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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

BACKGROUND

Reference is made to the prospectus of the Company dated 23 March 2018 and the announcement of the Company dated 15 November 2018 in relation to the continuing connected transactions under the 2017 Tenancy Agreements and 2018 Tenancy Agreement. As the 2017 Tenancy Agreements and the 2018 Tenancy Agreement will be expired on 31 March 2019, the respective parties have entered into the Tenancy Agreements on 29 March 2019 for a term of one year up to and including 31 March 2020.

CONTINUING CONNECTED TRANSACTIONS FOR TENANCY AGREEMENTS

On 29 March 2019, Ying Kee, a direct wholly owned subsidiary of the Company, renewed the Tenancy Agreements with Chan Sing Hoi Enterprises for Shop 1 and Shop 2 for a term of one year respectively.

On 29 March 2019, Ying Kee, a direct wholly owned subsidiary of the Company, renewed the Tenancy Agreements with Golden Ocean for the Siu Sai Wan Premise, Shop 5 and Shop 6 for a term of one year respectively.

On 29 March 2019, iTea. Ying Kee, a direct wholly owned subsidiary of the Company, renewed the Tenancy Agreement with Golden Ocean for 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. Chan Sing Hoi Enterprises and Golden Ocean are entities controlled by the four Chans, who also act as directors. In addition, Mr. Chan Shu Yuen, Mr. Chan Kun Yuen and Mr. Chan Kwong Yuen are executive Directors while Mr. Chan Tat Yuen is director of each of Ying Kee and iTea. Ying Kee. Accordingly, Mr. Chan Tat Yuen, Mr. Chan Shu Yuen, Mr. Chan Kun Yuen, Mr. Chan Kwong Yuen, Chan Sing Hoi Enterprises and Golden Ocean are connected persons of the Company by virtue of Rule 20.07 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 prospectus of the Company dated 23 March 2018 and the announcement of the Company dated 15 November 2018 in relation to the continuing connected transactions under the 2017 Tenancy Agreements and 2018 Tenancy Agreement. As the 2017 Tenancy Agreements and the 2018 Tenancy Agreement will be expired on 31 March 2019, the respective parties have entered into the Tenancy Agreements on 29 March 2019 for a term of one year up to and including 31 March 2020.

THE TENANCY AGREEMENTS

Tenancy Agreements with Chan Sing Hoi Enterprises

Date

29 March 2019

Parties

- (i) Ying Kee Tea Company Limited, as tenant; and
- (ii) Chan Sing Hoi Enterprises Limited, as landlord.

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 Controlling Shareholders. Chan Sing Hoi Enterprises 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 director of each of Ying Kee and iTea. Ying Kee, both are direct wholly owned subsidiaries of the Company.

Subject Matter

Chan Sing Hoi Enterprises, which is an investment company, shall lease Shop 1 and Shop 2 to Ying Kee pursuant to the terms and conditions of the Tenancy Agreements upon renewal.

Details of Properties

Shop 1

Address : Shop B on Ground Floor, Siu Ying Commercial Building, Nos. 151–155 Queen's Road Central, Hong Kong
Lettable Area : 409 sq. ft.
Usage : Shop

Shop 2

Address : G/F., Mei Wah Building, No. 170 Johnston Road, Wanchai, Hong Kong
Lettable Area : 555 sq. ft.
Usage : Shop

Term

The Tenancy Agreements are for a term of one year commencing from 1 April 2019 up to and including 31 March 2020.

Historical amounts

For the years ended 31 March 2016, 2017, 2018 and 2019, the monthly rentals (excluding rates and building management fees) paid to Chan Sing Hoi Enterprises for each of the Shop 1 and Shop 2 were as follow:

	Monthly Rental	
	Shop 1	Shop 2
Year ended 31 March 2016	HK\$140,000	HK\$150,000
Years ended 31 March 2017, 2018 and 2019	HK\$81,000	HK\$93,000

Consideration

The monthly rental (excluding rates and building management fees) for each of Shop 1 and Shop 2, which is payable in advance, shall be as follows:

<i>Period</i>	Monthly Rental	
	Shop 1	Shop 2
1 April 2019 to 31 March 2020 (12 months)	HK\$106,000	HK\$132,000

which is comparable to the market rental charge in the local property market for adjacent properties within the accessible distance and determined with reference to the valuation conducted by an independent qualified valuer. The rental shall be payable monthly in advance.

A security deposit of HK\$318,000 and HK\$396,000 for Shop 1 and Shop 2 had been paid and under the custody of the landlord respectively upon signing of the Tenancy Agreements.

The Annual Caps

The amount of rental payable to Chan Sing Hoi Enterprises under the Tenancy Agreements are expected not to exceed the following:

<i>Period</i>	Rental	
	Shop 1	Shop 2
Rental payable under the Tenancy Agreements from 1 April 2019 to 31 March 2020	HK\$1,272,000	HK\$1,584,000

Tenancy Agreements with Golden Ocean

Date

29 March 2019

Parties

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

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 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 director of each of Ying Kee and iTea. Ying Kee, both are direct wholly owned subsidiaries of the Company.

Subject Matter

Golden Ocean, which is an investment company, shall lease the Siu Sai Wan Premise, Shop 5 and Shop 6 to Ying Kee pursuant to the terms and conditions of the Tenancy Agreements upon renewal.

Details of Properties

Siu Sai Wan Premise

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

The Tenancy Agreements are for a term of one year commencing from 1 April 2019 up to and including 31 March 2020.

Historical amounts

For the years ended 31 March 2016, 2017, 2018 and 2019, the monthly rentals (excluding rates and building management fees) paid to Golden Ocean for each of the Siu Sai Wan Premise, Shop 5 and Shop 6 were as follow:

<i>Period</i>	Monthly Rental		
	Siu Sai Wan Premise	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

Consideration

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

<i>Period</i>	Monthly Rental		
	Siu Sai Wan Premise	Shop 5	Shop 6
1 April 2019 to 31 March 2020 (12 months)	HK\$160,000	HK\$93,000	HK\$123,000

which is comparable to the market rental charge in the local property market for adjacent properties within the accessible distance and determined with reference to the valuation conducted by an independent qualified valuer. The rental shall be payable monthly in advance.

A security deposit of HK\$480,000, HK\$279,000, and HK\$369,000 for the Siu Sai Wan Premise, Shop 5 and Shop 6 had been paid and under the custody of the landlord respectively upon signing of the Tenancy Agreements.

The Annual Caps

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

<i>Period</i>	Rental		
	Siu Sai Wan Premise	Shop 5	Shop 6
Rental payable under the Tenancy Agreements from 1 April 2019 to 31 March 2020	HK\$1,920,000	HK\$1,116,000	HK\$1,476,000

Date

29 March 2019

Parties

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

iTea. 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 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 each of Ying Kee and iTea. Ying Kee, both are direct wholly owned subsidiaries of the Company.

Subject Matter

Golden Ocean, which is an investment company, shall lease iTea Shop to iTea. Ying Kee pursuant to the terms and conditions of the Tenancy Agreement upon renewal.

Details of 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 Tenancy Agreement is for a term of one year commencing from 1 April 2019 up to and including 31 March 2020.

Historical amounts

For the period from 16 November 2018, being the date of the 2018 Tenancy Agreement, to 31 March 2019, the monthly rentals (excluding rates and building management fees) paid to Golden Ocean for iTea Shop were as follow:

	Monthly Rental
16 November 2018 to 31 January 2019	Rent-free
1 February 2019 to 31 March 2019	HK\$130,000

Consideration

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

<i>Period</i>	Monthly Rental
1 April 2019 to 31 March 2020 (12 months)	HK\$130,000

which is comparable to the market rental charge in the local property market for adjacent properties within the accessible distance and determined with reference to the valuation conducted by an independent qualified valuer. The rental shall be payable monthly in advance.

A security deposit equivalent to 3 months rental of HK\$130,000 (i.e. HK\$390,000) had been paid and under the custody of the landlord upon signing of the Tenancy Agreement.

The Annual Cap

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

<i>Period</i>	Rental
Rental payable under the Tenancy Agreement from 1 April 2019 to 31 March 2020	HK\$1,560,000

The Aggregate Annual Caps

Given that Chan Sing Hoi Enterprises and Golden Ocean are under common control and the nature of the continuing connected transactions with those entities is the same, these transactions should be aggregated for purposes of Chapter 20 of the GEM Listing Rules.

Taking these transactions together, the annual caps on the rentals payable by the Group to Chan Sing Hoi Enterprises and Golden Ocean for the year ending 31 March 2020 are as follows:

		Year Ending 31 March 2020 HK\$
Tenancy Agreements		
Shop 1	Shop B on Ground Floor, Siu Ying Commercial Building, Nos. 151–155 Queen’s Road Central, Hong Kong	1,272,000
Shop 2	G/F., Mei Wah Building, No. 170 Johnston Road, Wanchai, Hong Kong	1,584,000
Siu Sai Wan Premise	8/F., Wah Shing Centre, 5 Fung Yip Street, Siu Sai Wan, Hong Kong	1,920,000
Shop 5	Shop M1 on G/F., Hanyee Building, Nos. 19–21 Hankow Road, Tsim Sha Tsui, Kowloon, Hong Kong	1,116,000
Shop 6	Shop D on G/F., Silver Commercial Building, No. 719 Nathan Road, Mong Kok, Kowloon, Hong Kong	1,476,000
iTea Shop	Shop D at 19, 19A & 21 Cameron Road, Tsim Sha Tsui, Kowloon, Hong Kong	1,560,000
Total		<u><u>8,928,000</u></u>

The annual caps in respect of each of the abovementioned Tenancy Agreements has been determined on normal commercial terms or better by the Directors (including all independent non-executive Directors but excluding Mr. Chan Shu Yuen, Mr. Chan Kun Yuen and Mr. Chan Kwong Yuen) with reference to the rental payable under the 2017 Tenancy Agreements and 2018 Tenancy Agreement with Golden Ocean and Chan Sing Hoi Enterprises for the Properties and the valuation conducted by an independent qualified valuer.

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 and Chan Sing Hoi Enterprises are office, retail shops and warehouse currently operated by the Group for its business.

Based on the foregoing, the Directors (including all independent non-executive Directors but excluding Mr. Chan Shu Yuen, Mr. Chan Kun Yuen and Mr. Chan Kwong Yuen) are 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 Chan Sing Hoi Enterprises and Golden Ocean, whereas they are also Controlling Shareholders and the Directors, 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. Chan Sing Hoi Enterprises and Golden Ocean, which are investment companies, are entities 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 director of each of Ying Kee and iTea. Ying Kee, both are direct wholly owned subsidiaries of the Company. Accordingly, Mr. Chan Tat Yuen, Mr. Chan Shu Yuen, Mr. Chan Kun Yuen, Mr. Chan Kwong Yuen, Chan Sing Hoi Enterprises and Golden Ocean are connected persons of the Company by virtue of Rule 20.07 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:

“2017 Tenancy Agreements”	the tenancy agreements entered into between the respective landlords and subsidiaries of the Company in 2017 for the leasing of certain Properties (including Shop 1, Shop 2, Shop 5, Shop 6 and the Siu Sai Wan Premise), details of which is set out in the prospectus of the Company dated 23 March 2018
“2018 Tenancy Agreement”	the tenancy agreement entered into between iTea. Ying Kee and Golden Ocean on 15 November 2018 for the leasing of iTea Shop
“Board”	the board of Directors
“Chan Sing Hoi Enterprises”	Chan Sing Hoi Enterprises Limited (陳星海企業有限公司), a limited liability company incorporated in Hong Kong on 30 August 1972, owned by the following individuals in the proportions indicated in the parenthesis: Mr. Chan Ka Min (1%), Mr. Chan Kun Yuen (25%), Mr. Chan Kwong Yuen (24.5%), Mr. Chan Shu Yuen (24.5%) and Mr. Chan Tat Yuen (25%)
“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, 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. 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, a direct wholly owned subsidiary of the Company
“Properties”	collectively, Shop 1, Shop 2, the Siu Sai Wan Premise, Shop 5, Shop 6 and iTea Shop and a “Property” means any or each of them
“Shareholder(s)”	holder(s) of the shares of the Company
“Shop 1”	Shop B on Ground Floor, Siu Ying Commercial Building, Nos. 151–155 Queen’s Road Central, Hong Kong
“Shop 2”	G/F., Mei Wah Building, No. 170 Johnston Road, Wanchai, Hong Kong
“Shop 5”	Shop M1 on G/F., Hanyee Building, Nos. 19–21 Hankow Road, Tsim Sha Tsui, Kowloon, Hong Kong
“Shop 6”	Shop D on G/F., Silver Commercial Building, No. 719 Nathan Road, Mong Kok, Kowloon, Hong Kong
“Siu Sai Wan Premise”	8/F., Wah Shing Centre, 5 Fung Yip Street, Siu Sai Wan, Hong Kong
“sq.ft.”	square feet
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Tenancy Agreements”	the tenancy agreements entered into between the respective landlords and subsidiaries of the Company on 29 March 2019 for the leasing of the Properties, details as set out in the section headed “The Tenancy Agreements” in this announcement 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, 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, 29 March 2019

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.