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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 30 March 2020 in relation to, among others, the continuing connected transactions under the 2020 Tenancy Agreements. As the 2020 Tenancy Agreements have expired, the respective parties entered into the Tenancy Agreements on 20 April 2021 for a term of one year up to and including 31 March 2022.

RENEWAL OF TENANCY AGREEMENTS

On 20 April 2021, Ying Kee, a direct wholly-owned subsidiary of the Company, entered into the Tenancy Agreements 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.

GEM LISTING RULES IMPLICATIONS

Ying Kee is 100% owned by the Company. Mr. Chan Tat Yuen, Mr. Chan Shu Yuen, Mr. Chan Kun Yuen and Mr. Chan Kwong Yuen are the 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 Ying Kee. Accordingly, each of the four Chans and Golden Ocean is a connected person of the Company under 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 30 March 2020 in relation to, among others, the continuing connected transactions under the 2020 Tenancy Agreements. As the 2020 Tenancy Agreements have expired, the respective parties have entered into the Tenancy Agreements on 20 April 2021 for a term of one year up to and including 31 March 2022.

THE TENANCY AGREEMENTS

Date

20 April 2021

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 the Controlling Shareholders. Golden Ocean is an entity controlled by the four Chans. 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 Leased Premises to Ying Kee pursuant to the terms and conditions of the Tenancy Agreements upon renewal.

Details of the Leased Premises

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 : 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 Tenancy Agreements is for a term of one year commencing from 1 April 2021 up to and including 31 March 2022.

Historical amounts

For the previous five years ending 31 March 2021, the monthly rentals (excluding rates and building management fees) paid to Golden Ocean for each of the Leased Premises were as follows:

Period

	Monthly Rental		
	Siu Sai Wan Premises	Shop 5	Shop 6
Years ended 31 March 2017, 2018 and 2019	HK\$108,000	HK\$69,000	HK\$75,000
Year ended 31 March 2020	HK\$160,000	HK\$93,000	HK\$123,000
Year ended 31 March 2021	HK\$162,000	HK\$88,000	HK\$121,000

Consideration

The monthly rental (excluding rates and building management fees) for each of the Leased Premises, which is payable monthly in advance, shall be as follows:

Period

	Monthly Rental		
	Siu Sai Wan Premises	Shop 5	Shop 6
1 April 2021 to 30 April 2021 (1 month)	Rent-free	Rent-free	Rent-free
1 May 2021 to 31 March 2022 (11 months)	HK\$178,000	HK\$74,000	HK\$118,000

The above monthly rental for each of the Leased Premises is comparable to the market rental charged in the local property market for adjacent properties and is determined with reference to the valuation conducted by an independent qualified valuer. A security deposit equivalent to three months' rental of HK\$534,000, HK\$222,000 and HK\$354,000 for the Siu Sai Wan Premises, Shop 5 and Shop 6 have been paid respectively and under the custody of Golden Ocean upon the signing of the Tenancy Agreements.

The Annual Caps

The aggregate amount of rental payable to Golden Ocean under the Tenancy Agreements are expected not to exceed the following:

Period

	Total Rental		
	Siu Sai Wan Premises	Shop 5	Shop 6
Rental payable under the Tenancy Agreements from 1 April 2021 to 31 March 2022	HK\$1,958,000	HK\$814,000	HK\$1,298,000

The Aggregate Annual Cap

Given that Golden Ocean is the landlord of each of the Leased Properties 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 2022 are as follows:

		Year Ending 31 March 2022
		<i>HK\$</i>
Tenancy Agreements		
Siu Sai Wan Premises Tenancy Agreement	8/F., Wah Shing Centre, 5 Fung Yip Street, Siu Sai Wan, Hong Kong	1,958,000
Shop 5 Tenancy Agreement	Shop M1 on G/F., Hanyee Building, Nos. 19–21 Hankow Road, Tsim Sha Tsui, Kowloon, Hong Kong	814,000
Shop 6 Tenancy Agreement	Shop D on G/F., Silver Commercial Building, No. 719 Nathan Road, Mong Kok, Kowloon, Hong Kong	1,298,000
		<hr/>
		<u>4,070,000</u>

The annual caps in respect of each of the Tenancy Agreements have been determined with reference to the market rental charged in the local property market for adjacent properties and the valuation conducted by an independent qualified valuer and 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. The leased properties under the Tenancy Agreements with Golden Ocean include retail shops, office and warehouse currently operated by the Group for its business.

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, Mr. Chan Shu Yuen, Mr. Chan Kun Yuen and Mr. Chan Kwong Yuen who are shareholders of Golden Ocean and are also the Controlling Shareholders, 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 is 100% owned by the Company. Mr. Chan Tat Yuen, Mr. Chan Shu Yuen, Mr. Chan Kun Yuen and Mr. Chan Kwong Yuen are the Controlling Shareholders. Golden Ocean is an entity controlled by the four Chans. 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. Accordingly, each of the four Chans and Golden Ocean is a connected person of the Company under 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:

“2020 Tenancy Agreements”	collectively, the tenancy agreements dated 30 March 2020 entered into between, among others, Ying Kee and Golden Ocean in relation to the leasing of the Siu Sai Wan Premises, Shop 5 and Shop 6
“Board”	the board of Directors
“Company”	Ying Kee Tea House Group Limited (英記茶莊集團有限公司), a company incorporated in Hong Kong with limited liability 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 company incorporated in Hong Kong with limited liability 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
“Leased Premises”	collectively, the Siu Sai Wan Premises, Shop 5 and Shop 6
“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 20 April 2021 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 20 April 2021 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 20 April 2021 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 and Shop 6 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 company incorporated in Hong Kong with limited liability 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, 20 April 2021

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; 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.