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Hang Chi Holdings Limited

恒智控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8405)

CONTINUING CONNECTED TRANSACTIONS RENEWAL OF TENANCY AGREEMENTS

THE NEW TENANCY AGREEMENTS

The Original Tenancy Agreements will be expired on 30 June 2020. The Board announces that on 27 May 2020 (after trading hours), Shui Jun (Yau Tong), a wholly-owned subsidiary of the Company, as tenant, entered into the New Tenancy Agreements with Ever Premier and Roymark, as landlords, respectively.

IMPLICATIONS UNDER THE GEM LISTING RULES

As at the date of this announcement, (i) Roymark is beneficially owned as to 40% by Mr. Yik (through HCDI), 25% by Ms. WH Yik and 35% by two other Independent Third Parties; (ii) the board of directors of Roymark consists of five directors, including Mr. Yik, Ms. WH Yik, Mr. Lui and two other Independent Third Parties; (iii) Ever Premier is wholly-owned by Roymark; and (iv) the board of directors of Ever Premier consisted of two directors, including Mr. Yik and Mr. Lui.

As (a) Mr. Yik is an executive Director and a controlling shareholder of the Company; (b) Mr. Lui is the chief executive officer of the Company and an executive Director; and (c) Ms. WH Yik is a controlling shareholder of the Company, a sister of Mr. Yik and the mother of Mr. Lui, Roymark and Ever Premier are associates of connected persons of the Company under the GEM Listing Rules and the transactions contemplated under the New Tenancy Agreements constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

Furthermore, by virtue of the aforesaid relationship, the transactions contemplated under the New Tenancy Agreements are required to be aggregated for the purpose of classification of connected transactions in accordance with Rule 20.79 of the GEM Listing Rules.

As confirmed with the auditors of the Company, given that the term of the New Tenancy Agreements is not more than 12 months, which are short-term leases, the Group as lessee applies the recognition exemption for short-term leases and therefore it is allowed not to apply the requirement to recognise a right-of-use asset on its balance sheet in connection with the lease of the Properties under the New Tenancy Agreements under IFRS 16 “Leases”.

As all the applicable percentage ratios other than the profits ratio (as defined in the GEM Listing Rules) in connection with the New Tenancy Agreements are below 25% and the aggregate annual rental amount is less than HK\$10,000,000, pursuant to Rule 20.74 of the GEM Listing Rules, the Company is required to comply with the reporting, annual review and disclosure requirements, but is exempt from the circular (including independent financial advice) and independent shareholders’ approval requirements.

INTRODUCTION

References are made to the announcements of the Company dated 29 July 2019 and 9 August 2019 in respect of, among others, the Original Tenancy Agreements. The Original Tenancy Agreements will be expired on 30 June 2020.

The Board announces that on 27 May 2020 (after trading hours), Shui Jun (Yau Tong), a wholly-owned subsidiary of the Company, as tenant, entered into the New Tenancy Agreements with Ever Premier and Roymark, as landlords, respectively. The principal terms of the New Tenancy Agreements are set out below.

THE NEW TENANCY AGREEMENTS

(A) Ever Premier Tenancy Agreement

Date: 27 May 2020

Parties: (1) Ever Premier as landlord
(2) Shui Jun (Yau Tong) as tenant

As at the date of this announcement, Ever Premier is wholly-owned by Roymark, the landlord of the Roymark Tenancy Agreement.

Property: Shops 101 to 105, 127 to 142 and 158 to 165, 1st Floor, Ka Kwai Arcade, Yau Tong Centre, Yau Tong, Kowloon, Hong Kong

Term: One year commencing from 1 July 2020 and expiring on 30 June 2021 (both dates inclusive), with an option on the tenant to apply for renewal for a further term of one year at the then market rent by serving a written notice to Ever Premier within six months (but not less than three months) prior to expiry of the Ever Premier Tenancy Agreement

Rent: HK\$150,000 per month (inclusive of government rates, government rent and management fees)

Usage: Operation of an elderly residential care home

(B) Roymark Tenancy Agreement

Date: 27 May 2020

Parties: (1) Roymark as landlord
(2) Shui Jun (Yau Tong) as tenant

As at the date of this announcement, Roymark owns the entire issued share capital of Ever Premier, the landlord of the Ever Premier Tenancy Agreement.

Property: Unit No. G67, Ground Floor and Unit B, 1st Floor, Ka Fat Arcade, Yau Tong Centre, Yau Tong, Kowloon, Hong Kong

Term: One year commencing from 1 July 2020 and expiring on 30 June 2021 (both dates inclusive), with an option on the tenant to apply for renewal for a further term of one year at the then market rent by serving a written notice to Roymark within six months (but not less than three months) prior to expiry of the Roymark Tenancy Agreement

Rent: HK\$620,000 per month (inclusive of government rates, government rent and management fees)

Usage: Operation of an elderly residential care home

ANNUAL CAPS

For the financial year ended 31 December 2019, the aggregate amount paid by Shui Jun (Yau Tong) to Ever Premier and Roymark under the Original Tenancy Agreements was HK\$9,240,000, comprising HK\$1,800,000 paid to Ever Premier and HK\$7,440,000 paid to Roymark.

The aggregate annual caps for the year ending 31 December 2020 and for the six months ending 30 June 2021 under the Original Tenancy Agreements and New Tenancy Agreements are as follows:

	For the year ending 31 December 2020	For the six months ending 30 June 2021
Ever Premier Tenancy Agreement	HK\$1,800,000	HK\$900,000
Roymark Tenancy Agreement	<u>HK\$7,440,000</u>	<u>HK\$3,720,000</u>
TOTAL	<u><u>HK\$9,240,000</u></u>	<u><u>HK\$4,620,000</u></u>

Rents under the New Tenancy Agreements were determined after arm's length negotiation between the parties having taken into account the terms of the original and new tenancies, the location, the floor area of the Properties and with reference to the then market rent and conditions, assuming that the market rent of the comparable properties will not have drastic changes during the remaining terms of the New Tenancy Agreements.

The annual caps for the aggregate amount payable by Shui Jun (Yau Tong) to Ever Premier and Roymark were determined with reference to the rental amounts under the New Tenancy Agreements. Based on the above, the Directors (excluding Mr. Yik and Mr. Lui who have abstained from voting on the resolutions of the Board approving the New Tenancy Agreements and the transactions contemplated thereunder but including the independent non-executive Directors) consider the annual caps to be fair and reasonable.

Reasons for and Benefits of the Continuing Connected Transactions

The Group is an established operator of elderly residential care homes in Hong Kong providing comprehensive residential care home services to the elderly residents. Shui Jun (Yau Tong) is the operator of an elderly residential care home under the name of Shui Jun Nursing Centre (Yau Tong) Company Limited (瑞臻護老中心(油塘)有限公司) in Yau Tong, Hong Kong.

Ever Premier and Roymark are companies incorporated in Hong Kong and principally engaged in investment in properties in Hong Kong.

The Properties under the New Tenancy Agreements are rented by Shui Jun (Yau Tong) for the operation of the aforesaid elderly residential care home. The Directors consider that entering into of the New Tenancy Agreements can avoid incurring removal fees, renovation fees and all other incidental cost and expenses for moving into new properties.

Having considered the above, the Directors (excluding Mr. Yik and Mr. Lui who have abstained from voting on the resolutions of the Board approving the New Tenancy Agreements and the transactions contemplated thereunder but including the independent non-executive Directors) are of the view that the New Tenancy Agreements and the transactions respectively contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group, the terms of the New Tenancy Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

As at the date of this announcement, (i) Roymark is beneficially owned as to 40% by Mr. Yik (through HCDI), 25% by Ms. WH Yik and 35% by two other Independent Third Parties; (ii) the board of directors of Roymark consists of five directors, including Mr. Yik, Ms. WH Yik, Mr. Lui and two other Independent Third Parties; (iii) Ever Premier is wholly-owned by Roymark; and (iv) the board of directors of Ever Premier consisted of two directors, including Mr. Yik and Mr. Lui.

As (a) Mr. Yik is an executive Director and a controlling shareholder of the Company; (b) Mr. Lui is the chief executive officer of the Company and an executive Director; and (c) Ms. WH Yik is a controlling shareholder of the Company, a sister of Mr. Yik and the mother of Mr. Lui, Roymark and Ever Premier are associates of connected persons of the Company under the GEM Listing Rules and the transactions contemplated under the New Tenancy Agreements constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules.

Furthermore, by virtue of the aforesaid relationship, the transactions contemplated under the New Tenancy Agreements are required to be aggregated for the purpose of classification of connected transactions in accordance with Rule 20.79 of the GEM Listing Rules.

By virtue of the relationships amongst Mr. Yik, Mr. Lui, Ms. WH Yik, Ever Premier and Roymark, both of Mr. Yik and Mr. Lui are considered to have a material interest in the transactions contemplated under the New Tenancy Agreements, and they have abstained from voting on the resolutions of the Board approving the New Tenancy Agreements and the transactions contemplated thereunder.

As confirmed with the auditors of the Company, given that the term of the New Tenancy Agreements is not more than 12 months, which are short-term leases, the Group as lessee applies the recognition exemption for short-term leases and therefore it is allowed not to apply the requirement to recognise a right-of-use asset on its balance sheet in connection with the lease of the Properties under the New Tenancy Agreements under IFRS 16 “Leases”.

As all the applicable percentage ratios other than the profits ratio (as defined in the GEM Listing Rules) in connection with the New Tenancy Agreements are below 25% and the aggregate annual rental amount is less than HK\$10,000,000, pursuant to Rule 20.74 of the GEM Listing Rules, the Company is required to comply with the reporting, annual review and disclosure requirements, but is exempt from the circular (including independent financial advice) and independent shareholders’ approval requirements.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“associate”	has the same meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Company”	Hang Chi Holdings Limited (恒智控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on GEM of the Stock Exchange (stock code: 8405)
“connected person(s)”	has the same meaning ascribed to it under the GEM Listing Rules
“controlling shareholder”	has the same meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Ever Premier”	Ever Premier Limited (永平有限公司), a company incorporated in Hong Kong with limited liability, which is wholly-owned by Roymark
“Ever Premier Tenancy Agreement”	the tenancy agreement dated 27 May 2020 entered into between Shui Jun (Yau Tong) as tenant and Ever Premier as landlord
“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
“Group”	the Company and its subsidiaries
“HCDI”	Hang Chi Development & Investment Limited (恒智發展投資有限公司), a company incorporated in Hong Kong with limited liability, the ultimate beneficial owner of which is Mr. Yik
“HK\$”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IFRS”	International Financial Reporting Standard
“Independent Third Part(ies)”	a person(s) or company(ies) who/which, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, is/are not connected with (within the meaning of the GEM Listing Rules) any member of the Group, Directors, chief executive and the substantial shareholders of the Company and its subsidiaries, and their respective associates
“Mr. Lui”	Mr. Lui Chi Tat (雷志達), the chief executive officer of the Company and an executive Director
“Mr. Yik”	Mr. Yik Tak Chi (易德智), an executive Director and a controlling shareholder of the Company
“Ms. WH Yik”	Ms. Yik Wai Hang (易蔚恒), a controlling shareholder of the Company, a sister of Mr. Yik and the mother of Mr. Lui
“New Tenancy Agreements”	collectively, the Ever Premier Tenancy Agreement and the Roymark Tenancy Agreement
“Original Tenancy Agreements”	collectively, the tenancy agreements dated 30 June 2019 entered into between Shui Jun (Yau Tong) as tenant and each of Ever Premier and Roymark as landlord in relation to the Properties (as respectively supplemented and amended by the supplemental agreements dated 9 August 2019)
“Properties”	collectively, the properties located at (i) Shops 101 to 105, 127 to 142 and 158 to 165, 1st Floor, Ka Kwai Arcade, Yau Tong Centre, Yau Tong, Kowloon, Hong Kong; and (ii) Unit No. G67 on Ground Floor and Unit B, 1st Floor, Ka Fat Arcade, Yau Tong Centre, Yau Tong, Kowloon, Hong Kong
“Roymark”	Roymark Limited (滙馬有限公司), a company incorporated in Hong Kong with limited liability

“Roymark Tenancy Agreement”	the tenancy agreement dated 27 May 2020 entered into between Shui Jun (Yau Tong) as tenant and Roymark as landlord
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Shui Jun (Yau Tong)”	Shui Jun Nursing Centre (Yau Tong) Company Limited (瑞臻護老中心(油塘)有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By order of the Board
Hang Chi Holdings Limited
恒智控股有限公司
Yik Tak Chi
Chairman and Executive Director

Hong Kong, 27 May 2020

As at the date of this announcement, the executive Directors are Mr. YIK Tak Chi, Mr. LUI Chi Tat, Mr. CHUNG Kin Man and Ms. CHUNG Wai Man, the non-executive Director is Mr. LAU Joseph Wan Pui and the independent non-executive Directors are Mr. WONG Wai Ho, Mr. LAU Tai Chim and Mr. KWOK Chi Shing.

This announcement, for which all 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, 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 or this announcement misleading.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Listed Company Information” page for at least 7 days from the date of its posting and will also be published on the Company’s website at www.shuionnc.com.