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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)**

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

- (1) DISCLOSEABLE TRANSACTION IN RELATION TO LEASE RENEWAL OF THE SHEUNG SHUI RESTAURANT; AND**
- (2) DISCLOSEABLE TRANSACTION IN RELATION TO LEASE RENEWAL OF THE TSEUNG KWAN O RESTAURANT**

**(1) DISCLOSEABLE TRANSACTION IN RELATION TO LEASE RENEWAL OF THE SHEUNG SHUI RESTAURANT**

The Board announces that the Company has exercised the three-year renewal option in the Sheung Shui Existing Lease and on 26 March 2020, Gold Year, an indirect wholly-owned subsidiary of the Company, entered into the Sheung Shui Renewal Lease with the Sheung Shui Landlord, an Independent Third Party for renewal of the lease in respect of the Sheung Shui Premises for a term of three years commencing from 27 March 2020 to 26 March 2023 (both days inclusive) for the Group's Sheung Shui Restaurant.

**(2) DISCLOSEABLE TRANSACTION IN RELATION TO LEASE RENEWAL OF THE TSEUNG KWAN O RESTAURANT**

The Board announces that the Company has exercised the three-year renewal option in the Tseung Kwan O Existing Lease and on 26 March 2020, Smart Gain, an indirect wholly-owned subsidiary of the Company, entered into the Tseung Kwan O Renewal Lease with the Tseung Kwan O Landlord, an Independent Third Party for renewal of the lease in respect of the Tseung Kwan O Premises for a term of three years commencing from 1 April 2020 to 31 March 2023 (both days inclusive) for the Group's Tseung Kwan O Restaurant.

Pursuant to HKFRS 16, the tenancy of each of the Sheung Shui Premises and Tseung Kwan O Premises will be recognised as right-of-use assets for an amount of approximately HK\$19.0 million and HK\$20.8 million respectively, which are calculated with reference to the present value of the aggregated lease payments to be made under the Sheung Shui Renewal Lease and Tseung Kwan O Renewal Lease respectively.

## **LISTING RULES IMPLICATIONS**

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

### **(1) DISCLOSEABLE TRANSACTION IN RELATION TO LEASE RENEWAL OF THE SHEUNG SHUI RESTAURANT**

The Board announces that the Company has exercised the three-year renewal option in the Sheung Shui Existing Lease and on 26 March 2020, Gold Year, an indirect wholly-owned subsidiary of the Company, entered into the Sheung Shui Renewal Lease with the Sheung Shui Landlord, an Independent Third Party for renewal of the lease in respect of the Sheung Shui Premises for a term of three years commencing from 27 March 2020 to 26 March 2023 (both days inclusive) for the Group's Sheung Shui Restaurant.

#### **Key Terms of the Sheung Shui Renewal Lease**

**Date** : 26 March 2020

**Parties** : (i) Spot Limited, an Independent Third Party, as the landlord  
(ii) Gold Year, an indirect wholly-owned subsidiary of the Company, as the tenant

**Premises** : 11th Floor and Shop 1201 on 12th Floor (formerly known as 12th Floor) of "Spot (上水匯)", No. 48 Lung Sum Avenue, Shek Wu Hui, Fanling, Sheung Shui, New Territories

<b>Term</b>	: Three years commencing on 27 March 2020 and expiring on 26 March 2023 (both days inclusive)
<b>Use</b>	: The tenant shall use the premises as Chinese restaurant under the trade name of “煌府婚宴專門店” (Wedding Banquet Specialist) only and for no other purpose
<b>Total aggregate value of consideration payable</b>	: HK\$19,841,472 in aggregate for the term of 3 years, subject to additional turnover rent which may be imposed pursuant to the terms and conditions of the Sheung Shui Renewal Lease (exclusive of rates, management fees and air-conditioning charges and other outgoings)
<b>Rates</b>	: The tenant shall pay rates charged on the Sheung Shui Premises as assessed by the government of Hong Kong.
<b>Security deposit</b>	: A cash deposit of HK\$2,367,084, being the sum of three months’ basic rent, management fee, air-conditioning charges and promotional levy and rates shall be paid to the landlord on or before the signing of the Sheung Shui Renewal Lease. The deposit paid under the Sheung Shui Existing Lease of HK\$2,183,178 will be transferred as the deposit under the Sheung Shui Renewal Lease towards partial payment of the deposit, and the balance of HK\$183,906 has been paid as at the date of the Sheung Shui Renewal Lease through the Group’s internal source of funding.
<b>Fitting out deposit</b>	: A cash deposit of HK\$439,375, which shall be transferred from the fitting out deposit paid in accordance with the Sheung Shui Existing Lease.

**Manner of payment** : The basic rent shall be paid in advance on the first day of each and every calendar month.

For turnover rent, the tenant shall pay within fifteen days after the end of each month to the landlord (if any). For rates, the tenant shall pay such sum quarterly in advance which shall be payable and due on the first day of the months of January, April, July and October during the term of the Sheung Shui Renewal Lease.

For management fee, air-conditioning charges and promotional levy, the tenant shall pay to the landlord monthly throughout the term and on the days and in the manner as the payment of rent. The first of such payments to be made on the commencement of the Sheung Shui Renewal Lease.

For stamp duty, the tenant and the landlord shall pay in equal shares.

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

### **Licence Agreements**

On the same date, the Sheung Shui Tenant also entered into two license agreements with the Sheung Shui Landlord in relation to the granting of license to use the Advertisements Tools, namely, three lightbox structures and one banner space, at spaces designated by the Sheung Shui Landlord for the only purpose of displaying advertisement solely relating to the Sheung Shui Tenant's business under the trade name “煌府”. Both license agreements are for a term commencing and expiring on the same dates as those of the tenancy term of the Sheung Shui Renewal Lease and no additional rent will be paid under these licence agreements.

The Sheung Shui Tenant shall be responsible for the rent and rates (if any) and charges for electricity supply to the Advertisements Tools, all outgoings relating to preservation, maintenance and repair of the Advertisements Tools and stamp duty payable (if any) during the licensed term.

## **(2) DISCLOSEABLE TRANSACTION IN RELATION TO LEASE RENEWAL OF THE TSEUNG KWAN O RESTAURANT**

The Board announces that the Company has exercised the three-year renewal option in the Tseung Kwan O Existing Lease and on 26 March 2020, Smart Gain, an indirect wholly-owned subsidiary of the Company, entered into the Tseung Kwan O Renewal Lease with the Tseung Kwan O Landlord, an Independent Third Party for renewal of the lease in respect of

the Tseung Kwan O Premises for a term of three years commencing from 1 April 2020 to 31 March 2023 (both days inclusive) for the Group's Tseung Kwan O Restaurant.

### **Key Terms of the Tseung Kwan O Renewal Lease**

<b>Date</b>	: 26 March 2020
<b>Parties</b>	: (i) Pacific Vision, an Independent Third Party, as the landlord  (ii) Smart Gain, an indirect wholly-owned subsidiary of the Company, as the tenant
<b>Premises</b>	: Shop No. 1-104 on Level 1 of the Commercial Portion of Tseung Kwan O Plaza, No. 1 Tong Tak Street, Tseung Kwan O, Sai Kung, New Territories
<b>Term</b>	: Three years commencing on 1 April 2020 and expiring on 31 March 2023 (both days inclusive)
<b>Total aggregate value of consideration payable</b>	: HK\$22,200,000 in aggregate for the term of 3 years, subject to additional turnover rent which may be imposed pursuant to the terms and conditions of the Tseung Kwan O Renewal Lease (exclusive of rates, management fees and air-conditioning charges and other outgoings)
<b>Security deposit</b>	: A cash deposit of HK\$5,231,320, equivalent to five months' highest basic rent, management fee, air-conditioning charges and government rates and rent. The deposit paid under the Tseung Kwan O Existing Lease of HK\$4,692,360 shall be transferred as the deposit under the Tseung Kwan O Renewal Lease towards partial payment of the deposit, and the balance of HK\$538,960 has been paid as at the date of the Tseung Kwan O Renewal Lease through the Group's internal source of funding.

**Manner of payment** : The basic rent shall be paid in advance on the first day of each and every calendar month.

If additional turnover rent is payable, the amount of turnover rent shall be paid within fifteen days of the following month to the landlord. For government rates and rent, the tenant shall pay such sum quarterly in advance during the term of the Tseung Kwan O Renewal Lease subject to government and future revision.

For management fee and air-conditioning charges, the tenant shall pay the landlord the first payment before the commencement of the term and thereafter, on the first day of each and every calendar month.

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

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

Pursuant to HKFRS16, the tenancy of the Sheung Shui Premises and Tseung Kwan O Premises will be recognised as right-of-use assets for an amount of approximately HK\$19.0 million and HK\$20.8 million respectively, which are calculated with reference to the present value of the aggregated lease payments to be made under the Sheung Shui Renewal Lease and Tseung Kwan O Renewal Lease respectively.

## **REASONS FOR AND BENEFITS OF THE RENEWAL LEASES**

The Group is currently leasing the Premises under the Existing Leases for the operation of its Sheung Shui Restaurant and Tseung Kwan O Restaurant, both of which will expire in March 2020. The renewal of the Existing Leases will enable the Group to continue its operation of Sheung Shui Restaurant and Tseung Kwan O Restaurant at the respective premises.

The terms of the Renewal Leases were arrived after arm's length negotiations and the rentals were determined after taking into consideration the prevailing market price for comparable premises in the vicinity of the Premises and the existing rent of the Premises under the Existing Leases.

As disclosed in the announcement of the Company dated 21 February 2020, the Group has been and will continue discussing with its landlords, including the Sheung Shui Landlord and Tseung Kwan O Landlord, for a rent concessions during this difficult time of the novel coronavirus (COVID-19) pandemic in order to lower the rental expenses of the Company as part of the costs control measures.

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

### **Gold Year**

Gold Year is a limited liability company incorporated under the laws of Hong Kong on 20 May 2011, which is an indirect wholly-owned subsidiary of the Company. Gold Year operates the Sheung Shui Restaurant under the brand name, Wedding Banquet Specialist (煌府婚宴專門店).

### **Smart Gain**

Smart Gain is a limited liability company incorporated under the laws of Hong Kong on 8 July 2016, which is an indirect wholly-owned subsidiary of the Company. Smart Gain operates the Tseung Kwan O Restaurant under the brand name “Grand Palace (煌府將軍薈)”.

### **The Sheung Shui Landlord**

Spot Limited, is a limited liability company incorporated under the laws of Hong Kong on 19 March 2004. The principal activities of the Sheung Shui Landlord is operation of shopping malls. The Sheung Shui Landlord and its ultimate beneficial owners are Independent Third Parties.

### **The Tseung Kwan O Landlord**

Pacific Vision is a limited liability company incorporated under the laws of Hong Kong on 20 September 2017. The principal activities of the Tseung Kwan O Landlord is operation of shopping malls. The Tseung Kwan O Landlord, its ultimate beneficial owners and its respective associates are Independent Third Parties.

## LISTING RULES IMPLICATIONS

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

<b>“Advertisements Tools”</b>	three lightbox structures and one banner space at spaces designated by the Sheung Shui Landlord for the only purpose of displaying advertisement solely relating to the Sheung Shui Tenant's business under the trade name “煌府”
<b>“Board”</b>	the board of Directors
<b>“Company”</b>	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
<b>“Director(s)”</b>	the directors of the Company
<b>“Existing Leases”</b>	Sheung Shui Existing Lease and Tseung Kwan O Existing Lease
<b>“Gold Year” or the “Sheung Shui Tenant”</b>	Gold Year International Limited (金源國際有限公司), a limited liability company incorporated under the laws of Hong Kong on 20 March 2011 and an indirect wholly-owned subsidiary of the Company
<b>“Group”</b>	the Company, its subsidiaries and the consolidated affiliated entities from time to time
<b>“HKD” or “HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong



<b>“HKFRS”</b>	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
<b>“Hong Kong” or “HK”</b>	the Hong Kong Special Administrative Region of the People’s Republic of China
<b>“Independent Third Party”</b>	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
<b>“Listing Rules”</b>	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
<b>“Pacific Vision” or the “Tseung Kwan O Landlord”</b>	Pacific Vision Enterprises Limited (立信企業有限公司), a limited liability company incorporated under the laws of Hong Kong on 20 September 2017, which is an Independent Third Party and the landlord of the Tseung Kwan O Premises under the Tseung Kwan O Renewal Lease
<b>“Premises”</b>	Sheung Shui Premises and Tseung Kwan O Premises
<b>“Prospectus”</b>	the prospectus of the Company dated 31 January 2019
<b>“Renewal Leases”</b>	Sheung Shui Renewal Lease and the Tseung Kwan O Renewal Lease
<b>“Shareholder(s)”</b>	holder(s) of the ordinary share(s) of HK\$0.01 each in the share capital of the Company
<b>“Sheung Shui Existing Lease”</b>	the existing lease dated 9 January 2017 entered into between Gold Year as the tenant and Spot Limited as the landlord in relation to the lease of the Sheung Shui Premises which will expire on 26 March 2020
<b>“Sheung Shui Premises”</b>	11th Floor and Shop 1201 on 12th Floor (formerly known as 12th Floor) of “Spot (上水匯)”, No. 48 Lung Sum Avenue, Shek Wu Hui, Fanling, Sheung Shui, New Territories

<b>“Sheung Shui Renewal Lease”</b>	an agreement entered into between Spot Limited as the landlord and Gold Year as the tenant on 26 March 2020 in relation to the lease of the Sheung Shui Premises
<b>“Sheung Shui Restaurant”</b>	the restaurant located at 11th Floor and Shop 1201 on 12th Floor (formerly known as 12th Floor) of “Spot (上水匯)”, No. 48 Lung Sum Avenue, Shek Wu Hui, Fanling, Sheung Shui, New Territories and operated by Gold Year under the brand name “Wedding Banquet Specialist (煌府婚宴專門店)”
<b>“Smart Gain” or the “Tseung Kwan O Tenant”</b>	Smart Gain International Limited (明利國際有限公司), a limited liability company incorporated under the laws of Hong Kong on 8 July 2016 and an indirect wholly-owned subsidiary of the Company
<b>“Spot Limited” or the “Sheung Shui Landlord”</b>	The Spot Limited (上水匯有限公司) (formerly known as Worldton Limited (和進有限公司), a limited liability company incorporated under the laws of Hong Kong on 19 March 2004, which is an Independent Third Party and the landlord of the Sheung Shui Premises under the Sheung Shui Existing Lease and Sheung Shui Renewal Lease
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“Tseung Kwan O Existing Lease”</b>	the existing lease dated 30 March 2017 entered into between Smart Gain as tenant and a group of 7 companies as landlord in relation to the lease of the Tseung Kwan O Premises which will be expired on 31 March 2020
<b>“Tseung Kwan O Premises”</b>	Shop No. 1-104 on Level 1 of the Commercial Portion of Tseung Kwan O Plaza, No. 1 Tong Tak Street, Tseung Kwan O, Sai Kung, New Territories
<b>“Tseung Kwan O Renewal Lease”</b>	an agreement entered into between Pacific Vision as the landlord and Smart Gain as the tenant on 26 March 2020 in relation to the lease of the Tseung Kwan O Premises

**“Tseung Kwan O Restaurant”** the restaurant located at 104, Level 1, Tseung Kwan O Plaza, 1 Tong Tak Street, Tseung Kwan O, Sai Kung, New Territories and operated by Smart Gain under the brand name “Grand Palace (煌府將軍薈)”

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

Hong Kong, 26 March 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.*