | : | 15 September 2020   |
| Parties  | : | (i) Million Success, an Independent Third Party, as the landlord<br>(ii) As Great HK, an indirect wholly-owned subsidiary of the Company, as the tenant   |
| Premises                                       | : | Shop Nos. R1B and 6A on the 1st Floor of the Podium, China Hong Kong City, China Ferry Terminal, No. 33 Canton Road, Kowloon, Hong Kong   |
| Term   | : | From 16 September 2020 to 31 March 2027 (both days inclusive)   |
| Rent-free period                               | : | From 16 September 2020 to 15 January 2021 (both days inclusive)   |
| Total aggregate value of consideration payable | : | HK\$29,752,253 in aggregate (exclusive of management fee, air-conditioning charges, promotional levy and rates) during the term from 16 September 2020 to 31 March 2027, subject to an additional turnover rent being 10% of the amount by which As Great HK's monthly gross sales turnover exceeds the monthly base rent (but any deficit shall not be carried over to the succeeding months). |

As Great HK shall be responsible for rates, management fee and air-conditioning charge, promotional levy and all other outgoings during the term.

The rent under the New Lease was determined after arm's length negotiations between Million Success and As Great HK, and took into consideration of the prevailing market price for comparable premises in the vicinity of the Premises.

- Security deposit : A cash deposit of HK\$1,965,573 (equivalent to three months' highest monthly base rent and three months' management fee and air-conditioning charge, promotional levy, rates and government rent (if any)) is payable to Million Success on or before the signing of the formal lease agreement.
- Stamp duty : To be shared equally between the parties

The monthly rent, the security deposit and the stamp duty will be paid by the Group's internal source of funding.

## **RIGHT-OF-USE ASSETS**

Pursuant to HKFRS16, the tenancy of the Premises will be recognized as right-of-use assets for an amount of approximately HK\$26.8 million, which is calculated with reference to the present value of the aggregated lease payments to be made under the New Lease.

## **INFORMATION OF 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 currently operates Chinese full-service restaurants under two brand names, namely, brands with the word(s) “煌府 (Palace)” and “Royal Courtyard (煌苑)”.

### **As Great HK**

As Great HK is a limited liability company incorporated under the laws of Hong Kong and is an indirect wholly-owned subsidiary of the Company, which is incorporated for the purpose of the leasing Premises and operating of the new China Hong Kong City Restaurant. As at the date of this announcement, As Great HK currently does not have any operations.

### **Million Success**

Million Success is a limited liability company incorporated under the laws of Hong Kong on 16 November 1984, which is owned as to 75% and 25% by Begin Wealth Limited and Fair Sky Company Limited, respectively, each a private company incorporated in Hong Kong. To the best knowledge, information and belief of the Directors, Million Success is an associate of Sino-Land Company Limited. The principal activity of Million Success is property investment. Million Success, its ultimate beneficial owners and its respective associates are Independent Third Parties as defined under the Listing Rules to the best of the Directors' knowledge, information and belief.

## **REASONS FOR AND BENEFITS OF THE NEW LEASE**

As disclosed in “Business – Business Strategies – Our restaurant expansion plan” in the Prospectus, as part of the Group’s expansion plan, the Group planned to open certain new restaurants during the year ending 31 March 2021, including one new restaurant in Yau Tsim Mong.

Furthermore, the COVID-19 conditions in Hong Kong have gradually improved, the Group will continue its plan to develop dining service and banquet service in its new restaurants, 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, aiming to benefit from a more stable revenue stream and growing demand for the dining services when the market situation further improves. As such, the Company plans to operate this new restaurant at the Premises to offer banquet service under the new brand name of “Sea Moon Cuisine (海月宴會廳)”. This will ensure the Company can expand its revenue base without compromising the service offerings by its existing Tsim Sha Tsui restaurants. The Company will fund the opening of the China Hong Kong City Restaurant by utilising the Net Proceeds allocated for opening a new restaurant in Yau Tsim Mong and internal source of funding.

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 with Million Success, and the terms of the transactions contemplated under the New Lease are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

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:

|                                   |  |
|-----------------------------------|--|
| “As Great HK”                     | As Great (Hong Kong) Limited (如鴻(香港)有限公司), a limited liability company incorporated under the laws of Hong Kong on 10 January 2019 and an indirect wholly-owned subsidiary of the Company  |
| “associate(s)”                    | having the meaning as given under the Listing Rules  |
| “Board”                           | the board of Directors of the Company  |
| “China Hong Kong City Restaurant” | the restaurant to be opened at Shop Nos. R1B and 6A on the 1st Floor of the Podium, China Hong Kong City, China Ferry Terminal, No. 33 Canton Road, Kowloon, Hong Kong and to be operated by As Great HK under the brand name “Sea Moon Cuisine (海月宴會廳)”   |
| “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   |
| “Directors”                       | the directors of the Company   |
| “Group”                           | the Company and its subsidiaries from time to time   |
| “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  |
| “Independent Third Party(ies)”    | 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   |

|                   |  |
|-------------------|--|
| “Million Success” | Million Success Limited (坤貿有限公司), a limited liability company incorporated under the laws of Hong Kong on 16 November 1984, which is an Independent Third Party and the landlord of the Premises under the New Lease |
| “New Lease”       | a formal lease agreement entered into between Million Success as the landlord and As Great HK as the tenant on 15 September 2020 in relation to the lease of the Premises  |
| “Net Proceeds”    | net proceeds from the Share Offer (after deducting underwriting fees and the listing expenses to be borne by the Group)  |
| “Premises”        | Shop Nos. R1B and 6A on the 1st Floor of the Podium, China Hong Kong City, China Ferry Terminal, No. 33 Canton Road, Kowloon, Hong Kong  |
| “Prospectus”      | the prospectus of the Company dated 31 January 2019  |
| “Share(s)”        | Ordinary share(s) of HK\$0.01 each in the share capital of the Company   |
| “Share Offer”     | the public offering and the placing of the Shares for the listing on the Main Board of the Stock Exchange on 15 February 2019  |
| “Shareholders”    | 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  |
| “%”               | per cent   |

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

Hong Kong, 15 September 2020

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