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YING KEE TEA HOUSE GROUP LIMITED

英記茶莊集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 8241)

**CONTINUING CONNECTED TRANSACTIONS
RENEWAL OF TENANCY AGREEMENTS**

BACKGROUND

Reference is made to the announcement of the Company dated 29 March 2019 in relation to, among others, the continuing connected transactions under the 2019 Tenancy Agreements. As the 2019 Tenancy Agreements will expire on 31 March 2020, the respective parties have entered into the Tenancy Agreements on 30 March 2020 for a term of one year up to and including 31 March 2021.

RENEWAL OF TENANCY AGREEMENTS

On 30 March 2020, Ying Kee, a direct wholly-owned subsidiary of the Company, entered into the Siu Sai Wan Premises Tenancy Agreement, Shop 5 Tenancy Agreement and Shop 6 Tenancy Agreement with Golden Ocean in respect of the renewal of leasing of the Siu Sai Wan Premises, Shop 5 and Shop 6 for a term of one year respectively.

On 30 March 2020, iTea. Ying Kee, a direct wholly-owned subsidiary of the Company, entered into the iTea Shop Tenancy Agreement with Golden Ocean in respect of the renewal of leasing of iTea Shop for a term of one year.

GEM LISTING RULES IMPLICATIONS

Ying Kee and iTea. Ying Kee are 100% owned by the Company. Mr. Chan Tat Yuen, Mr. Chan Shu Yuen, Mr. Chan Kun Yuen and Mr. Chan Kwong Yuen are Controlling Shareholders. Golden Ocean is an entity controlled by the four Chans, who also act as directors of Golden Ocean. In addition, Mr. Chan Shu Yuen, Mr. Chan Kun Yuen and Mr. Chan Kwong Yuen are executive Directors while Mr. Chan Tat Yuen is a director of each of Ying Kee and iTea. Ying Kee. Accordingly, each of the four Chans and Golden Ocean is a connected person of the Company by virtue of Rule 20.07 of the GEM Listing Rules, and the entering into of the Tenancy Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules. Since the applicable percentage ratios in respect of the transactions contemplated under the Tenancy Agreements, in aggregate, on an annual basis, exceed 5% but are less than 25% and the total consideration is less than HK\$10,000,000, the continuing connected transactions are subject to reporting and announcement requirements, and annual review requirements but are exempted from independent shareholders' approval requirements under Rule 20.74(2) of the GEM Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 29 March 2019 in relation to, among others, the continuing connected transactions under the 2019 Tenancy Agreements. As the 2019 Tenancy Agreements will expire on 31 March 2020, the respective parties have entered into the Tenancy Agreements on 30 March 2020 for a term of one year up to and including 31 March 2021.

THE SIU SAI WAN PREMISES TENANCY AGREEMENT, SHOP 5 TENANCY AGREEMENT AND SHOP 6 TENANCY AGREEMENT

Date

30 March 2020

Parties

- (i) Ying Kee Tea Company Limited, as tenant; and
- (ii) Golden Ocean International Holdings Limited, as landlord.

Ying Kee is a direct wholly-owned subsidiary of the Company. Mr. Chan Tat Yuen, Mr. Chan Shu Yuen, Mr. Chan Kun Yuen and Mr. Chan Kwong Yuen are Controlling Shareholders. Golden Ocean is an entity controlled by the four Chans, who also act as directors of Golden Ocean. Mr. Chan Shu Yuen, Mr. Chan Kun Yuen and Mr. Chan Kwong Yuen are executive Directors while Mr. Chan Tat Yuen is a director of Ying Kee.

Subject Matter

Golden Ocean shall continue to lease the Siu Sai Wan Premises, Shop 5 and Shop 6 to Ying Kee pursuant to the terms and conditions of the Siu Sai Wan Premises Tenancy Agreement, Shop 5 Tenancy Agreement and Shop 6 Tenancy Agreement respectively upon renewal.

Details of properties

Siu Sai Wan Premises

Address : 8/F., Wah Shing Centre, 5 Fung Yip Street, Siu Sai Wan, Hong Kong
Lettable Area : 10,562 sq. ft.
Usage : Office and warehouse

Shop 5

Address : Shop M1 on G/F., Hanyee Building, Nos. 19-21 Hankow Road, Tsim Sha Tsui, Kowloon, Hong Kong
Lettable Area : 369 sq. ft.
Usage : Shop

Shop 6

Address : Shop D on G/F., Silver Commercial Building, No. 719 Nathan Road, Mong Kok, Kowloon, Hong Kong
Lettable Area : 519 sq. ft.
Usage : Shop

Term

Each of the Siu Sai Wan Premises Tenancy Agreement, Shop 5 Tenancy Agreement and Shop 6 Tenancy Agreement is for a term of one year commencing from 1 April 2020 up to and including 31 March 2021.

Historical amounts

For the previous five years ending 31 March 2020, the monthly rentals (excluding rates and building management fees) paid to Golden Ocean for each of the Siu Sai Wan Premises, Shop 5 and Shop 6 were as follows:

<i>Period</i>	Monthly Rental		
	Siu Sai Wan Premises	Shop 5	Shop 6
Year ended 31 March 2016	HK\$120,000	HK\$120,000	HK\$145,000
Years ended 31 March 2017, 2018 and 2019	HK\$108,000	HK\$69,000	HK\$75,000
Year ending 31 March 2020	HK\$160,000	HK\$93,000	HK\$123,000

Consideration

The monthly rental (excluding rates and building management fees) for each of the Siu Sai Wan Premises, Shop 5 and Shop 6, which is payable monthly in advance, shall be as follows:

<i>Period</i>	Monthly Rental		
	Siu Sai Wan Premises	Shop 5	Shop 6
1 April 2020 to 31 March 2021	HK\$162,000	HK\$88,000	HK\$121,000

The above monthly rental is comparable to the market rental charged in the local property market for adjacent properties within the accessible distance and is determined with reference to the valuation conducted by an independent qualified valuer. A security deposit equivalent to three months' rental of HK\$486,000, HK\$264,000 and HK\$363,000 for the Siu Sai Wan Premises, Shop 5 and Shop 6 had been paid respectively and under the custody of Golden Ocean upon signing of the Siu Sai Wan Premises Tenancy Agreement, Shop 5 Tenancy Agreement and Shop 6 Tenancy Agreement.

The Annual Caps

The aggregate amount of rental payable to Golden Ocean under the Siu Sai Wan Premises Tenancy Agreement, Shop 5 Tenancy Agreement and Shop 6 Tenancy Agreement, are expected not to exceed the following:

<i>Period</i>	Total Rental		
	Siu Sai Wan Premises	Shop 5	Shop 6
Rental payable under the Siu Sai Wan Premises Tenancy Agreement, Shop 5 Tenancy Agreement and Shop 6 Tenancy Agreement from 1 April 2020 to 31 March 2021	HK\$1,944,000	HK\$1,056,000	HK\$1,452,000

THE ITEA SHOP TENANCY AGREEMENT

Date

30 March 2020

Parties

- (i) iTea. Ying Kee Limited, as tenant; and
- (ii) Golden Ocean International Holdings Limited, as landlord.

iTea. Ying Kee is a direct wholly-owned subsidiary of the Company. Mr. Chan Tat Yuen, Mr. Chan Shu Yuen, Mr. Chan Kun Yuen and Mr. Chan Kwong Yuen are Controlling Shareholders. Golden Ocean is an entity controlled by the four Chans, who also act as directors of Golden Ocean. Mr. Chan Shu Yuen, Mr. Chan Kun Yuen and Mr. Chan Kwong Yuen are executive Directors while Mr. Chan Tat Yuen is a director of iTea. Ying Kee.

Subject Matter

Golden Ocean shall continue to lease iTea Shop to iTea. Ying Kee pursuant to the terms and conditions of the iTea Shop Tenancy Agreement upon renewal.

Details of the property

iTea Shop

Address : Shop D at 19, 19A & 21 Cameron Road, Tsim Sha Tsui, Kowloon, Hong Kong
Lettable Area : 611 sq. ft.
Usage : Shop

Term

The iTea Shop Tenancy Agreement is for a term of one year commencing from 1 April 2020 up to and including 31 March 2021.

Historical amounts

For the period from 16 November 2018 to 31 March 2019 and the year ending 31 March 2020, the monthly rentals (excluding rates and building management fees) paid to Golden Ocean for iTea Shop were as follows:

<i>Period</i>	Monthly Rental
16 November 2018 to 31 January 2019	Rent-free
1 February 2019 to 31 March 2019	HK\$130,000
1 April 2019 to 31 March 2020	HK\$130,000

Consideration

The monthly rental (excluding rates and building management fees) for iTea Shop, which is payable monthly in advance, shall be as follows:

<i>Period</i>	Monthly Rental
1 April 2020 to 30 April 2020 (1 month)	Rent-free
1 May 2020 to 30 June 2020 (2 months)	HK\$65,000
1 July 2020 to 31 March 2021 (9 months)	HK\$93,000

The above monthly rental is comparable to or lower than the market rental charged in the local property market for adjacent properties within the accessible distance and is determined with reference to the valuation conducted by an independent qualified valuer. A security deposit in the amount of HK\$279,000 had been paid and under the custody of Golden Ocean upon signing of the iTea Shop Tenancy Agreement.

The Annual Cap

The aggregate amount of rental payable to Golden Ocean under the iTea Shop Tenancy Agreement, is expected not to exceed the following:

<i>Period</i>	Total Rental
Rental payable under the iTea Shop Tenancy Agreement from 1 April 2020 to 31 March 2021	HK\$967,000

The Aggregate Annual Caps

Given that Golden Ocean is the landlord of each leased properties under the Tenancy Agreements and the nature of the continuing connected transactions is the same, these transactions should be aggregated for the purposes of Chapter 20 of the GEM Listing Rules.

Taking these transactions together, the annual caps on the rentals payable by the Group to Golden Ocean for the year ending 31 March 2021 are as follows:

Year Ending
31 March 2021
HK\$

Tenancy Agreements

Siu Sai Wan Premises Tenancy Agreement	8/F., Wah Shing Centre, 5 Fung Yip Street, Siu Sai Wan, Hong Kong	1,944,000
Shop 5 Tenancy Agreement	Shop M1 on G/F., Hanyee Building, Nos. 19-21 Hankow Road, Tsim Sha Tsui, Kowloon, Hong Kong	1,056,000
Shop 6 Tenancy Agreement	Shop D on G/F., Silver Commercial Building, No. 719 Nathan Road, Mong Kok, Kowloon, Hong Kong	1,452,000
iTea Shop Tenancy Agreement	Shop D at 19, 19A & 21 Cameron Road, Tsim Sha Tsui, Kowloon, Hong Kong	967,000
Total:		<u><u>5,419,000</u></u>

The annual caps in respect of each of the abovementioned Tenancy Agreements has been determined with reference to the market rental charged in the local property market for adjacent properties within the accessible distance and the valuation conducted by an independent qualified valuer and/or the rental payable under the tenancy agreements entered into between the parties in the past years.

INFORMATION OF THE GROUP AND GOLDEN OCEAN AND REASONS FOR ENTERING INTO THE TENANCY AGREEMENTS

The Group is principally engaged in retail of Chinese tea leaves, tea ware and tea gift sets in Hong Kong; and food and beverage retail in Hong Kong under the name of iTea serving products such as Hong Kong style coffee, fruit and bubble tea made from Chinese tea leaves. The leased properties under the Tenancy Agreements with Golden Ocean are retail shops, office and warehouse currently operated by the Group for its business.

Golden Ocean is a limited liability company incorporated in Hong Kong and is an investment company.

Based on the foregoing, the Board (including all independent non-executive Directors but excluding Mr. Chan Shu Yuen, Mr. Chan Kun Yuen and Mr. Chan Kwong Yuen) is of the view the Tenancy Agreements are entered into in the ordinary and usual course of the business of the Group, on normal commercial terms or better, the terms of which are fair and reasonable and are in the best interests of the Company and its Shareholders as a whole.

GENERAL

At the Board meeting held for approving the Tenancy Agreements and the annual caps, as Mr. Chan Shu Yuen, Mr. Chan Kun Yuen and Mr. Chan Kwong Yuen are shareholders of Golden Ocean, whereas they are also Controlling Shareholders, they are deemed to have interest in the transactions contemplated under the Tenancy Agreements. Therefore, they have abstained from voting in respect of the resolutions for approving the Tenancy Agreements and the annual caps.

GEM LISTING RULES IMPLICATIONS

Ying Kee and iTea. Ying Kee are 100% owned by the Company. Mr. Chan Tat Yuen, Mr. Chan Shu Yuen, Mr. Chan Kun Yuen and Mr. Chan Kwong Yuen are Controlling Shareholders. Golden Ocean is an entity controlled by the four Chans, who also act as directors of Golden Ocean. Mr. Chan Shu Yuen, Mr. Chan Kun Yuen and Mr. Chan Kwong Yuen are executive Directors while Mr. Chan Tat Yuen is a director of each of Ying Kee and iTea. Ying Kee, both are direct wholly-owned subsidiaries of the Company. Accordingly, each of the four Chans and Golden Ocean is connected person of the Company by virtue of Rule 20.07 of the GEM Listing Rules, and the entering into of the Tenancy Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules. Since the applicable percentage ratios in respect of the transactions contemplated under the Tenancy Agreements, in aggregate, on an annual basis, exceed 5% but are less than 25% and the total consideration is less than HK\$10,000,000, the continuing connected transactions described above are subject to reporting and announcement requirements, and annual review requirements but are exempted from independent shareholders' approval requirements under Rule 20.74(2) of the GEM Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings as set out below:

“2019 Tenancy Agreements”	collectively, (i) the tenancy agreements dated 29 March 2019 entered into between Ying Kee and Golden Ocean in relation to the leasing of the Siu Sai Wan Premises, Shop 5 and Shop 6, and (ii) the tenancy agreement dated 29 March 2019 entered into between iTea. Ying Kee and Golden Ocean in relation to the leasing of iTea Shop
“Board”	the board of Directors
“Company”	Ying Kee Tea House Group Limited (英記茶莊集團有限公司), a limited liability company incorporated in Hong Kong on 14 September 2017 and its issued shares are listed on GEM of the Stock Exchange

“connected person(s)”	has the meaning as defined under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning as defined under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“four Chans”	collectively, Mr. Chan Tat Yuen, Mr. Chan Shu Yuen, Mr. Chan Kun Yuen and Mr. Chan Kwong Yuen
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Golden Ocean”	Golden Ocean International Holdings Limited (金海國際集團有限公司), a limited liability company incorporated in Hong Kong on 16 February 2004 and owned by Mr. Chan Kun Yuen, Mr. Chan Kwong Yuen, Mr. Chan Shu Yuen and Mr. Chan Tat Yuen in equal shares
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“iTea Shop”	Shop D at 19, 19A & 21 Cameron Road, Tsim Sha Tsui, Kowloon, Hong Kong
“iTea Shop Tenancy Agreement”	the tenancy agreement entered into between Golden Ocean and iTea. Ying Kee on 30 March 2020 for the leasing of iTea Shop
“iTea. Ying Kee”	iTea. Ying Kee Limited (愛茶。英記有限公司) (formerly known as All Profit Enterprise Limited (滿利企業有限公司) until it changed its name on 19 October 2018), a limited liability company incorporated in Hong Kong on 11 May 2018 and a direct wholly-owned subsidiary of the Company
“Shareholder(s)”	holder(s) of the shares of the Company
“Shop 5”	Shop M1 on G/F., Hanyee Building, Nos. 19-21 Hankow Road, Tsim Sha Tsui, Kowloon, Hong Kong

“Shop 5 Tenancy Agreement”	the tenancy agreement entered into between Golden Ocean and Ying Kee on 30 March 2020 for the leasing of Shop 5
“Shop 6”	Shop D on G/F., Silver Commercial Building, No. 719 Nathan Road, Mong Kok, Kowloon, Hong Kong
“Shop 6 Tenancy Agreement”	the tenancy agreement entered into between Golden Ocean and Ying Kee on 30 March 2020 for the leasing of Shop 6
“Siu Sai Wan Premises”	8/F., Wah Shing Centre, 5 Fung Yip Street, Siu Sai Wan, Hong Kong
“Siu Sai Wan Premises Tenancy Agreement”	the tenancy agreement entered into between Golden Ocean and Ying Kee on 30 March 2020 for the leasing of Siu Sai Wan Premises
“sq.ft.”	square feet
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreements”	collectively, the Siu Sai Wan Premises Tenancy Agreement , Shop 5 Tenancy Agreement, Shop 6 Tenancy Agreement and iTea Shop Tenancy Agreement and a “Tenancy Agreement” means any or each of them
“Ying Kee”	Ying Kee Tea Company Limited (英記茶莊有限公司) (formerly known as International Sunnyside Tradings Limited until it changed its name on 22 May 1990), a limited liability company incorporated in Hong Kong on 13 December 1983 and a direct wholly-owned subsidiary of the Company
“%”	per cent.

By Order of the Board
Ying Kee Tea House Group Limited
Chan Kwong Yuen
Chairman

Hong Kong, 30 March 2020

As at the date of this announcement, the Board comprises Mr. Chan Kwong Yuen, Mr. Chan Kun Yuen and Mr. Chan Shu Yuen as executive Directors; and Mr. Wong Chee Chung, Mr. Siu Chi Ming and Mr. Lee Wai Ho as independent non-executive Directors.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief that the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement herein this announcement misleading.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of the Company at www.yingkeetea.com.