英記茶莊
YING KEE TEA HOUSE

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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investor should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of the companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to Ying Kee Tea House Group Limited (the "Company") and its subsidiary (collectively referred to as the "Group"). 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.

FINANCIAL HIGHLIGHTS

- The consolidated revenue of the Group for the financial year ended 31 March 2018 (the "Reporting Year") reached approximately HK$45.4 million (2017: approximately HK$44.5 million), representing an increase by approximately 2.0% as compared with that of last year.
- The gross profit for the reporting year amounted to approximately HK$36.1 million, (2017: approximately HK$35.5 million), increasing by approximately 1.7% year-on-year. Gross profit margin was approximately 79.5% (2017: approximately 79.8%), remaining relatively consistent with that of last year.
- Net loss for the Reporting Year was approximately HK$3.2 million (2017: Net profit of approximately HK$12.3 million). The loss for the Reporting Year was mainly due to the non-recurring listing expenses of approximately HK$12.7 million recognised (2017: Nil).
- The net profit of the Group would have been approximately HK$9.5 million if the listing expenses were excluded (2017: approximately HK$12.3 million).
- Basic and diluted loss per share attributable to equity holders of the Company were HK1.18 cents (2017: earnings per share of HK4.55 cents) for the Reporting Year.
- The board of directors (the "Board") does not recommend the payment of a final dividend for the Reporting Year.

ANNUAL RESULTS

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 March 2018 together with the audited comparative figures for the year ended 31 March 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Notes	**2018** *HK$'000*	2017 *HK$'000*
Revenue	*4*	**45,399**	44,540
Cost of sales		**(9,320)**	(8,991)
Gross profit		**36,079**	35,549
Other income	*5*	**32**	207
Selling and distribution costs		**(3,136)**	(2,584)
Administrative expenses		**(33,857)**	(18,197)
Finance costs	*6*	**(282)**	(175)
(Loss)/Profit before income tax	*7*	**(1,164)**	14,800
Income tax expense	*8*	**(2,011)**	(2,505)
(Loss)/Profit for the year and total comprehensive (expense)/income for the year		**(3,175)**	12,295
(Loss)/Earnings per share attributable to equity holders of the Company			
(expressed in HK cents per share)			
Basic and diluted	*11*	**(1.18)**	4.55

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
ASSETS AND LIABILITIES			
Non-current asset			
Property, plant and equipment		**2,634**	1,815
Current assets			
Inventories	*12*	**6,323**	6,982
Trade and other receivables	*13*	**5,145**	1,548
Amounts due from related parties		**—**	4,281
Tax refundable		**568**	—
Time deposits	*14*	**639**	614
Cash and bank balances		**2,894**	2,136
		15,569	15,561
Current liabilities			
Trade and other payables	*15*	**4,883**	826
Amounts due to related parties		**—**	2,699
Tax payable		**—**	795
Bank borrowings	*16*	**10,000**	5,000
		14,883	9,320
Net current assets		**686**	6,241
Total assets less current liabilities		**3,320**	8,056
Non-current liabilities			
Provision for long service payment		**476**	723
Provision for reinstatement cost		**729**	43
		1,205	766
Net assets		**2,115**	7,290
EQUITY			
Share capital	*17*	**10**	1,000
Reserves		**2,105**	6,290
Total equity		**2,115**	7,290

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

1 GENERAL INFORMATION

Ying Kee Tea House Group Limited (the "Company") was incorporated in Hong Kong with limited liability on 14 September 2017. The address of its registered office and its principal place of business is 8/F., Wah Shing Centre, 5 Fung Yip Street, Siu Sai Wan, Hong Kong.

The Company's shares were listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 April 2018.

The Company is an investment holding company. The Company and its subsidiary (collectively referred to as the "Group") are principally engaged in the retail trading of tea products.

As at the reporting date, the Company's immediate holding company is Profit Ocean Enterprises Limited ("Profit Ocean"), a company incorporated in the British Virgin Islands ("BVI"). Profit Ocean is controlled by Mr. Chan Tat Yuen, Mr. Chan Kun Yuen, Mr. Chan Shu Yuen and Mr. Chan Kwong Yuen (together, the "Controlling Shareholders") through four companies incorporated in the BVI, namely Tri-Luck Investments Limited, Wealth City Global Limited, Sky King Global Limited and Coastal Lion Limited, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance and basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the accounting principles generally accepted in Hong Kong. The consolidated financial statements also comply with the applicable requirement of the Hong Kong Companies Ordinance and include the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The significant accounting policies that have been used in the preparation of these consolidated financial statements have been consistently applied to all the years presented unless otherwise stated. The adoption of amended HKFRSs and the impacts on the Group's consolidated financial statements, if any, are disclosed in note 2.2.

The consolidated financial statements have been prepared on the historical cost basis. The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company and its subsidiary, and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

2.2. Changes in accounting policy and disclosures

Amended HKFRSs that are effective for annual periods beginning or after 1 April 2017

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 April 2017:

Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

Other than as noted below, the adoption of the amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

Amendments to HKAS 7 "Disclosure Initiative"

The amendments require an entity to provide disclosure that enable users of consolidated financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Apart from the additional disclosure requirement, the application of these amendments has had no impact on the Group's consolidated financial statements.

Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 19	Plan Amendment Curtailment or settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective date not yet determined

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of pronouncement.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition, the ageing of the inventories and the historical experience of selling products of similar nature. Management reassess these estimates at the reporting date to ensure inventories are carried at the lower of cost and net realisable value. The carrying amounts of inventories at each reporting date are disclosed in note 12.

Impairment of trade receivables

The policy for impairment of trade receivables of the Group is based on the evaluation of collectability and the ageing analysis of the receivables and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. The carrying amounts of trade receivables at each reporting date are disclosed in note 13.

Useful lives, residual values and depreciation of property, plant and equipment

The Group determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the depreciation charge where useful lives or residual values are materially different from those previously estimated. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expenses in the future periods. The carrying amounts of property, plant and equipment as at 31 March 2018 was HK$2,634,000 (2017: HK$1,815,000).

4. REVENUE AND SEGMENT REPORTING

4.1 Revenue

	2018	2017
	HK$'000	*HK$'000*
Sales of tea products	**45,399**	44,540

4.2 Segment information

The Group has determined the operating segments based on the information reported to the executive directors, the chief operating decision maker. During the year, the chief operating decision maker regards the Group's sales of tea products business as a single operating segment and assesses the operating performance and allocates the resources of the Group as a whole. Accordingly, no segment information is presented.

Geographical information

No separate analysis of segment information by geographical segment is presented as all the Group's revenue are derived from Hong Kong based on the location of customers and the Group's property, plant and equipment are all located in Hong Kong.

Information about major customers

During the year, none of the Group's customers contributed over 10% of the Group's revenue.

5. OTHER INCOME

	2018	2017
	HK$'000	*HK$'000*
Bank interest income	**32**	22
Royalty income	**—**	114
Gain on disposal of property, plant and equipment	**—**	71
	32	207

6. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest on bank borrowings	**282**	175

7. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/Profit before income tax is arrived at after charging/(crediting):

	2018	2017
	HK$'000	*HK$'000*
Auditor's remuneration	**300**	135
Cost of inventories recognised as an expense, including	**8,098**	7,836
— write-off of inventories	**—**	18
Depreciation of property, plant and equipment	**457**	453
Amortisation of reinstatement cost	**142**	43
Gain on disposal of property, plant and equipment	**—**	(71)
Operating lease charges in respect of premises		
— minimum lease payments	**7,705**	8,013
— contingent rentals *(note)*	**539**	564
Exchange losses, net	**3**	37
Reversal of provision for long service payment	**(247)**	(215)
Listing expenses	**12,666**	—

Note: The contingent rentals are charged based on pre-determined percentages of realised sales less the minimum lease payments of the respective leases.

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the year.

	2018	2017
	HK$'000	*HK$'000*
Current tax		
Hong Kong profits tax		
— Current year	**1,939**	2,484
— Under-provision in respect of prior years	**72**	21
Income tax expense	**2,011**	2,505

Reconciliation between income tax expense and accounting (loss)/profit at applicable tax rate:

	2018	2017
	HK$'000	*HK$'000*
(Loss)/Profit before income tax	**(1,164)**	14,800
Tax on profit before income tax, calculated at Hong Kong profits tax rate of 16.5% (2017: 16.5%)	**(192)**	2,442
Tax effect of non-deductible expenses	**2,110**	38
Tax effect of non-taxable income	**(4)**	(4)
Tax effect of temporary differences not recognised	**25**	30
Under-provision in respect of prior years	**72**	21
Others	**—**	(22)
Income tax expense	**2,011**	2,505

At the reporting date, the Group did not have significant unrecognised deferred tax assets and liabilities (2017: Nil).

9. EMPLOYEE BENEFIT EXPENSES

	2018	2017
	HK$'000	*HK$'000*
Salaries, allowances and other benefits	**10,828**	9,190
Pension costs — defined contribution plans	**434**	347
Reversal of provision for long service payment	**(247)**	(215)
	11,015	9,322

10. DIVIDENDS

A dividend of HK$20 million declared and paid by a subsidiary now comprising the Group to its then shareholders for the year ended 31 March 2017. During the year, an interim dividend of HK$2 million declared and paid by the Company were as follows:

	2018	2017
	HK$'000	*HK$'000*
Interim dividend	**2,000**	20,000

11. (LOSS)/EARNINGS PER SHARE

The basic (loss)/earnings per share is calculated based on the (loss)/profit attributable to equity holders of the Company and 270,000,000 ordinary shares for the years ended 31 March 2018 and 2017, which have been adjusted retrospectively on the assumption that the group reorganisation and bonus issue (note 17) had effective on 1 April 2016.

	2018	2017
	HK$'000	*HK$'000*
(Loss)/Profit for the year attributable to equity holders of the Company for the purposes of basic (loss)/earnings per share	**(3,175)**	12,295

There were no dilutive potential ordinary shares during both years and therefore, diluted (loss)/earnings per share equals to basic (loss)/earnings per share.

12. INVENTORIES

	2018	2017
	HK$'000	*HK$'000*
Tea leaves	**3,030**	3,346
Canned/Packed tea products for sale	**1,950**	2,290
Tea wares	**475**	523
Packaging materials	**868**	823
	6,323	6,982

13. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**631**	475
Deposits, prepayments and other receivables		
Rental and other deposits	**1,123**	959
Prepayments	**88**	—
Prepaid listing expenses	**3,303**	—
Royalty income receivable	**—**	114
	4,514	1,073
	5,145	1,548

The directors of the Group consider that the fair values of trade and other receivables are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

The Group's sales to customers are mainly on cash basis. The Group also grants credit terms of 0 to 75 days to certain corporate customers. The ageing analysis of trade receivables based on the invoice dates was as follows:

	2018	2017
	HK$'000	*HK$'000*
0–30 days	**523**	416
31–60 days	**76**	48
61–90 days	**32**	11
	631	475

At each reporting date, the Group reviews receivables for evidence of impairment on both an individual and collective basis. As at 31 March 2018 and 2017, none of the Group's trade receivables was individually or collectively considered to be impaired.

The ageing analysis of trade receivables that were past due as at the reporting date but not impaired, based on due date was as follows:

	2018	2017
	HK$'000	*HK$'000*
Neither past due nor impaired	**549**	430
1–30 days past due	**57**	45
31–60 days past due	**25**	—
	631	475

Trade receivables that were neither past due nor impaired related to a number of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a number of customers that had a good track record of credit with the Group. Based on past credit history, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

14. TIME DEPOSITS

As at reporting date, the time deposits earn interest at 3.85% (2017: 4.40%) per annum and have maturity period of twelve months (2017: twelve months).

15. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**444**	337
Accrued charges and other payables	**4,439**	489
	4,883	826

Listing expenses payables amounting to HK$3,983,000 were included in the accrued charges and other payables as at 31 March 2018.

Purchases are generally made without prescribed credit terms. Based on the invoice dates, the ageing analysis of trade payables was as follows:

	2018	2017
	HK$'000	*HK$'000*
0–30 days	**444**	337

All amounts are short-term and hence the carrying values of trade and other payables are considered to be a reasonable approximation of fair values.

16. BANK BORROWINGS

	2018	2017
	HK$'000	*HK$'000*
Unsecured bank loans repayable within one year and contain a repayable on demand clause	**10,000**	5,000

As at 31 March 2018, the bank loans bear interest at variable rates of 2.30% to 3.13% (2017: 2.73% to 3.25%) per annum. The bank loans are secured by (i) personal guarantee provided by the Controlling Shareholders and (ii) corporate guarantee provided by a related company, Chan Sing Hoi Enterprises Limited, an entity controlled by the Controlling Shareholders.

17. SHARE CAPITAL

	Number of shares	Share capital *HK$'000*
Issued and fully paid:		
At 1 April 2016, 31 March 2017 and 1 April 2017	—	—
Upon incorporation	10,000	10
At 31 March 2018	**10,000**	**10**

For the purpose of the presentation of these consolidated financial statements, the paid-up capital of the Group at 1 April 2016 and 31 March 2017 represented the paid-up capital of Ying Kee Tea Company Limited with 10,000 shares totalling HK$1,000,000 existed at those dates and have not been eliminated prior to the completion of the group reorganisation.

The Company was incorporated in Hong Kong with limited liability on 14 September 2017. On the date of its incorporation, 10,000 shares totalling HK$10,000 were allotted and issued to Profit Ocean, credited as fully paid.

The share capital of the Group as at 31 March 2018 represented the share capital of the Company.

Pursuant to the written resolutions of the shareholders passed on 14 March 2018, the directors were authorised to allot and issue a total of 269,990,000 shares credited as fully paid to Profit Ocean ("Bonus Issue"). The Bonus Issue was completed on 13 April 2018. The shares allotted and issued rank *pari passu* in all respects with the then existing issued shares. Immediately thereafter, 90,000,000 shares credited as fully paid were allotted and issued to public shareholders in relation to the public offer. The shares allotted and issued rank *pari passu* in all respects with the then existing issued shares.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operational Review

For the year ended 31 March 2018, Ying Kee Tea House Group Limited (the "Company", together with its subsidiary, the "Group") enjoyed a stable retail environment with an overall uptrending economy in Hong Kong. With a GDP growth rate of 3.8% year on year, an unemployment rate of 2.9% and an inflation rate of 1.7%, the overall retail industry captured a growth rate of 6.3% year-on-year.

With the opening of a new retail shop at Telford Plaza II in Kowloon Bay on 17 October 2017, the Group maintained a steady growth of 2.0%, signifying that the market is not saturated to date. The directors of the Group (the "Directors") were of the opinion that retail of tea leaves and tea-related products would remain in an upward trend for the financial year ending 31 March 2019.

Financial Review

Revenue, gross profit and net profit

The consolidated revenue of the Group for the financial year ended 31 March 2018 (the "Reporting Year") reached HK$45.4 million (2017: HK$44.5 million), representing an increase by 2.0%. The gross profit for the year amounted to HK$36.1 million, (2017: HK$35.5 million), increasing by 1.7% year on year. Gross profit margin was 79.5% (2017: 79.8%) remaining relatively consistent with that of last year. Net loss for the Reporting Year was HK$3.2 million (2017: Net profit of HK$12.3 million). The loss for the Reporting Year was mainly due to the non-recurring listing expenses of HK$12.7 million recognised (2017: Nil). The net profit would have been HK$9.5 million should if listing expenses were excluded (2017: HK$12.3 million).

Segmental information

For the Reporting Year, tea leaves were still the predominant products sold with a percentage of 94.8% of total revenue (2017: 94.8%). Tea wares and tea gift sets recorded percentage of 4.7% and 0.5% respectively of total revenue (2017: 4.7% and 0.5% respectively), representing a lower proportion of sales as compared with that of tea leaves. Pu-erh remained the most sellable products among the other items followed by oolong tea and fragrant tea. Their percentage of sales relative to total sales were 45.2% (2017: 46.2%), 20.9% (2017: 20.1%) and 11.8% (2017: 11.9%) respectively.

Other income

For the Reporting Year, the Company did not receive any royalty income (2017: HK$114,000) derived from assigning the trademarks to a Japanese company being used in Japan. Notwithstanding the trademark agreement between the Company and its Japanese counterpart which is valid until termination, the Japanese company will not pay any royalty to the Company unless new product is launched with the use of the Company's trademark in Japan.

There is no gain (2017: HK$71,000) on disposal of property, plant and equipment. Bank interest income increased from HK$22,000 for the year ended 31 March 2017 to HK$32,000 for the Reporting Year. The reason is mainly due to the increase of average deposit rate during the Reporting Year.

Selling and distribution costs

For the Reporting year, the Company incurred additional costs on selling and distribution because of additional promotion activities arising from the anticipation of listing on GEM of the Hong Kong Stock Exchange Limited on 16 April 2018. Four special sale events took place in June, July 2017 and March 2018, along with additional advertisements in mass media, resulting in an incurrence of selling and distribution cost on top of the normal activities at HK$3.1 million (2017: HK$2.6 million), an increase of 19.2% relative to the year ended 31 March 2017.

The opening of a new shop at Telford Plaza II in Kowloon Bay on 17 October 2017 and corresponding promotion activities, which were intended to boost sales and obtain public recognition augmented the selling and distribution costs. Promoters were hired and special pop-up counters were employed in these activities.

Administrative expenses

The following expenses were substantially increased for the year ended 31 March 2018 relative to those for the year ended 31 March 2017 because of the followings:

1. Audit fees increased by approximately 122.2% from HK$135,000 to HK$300,000;

2. Building management fees increased by approximately 235.0% from HK$163,000 to HK$546,000 while renewed tenancy agreement required lessee to bear the fee;

3. Consultancy fee increased by approximately 474.2% from HK$31,000 to HK$178,000 for hiring of assistant to the chief financial officer (the "CFO") during pre-listing processes;

4. Legal and professional fees increased by approximately 270.5% from HK$44,000 to HK$163,000 for additional legal and professional advice;

5. Rates increased by approximately 456.9% from HK$72,000 to HK$401,000 while renewed tenancy agreement required the lessee to bear rates on the rental property;

6. Staff benefits increased by approximately 40.0% from HK$1.0 million to HK$1.4 million for the newly recruited CFO; and

7. Staff salaries increased by approximately 19.3% from HK$5.7 million to HK$6.8 million for the newly recruited CFO.

Finance costs

For the year ended 31 March 2018, the finance costs, which were basically bank borrowing interest, were HK$282,000 as compared to that for the year ended 31 March 2017 of HK$175,000. The reason for the increase of 61.1% was because of the additional drawdown on the revolving loan to settle the listing expenses to professional parties.

Listing expenses

The listing cost of HK$16.0 million for the Reporting Year (2017: Nil) were paid as partial settlement of fees to professional parties including but not limited to, reporting accountants, financial advisory service provider, corporate lawyers, sponsor, sponsor's lawyers, lawyers to issue legal opinions on conveyancing, intellectual properties, taxation by Japan and the People's Republic of China, rental property surveyor, market researcher, financial printer and public and investor relations agency.

Of the listing cost for the year ended 31 March 2018, HK$16.0 million (2017: Nil) which were non-recurring, in which HK$12.7 million (2017: Nil) were charged to profit and loss for the Reporting Year while HK$3.3 million (2017: Nil) were capital in nature and treated as prepaid listing expenses which will be deducted from equity after listing. Recurring listing expenses include but not limited to payments made to corporate lawyers, compliance advisor, share registrar, financial printer, company secretary agency, public and investor relationship agency and dues to the Hong Kong Stock Exchange Limited.

Inventory control

The net carrying value of the Group's inventories amounted to HK$6.3 million (2017: HK$7.0 million) as at the end of the Reporting Year, representing a decrease of HK$0.7 million or 10% from that as at 31 March 2017.

The board of Directors (the "Board") closely monitored the inventory level and movements during the year to ensure an optimal amount of stock was maintained and to avoid loss of sales due to under-stocking. As vintage pu-erh contributed the highest gross margin, the Directors responsible for procurement and warehouse staff responsible for stocktaking ascertained an adequate quantity of vintage pu-erh was available for sale in the immediate future.

In order to enhance stringent inventory control, the following procedures were conducted:

- Stocktake by shop and warehouse staff was carried out every month;
- Reconciliation of physical stock and amount in the accounting system was performed by the office accountant every month;
- Office personnel observed physical stocktake by shop and warehouse staff every quarter;
- Warehouse staff regularly checked for inventory damage and spoilage for proper provision at the end of each quarter.

Trade and other receivables

At the end of the Reporting Year, trade and other receivables increased from HK$1.5 million for the year ended 31 March 2017 to HK$5.1 million, an increase by HK$3.6 million or 240.0%. The increase was due primarily to the prepaid listing expenses of HK$3.3 million (2017: Nil). As at 31 March 2018 rental and other deposits rose by HK$164,000 or 17.1% to HK$1,123,000 from HK$959,000 as at 31 March 2017. This was the result of paying rental deposits for opening of a new shop at Telford Plaza II in Kowloon Bay.

Liquidity and Cash Flow Management

The Group adopted a prudent financial policy in order to maintain a healthy financial position with steady growth. The Group has funded the liquidity and capital requirements principally from cash generated from operations and bank borrowings.

As at 31 March 2018, the Group's net current assets amounted to HK$0.7 million (2017: HK$6.2 million) which decreased by HK$5.5 million or 88.7% due to substantial increase in accrued listing liabilities. Cash and bank balances amounted to HK$2.9 million (2017: HK$2.1 million), representing an increase of HK$0.8 million or 38.1%, compared with that at 31 March 2017. Time deposits amounted to HK$639,000 as at 31 March 2018, a relative stable increase by HK$25,000 or 4.1%, as compared to HK$614,000 as at 31 March 2017.

Trade and other payables

As at 31 March 2018, trade and other payables increased from HK$826,000 for the year ended 31 March 2017 to HK$4.9 million, an increase by HK$4.1 million or 493.2%. The increase was due primarily to the listing expenses accrual of HK$4.0 million (2017: Nil).

Bank borrowings

Banking facility of HK$20.0 million (2017: HK$20.0 million) in the form of a revolving loan was granted to the Group's wholly-owned subsidiary, Ying Kee Tea Company Limited (the "Subsidiary"). As at 31 March 2018, bank revolving loan stood at HK$10.0 million (2017: HK$5.0 million), an increase by HK$5.0 million or 100% as compared with that at 31 March 2017. The increase was a result of settlement of listing expenses due to professional parties. Banking facility in the form of banker's guarantee in the amount of HK$1.0 million (2017: Nil) was held as surety for rental deposits in lieu of cash.

As at the end of 31 March 2018, the revolving loan bore interest at variable rates of 2.30% to 3.13% (2017: 2.73% to 3.25%) per annum.

Charge of Group's assets

At the end of the Reporting Year, the bank revolving loan and banker's guarantee were guaranteed jointly and severally by the directors of the Subsidiary of the Group, Mr. Chan Kwong Yuen, Mr. Chan Kun Yuen, Mr. Chan Shu Yuen and Mr. Chan Tat Yuen, together with a corporate guarantee by Chan Sing Hoi Enterprises Limited, an entity controlled by the directors of the Subsidiary.

Significant Investment

There was no significant investment during the year ended 31 March 2018 and as at the end of the financial year, there was no significant investment held by the Group.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

There was no material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 March 2018.

Capital Structure

During the Reporting Year, a reorganisation took place which turned the Subsidiary wholly-owned by the Company. The Company was incorporated in Hong Kong as an investment company with limited liability on 14 September 2017.

On 18 August 2017, Tri-Luck Investments Limited ("Tri-Luck"), a limited liability company incorporated in the British Virgin Islands ("BVI"), allotted and issued 100 ordinary shares of nominal value of US$1.00 each, credited as fully paid, to Mr. Chan Tat Yuen at a nominal subscription price of US$100. Wealth City Global Limited ("Wealth City"), a limited liability company incorporated in the BVI, allotted and issued 100 ordinary shares of nominal value of US$1.00 each, credited as fully paid, to Mr. Chan Kun Yuen at a nominal subscription price of US$100. Sky King Global Limited ("Sky King"), a limited liability company incorporated in the BVI, allotted and issued 100 ordinary shares of nominal value of US$1.00 each, credited as fully paid, to Mr. Chan Shu Yuen at a nominal subscription price of US$100. Coastal Lion Limited ("Coastal Lion"), a limited liability company incorporated in the BVI, allotted and issued 100 ordinary shares of nominal value of US$1.00 each, credited as fully paid, to Mr. Chan Kwong Yuen at a nominal subscription price of US$100.

On 18 August 2017, Profit Ocean Enterprises Limited ("Profit Ocean"), a BVI company with limited liability, allotted and issued 250 ordinary shares of nominal value of US$1.00 each, credited as fully paid, to each of Tri-Luck, Wealth City, Sky King and Coastal Lion in each case at a nominal subscription price of US$250 (representing US$1.00 per share).

On 14 September 2017, the Company allotted and issued 10,000 shares, credited as fully paid, to Profit Ocean at a nominal subscription price of HK$10,000 (representing HK$1.00 per share).

On 10 October 2017, the Company purchased and Mr. Chan Tat Yuen and Mr. Chan Kun Yuen each sold his 2,500 shares of the Subsidiary (representing 25% each of the issued share capital) for a cash consideration of HK$2,500 each. The Company purchased and Mr. Chan Kwong Yuen and Mr. Chan Shu Yuen each sold his 2,450 shares of the Subsidiary (representing 24.5% each of the issued share capital) for a cash consideration of HK$2,450 each. The Company purchased and Mr. Chan Ka Min sold his 100 shares of the Subsidiary (representing 1% of the issued share capital) for a cash consideration of HK$100.

Upon completion of the share purchases, Profit Ocean became the direct sole shareholder of the entire issued share capital of the Company, and the Subsidiary also became a direct wholly-owned subsidiary of the Company. Each of Mr. Chan Kwong Yuen, Mr. Chan Kun Yuen, Mr. Chan Shu Yuen and Mr. Chan Tat Yuen had since held a 25% beneficial interest in the Company and the Subsidiary.

The shares of the Company were listed on GEM of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 April 2018. There has been no change in the capital structure of the Group since then and the share capital of the Group only comprises ordinary shares.

Equity

Equity attributable to owners of the Company amounted to HK$2.1 million (2017: HK$7.3 million).

Treasury Policy

The Directors will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

Foreign Exchange Exposure

Since all of the assets and liabilities are situated in Hong Kong and almost all of the revenue is generated from Hong Kong, the functional and reporting currency is Hong Kong dollar. There was no hedging instruments for payment of purchases in Renminbi as the Directors considered such purchases represented 7.1% (2017: 6.5%) of total purchases and settlement within 60 days would not cause material foreign exchange risk.

Employees and Remuneration Policies

As at 31 March 2018, the Group had 52 employees (2017: 44 employees) working in Hong Kong. Employees are remunerated based on their qualifications, position and performance. The remuneration offered to employees generally includes salaries, allowances and discretionary bonus. Various training was provided to the employees. The total staff costs (including remuneration of Directors and mandatory provident funds contributions) for the year ended 31 March 2018 and 2017 amounted to approximately HK$11.0 million and HK$9.3 million respectively.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 March 2018 (2017: Nil).

Commitments

The contract commitments mainly involve rental payable by the Group in respect of the certain shops, concessionary counters, office and warehouse premises under operating leases arrangements. As at 31 March 2018, the Group's operating lease commitments were approximately HK$4.6 million (2017: HK$669,000).

Final Dividends

The Board does not recommend the payment of final dividend for the year ended 31 March 2018 (2017: Nil).

During the year ended 31 March 2018, the Group declared an interim dividend in the sum of HK$2.0 million (2017: HK$20.0 million) to the shareholders.

Gearing Ratio

As at 31 March 2018, the gearing ratio of the Group stood at 472.8% (2017: 68.6%). The increase was mainly due to the increase in bank borrowings and the reduction in reserves after payment of an interim dividend.

Future Plan for Material Investments or Capital Assets and Their Expected Sources of Funding

Future plan for material investments or capital assets and their expected sources of funding for the forthcoming year are set out on pages 231 to 236 under the heading "FUTURE PLANS AND USE OF PROCEEDS" in the prospectus.

Use of Proceeds

The net proceeds from the issue of new shares of the Group at the time of its listing on GEM of the Stock Exchange on 16 April 2018 through the share offer of 90,000,000 shares of HK$0.01 each in the share capital of the Group at the price of HK$0.54 per share, after deduction of the underwriting commission and actual expenses paid by the Group in connection thereto, were approximately HK$25.0 million.

No proceeds were available as at 31 March 2018. Therefore, no actual usage of proceeds for the year ended 31 March 2018.

There is no material differences between the disclosure in the listing document and actual business progress.

Up to the date of the report, the Group opened a new concession counter in a department store in Kwun Tong, engaged a service provider to enhance our information system, recruited new staff and repaid the bank loan of HK$3.8 million. There is no material difference between the disclosure in the listing document and actual business progress.

Principal Risks and Uncertainties

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that only well-established customers will be considered for open account terms and the approval of credit terms is subject to stringent credit check procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to its short-term debt obligations with floating interest rates. The Group's policy is to manage its interest cost using variable rate debts, which is regularly reviewed by senior management.

Liquidity risk

The Group monitors its risk to a shortage of funds using monthly cash flow forecast. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and funds generated from operations.

Relationship with Suppliers, Customers and Other Stakeholders

The Group understands the importance of maintaining a good relationship with its suppliers, customers and other stakeholders in order to meet its immediate and long-term goals. During the year under review, there was no material or significant dispute between the Group and its suppliers, customers and/other stakeholders.

Events After the Reporting Period

Listing on GEM of the Stock Exchange

The shares of the Company were listed on GEM of the Stock Exchange on 16 April 2018 through the share offer of 90,000,000 shares at a price of HK$0.54 per share.

Subsequent to listing

After the listing, Mr. Chan Kwong Yuen, Mr. Chan Kun Yuen, Mr. Chan Shu Yuen and Mr. Chan Tat Yuen, Ms. Ng Wai Lam Lana Zoe (spouse of Mr. Chan Kwong Yuen), Ms. Chan King Chi (spouse of Mr. Chan Kun Yuen), Ms. Po Miu Kuen Tammy (spouse of Mr. Chan Shu Yuen) and Ms. Chu Min (spouse of Mr. Chan Tat Yuen), the controlling shareholders hold 75.0% while the public holds 25.0% of the issued share capital of the Company.

Mr. Siu Chi Ming, Mr. Lee Wai Ho and Mr. Wong Chee Chung were appointed as independent non-executive directors of the Company on 14 March 2018.

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES AND COMPLIANCE

Ying Kee Tea House Group Limited (the "Company"), together with its subsidiary (the "Group"), commenced listing on 16 April 2018 on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). During the year, the Group was committed to maintain a high standard of corporate governance, and to comply to the extent practicable with the Code of Corporate Governance Practices. The Company has applied the code provisions and recommended best practices in the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the Rules Governing the Listing of securities on GEM of the Stock Exchange (the "GEM Listing Rules"). During the year, the Company has complied with the CG Code.

The board of directors of the Company (the "Directors") is responsible for the leadership and control of, and promoting the success of the Group. This is achieved by the setting up of corporate strategic objectives and policies, and the monitoring and evaluations of operating activities and financial performance of the Group.

SECURITIES TRANSACTIONS OF DIRECTORS

The Group has adopted a code of conduct regarding securities transactions by Directors ("Code of Conduct") on terms no less exacting than the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Up to the date of this annual report, no specific enquiry has been made in respect of whether the Directors have complied with the required standard of dealings and its code of conduct regarding directors securities transactions.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The shares of the Company were successfully listed on GEM of the Stock Exchange on 16 April 2018. Save for the group reorganisation as disclosed in the prospectus, neither the Company nor any of its subsidiary has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2018.

AUDIT COMMITTEE AND REVIEW OF PRELIMINARY ANNOUNCEMENT

The Company has established an audit committee (the "Audit Committee") on 14 March 2018 with written terms of reference in compliance with the requirements as set out in Rules 5.28 of GEM Listing Rules and the CG Code. The Audit Committee currently comprises three members, being all of the independent non-executive directors, namely Mr. Lee Wai Ho, Mr. Siu Chi Ming and Mr. Wong Chee Chung. The chairman of the Audit Committee is Mr. Siu Chi Ming. The Audit Committee has reviewed the annual results of the Group for the year ended 31 March 2018 at a meeting held on 22 June 2018, which is of the view that the consolidated financial statements complied with applicable accounting standards and legal requirements, and that adequate disclosures have been made.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2018 have been agreed by the Group's auditor, Grant Thornton Hong Kong Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Grant Thornton Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accounts ("HKICPA") and consequently no assurance has been expressed by Grant Thornton Hong Kong Limited on the preliminary announcement.

DISTRIBUTABLE RESERVES

The Group's reserves available for distribution to shareholders as at 31 March 2018 amounted to approximately HK$2.1 million (2017: HK$6.3 million).

ANNUAL GENERAL MEETING ("AGM")

The AGM will be held on 10 August 2018. For details of the AGM, please refer to the Notice of AGM which is expected to be published in late June 2018.

INTERESTS OF THE COMPLIANCE ADVISER AND ITS DIRECTORS, EMPLOYEES AND ASSOCIATES

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed KGI Capital Asia Limited as its compliance adviser, which provides advices and guidance to the Company in respect of compliance with the GEM Listing Rules including various requirements relating to the Directors' duties. The compliance adviser and its directors, employees or close associates had no interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules as at the date of this announcement.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 7 August 2018 to 10 August 2018 (both dates inclusive), during which period no share transfers will be effected. In order to qualify for attending and voting at the AGM, all share transfers must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 6 August 2018.

PUBLICATION OF FINAL RESULTS AND DISPATCH OF ANNUAL REPORT

This announcement is published on the Company's website *(http://www.yingkeetea.com)* and the website of the Stock Exchange *(http://www.hkex.com.hk)*. The annual report for the year ended 31 March 2018 containing the information required by the GEM Listing Rules will be despatched to shareholders and published on the websites of the Company and the Stock Exchange in due course.

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

Hong Kong, 22 June 2018

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.