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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)

ANNOUNCEMENT OF THIRD QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 DECEMBER 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.*

THIRD QUARTERLY RESULTS

The Board is pleased to announce the unaudited consolidated results of the Group for the nine months ended 31 December 2018 together with the unaudited comparative figures for the nine months ended 31 December 2017 as follows:

Financial Highlights

	For the 9 months ended	
	31 December	
	2018	2017
	<i>HK\$</i>	<i>HK\$</i>
Revenue	34,701,000	33,417,000
Gross Profit	27,237,000	26,383,000
Loss before taxation	419,000	428,000
Taxation	934,000	1,472,000
Loss attributable to shareholders	1,353,000	1,900,000
Loss per share	HK0.38 cents	HK0.70 cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 31 December 2018

		Three months ended		Nine months ended	
		31 December		31 December	
		2018	2017	2018	2017
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	3	17,679	17,378	34,701	33,417
Cost of sales		<u>(3,713)</u>	<u>(3,608)</u>	<u>(7,464)</u>	<u>(7,034)</u>
Gross profit		13,966	13,770	27,237	26,383
Other income		120	1	464	1
Selling and distribution costs		(832)	(1,308)	(1,566)	(2,509)
Administrative expenses		(8,462)	(8,969)	(26,508)	(24,117)
Finance costs		<u>—</u>	<u>(80)</u>	<u>(46)</u>	<u>(186)</u>
Profit/(Loss) before income tax	4	4,792	3,414	(419)	(428)
Income tax expenses	5	<u>(926)</u>	<u>(1,120)</u>	<u>(934)</u>	<u>(1,472)</u>
Profit/(Loss) for the period and total comprehensive income/ (expense) for the period		<u>3,866</u>	<u>2,294</u>	<u>(1,353)</u>	<u>(1,900)</u>
Profit/(Loss) per share for profit/(loss) attributable to owners of the Company					
Basic and diluted (HK cents)	7	<u>1.07</u>	<u>0.85</u>	<u>(0.38)</u>	<u>(0.70)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2018

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Retained Profits/ (Accumulated losses) <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
As at 1 April 2018 (audited)	10	—	990	1,115	2,115
Issue of ordinary shares pursuant to the bonus issue	26,990	(26,990)	—	—	—
Issue of ordinary shares pursuant to the placing	9,000	39,600	—	—	48,600
Expenses incurred in connection with the issue of ordinary shares	—	(6,731)	—	—	(6,731)
Loss for the year and total comprehensive expense for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,353)</u>	<u>(1,353)</u>
At 31 December 2018 (unaudited)	<u>36,000</u>	<u>5,879</u>	<u>990</u>	<u>(238)</u>	<u>42,631</u>
 As at 1 April 2017 (audited)	 1,000	 —	 —	 6,290	 7,290
Transactions with equity holders of the Company					
— Issue of shares and effect of reorganisation	(990)	—	990	—	—
— Dividend paid	—	—	—	(2,000)	(2,000)
Loss for the year and total comprehensive expense for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,900)</u>	<u>(1,900)</u>
 At 31 December 2017 (unaudited)	 <u>10</u>	 <u>—</u>	 <u>990</u>	 <u>2,390</u>	 <u>3,390</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 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.

Pursuant to a group reorganisation (the “**Reorganisation**”), the Company became the holding company of the company now comprising the Group on 10 October 2017. Details of the major steps undertaken to effect the Reorganisation were published in the prospectus of the Group dated 23 March 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.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the nine months ended 31 December 2018 (“**Relevant Period**”) 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 unaudited condensed consolidated financial statements also include the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The Group resulting from the Reorganisation is regarded as a continuing entity. The unaudited condensed consolidated financial statements have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 “Merger accounting under common control combination” issued by the HKICPA. Accordingly, the financial information relating to the unaudited condensed consolidated financial statements for the Relevant Period including the comparative figures for the nine months ended 31 December 2017, are presented as if the current group structure had been in existence and remained unchanged throughout both periods, or since their respective dates of incorporation, where this is a shorter period.

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis. The unaudited condensed 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.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements of the Group for the Relevant Period are consistent with those used in the audited financial statements of the Group for the year ended 31 March 2018.

HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the Relevant Period. There have been no significant changes to the accounting policies applied in these financial statements for the Relevant Period presented as a result of these developments.

The unaudited condensed consolidated financial statements for the Relevant Period have not been audited by the Company's independent auditor but have been reviewed by the Company's audit committee.

The preparation of the unaudited condensed consolidated financial statements of the Group for the Relevant Period is in conformity with the HKFRSs requirements in the use of certain critical accounting estimates. The HKFRSs also require the management to exercise their judgements in the process of applying the Group's accounting policies.

3. REVENUE

	Three months ended 31 December		Nine months ended 31 December	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales of tea products	<u>17,679</u>	<u>17,378</u>	<u>34,701</u>	<u>33,417</u>

4. PROFIT/(LOSS) BEFORE INCOME TAX

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

	Three months ended 31 December		Nine months ended 31 December	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Auditor's remuneration	102	30	245	30
Cost of inventories recognised as an expense	3,390	3,292	6,471	6,197
Depreciation of property, plant and equipment	193	133	429	323
Amortisation of reinstatement cost	205	57	378	85
Operating lease charges in respect of premises				
— minimum lease payments	2,160	2,036	6,489	5,931
— contingent rentals (<i>note</i>)	446	397	515	469
Exchange losses, net	5	—	3	—
Reversal of provision for long service payment	—	—	—	(47)
Listing expenses	<u>—</u>	<u>3,159</u>	<u>4,000</u>	<u>9,212</u>

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

5. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits for the Relevant Period.

	Three months ended 31 December		Nine months ended 31 December	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current tax				
Hong Kong profits tax				
— Current period	<u>926</u>	<u>1,120</u>	<u>934</u>	<u>1,472</u>

6. DIVIDENDS

The Board does not recommend the payment of any dividend for the nine months ended 31 December 2018 (nine months ended 31 December 2017: HKD2,000,000).

7. PROFIT/(LOSS) PER SHARE

The basic profit/(loss) per share is calculated based on the followings:

	Three months ended 31 December		Nine months ended 31 December	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit/(Loss)				
Profit/(Loss) for the period attributable to equity holders of the Company	<u>3,867</u>	<u>2,294</u>	<u>(1,353)</u>	<u>(1,900)</u>
Number of shares				
Weighted average number of ordinary shares (in thousands)	<u>360,000</u>	<u>270,000</u>	<u>356,073</u>	<u>270,000</u>

For the nine months ended 31 December 2017, 270,000,000 ordinary shares which have been adjusted retrospectively on the assumption that the group reorganisation and bonus issue had effective on 1 April 2017.

For the nine months ended 31 December 2018, the weighted average number of ordinary shares used to calculate the basis loss per share include 90,000,000 new ordinary shares issued pursuant to the placing.

There were no dilutive potential ordinary shares during both periods and therefore, diluted loss per share equals to basic loss per share.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Ying Kee Tea House Group Limited (the “**Company**”) is an investment company incorporated in Hong Kong. The principal activity of Ying Kee Tea Company Limited (the “**Subsidiary**”) is the sale of tea leaves, tea wares and tea gift sets through twelve retail shops and concessionary counters.

Financial Review

Revenue, gross profit and net profit

The consolidated revenue of the Group for the nine months ended 31 December 2018 (the “**Reporting Period**”) reached approximately HK\$34.7 million (nine months ended 31 December 2017: approximately HK\$33.4 million), representing an increase by approximately 3.9%. The gross profit for the period amounted to approximately HK\$27.2 million, (nine months ended 31 December 2017: approximately HK\$26.4 million), increasing by approximately 3.0%. Gross profit margin was approximately 78.5% (nine months ended 31 December 2017: approximately 79.0%), a slight decrease compared with that of the last corresponding period. Net loss for the Reporting Period was approximately HK\$1.4 million (nine months ended 31 December 2017: Net loss of approximately HK\$1.9 million). The loss for the Reporting Period was mainly due to the non-recurring listing expenses of approximately HK\$4.0 million recognized (nine months ended 31 December 2017: approximately HK\$9.2 million). The net profit would have been approximately HK\$2.6 million if listing expenses were excluded (nine months ended 31 December 2017: net profit of approximately HK\$7.3 million). The reason for the diminishing in profit for the Reporting Period without listing costs as compared with that for the corresponding period of 2017 without listing costs is mainly because of the increase in administrative expenses mentioned below.

Selling and distribution costs

Selling and distribution costs reduced by approximately 36.0% to approximately HK\$1.6 million (nine months ended 31 December 2017: approximately HK\$2.5 million) primarily because of the reduction of advertising for the nine months ended 31 December 2018.

Administrative expenses

The following expenses were substantially increased for the nine months ended 31 December 2018 relative to those for the nine months ended 31 December 2017 because of the followings:

1. Staff salaries increased for the recruitment of CFO, Financial Manager and shop staffs, in addition to the newly adopted salary computation to absorb commissions and part of the benefits for all staff;
2. Listing maintenance expenses was newly incurred after listing in April 2018;
3. Directorship fees increased because of the appointment of directors;

4. Rent increased as a result of the addition of two concessionary counters.

The increase in administrative expenses was countered by a reduction in listing expenses for the nine months ended 31 December 2018 compared with that of the corresponding period in 2017.

Outlook and Prospect

With the two already opened concessionary counters actively commencing operation, business is expected to grow at a moderate and steady pace. The present crisis of United States-China tug-of-war bears very little impact on the sales of our products as most of our customers are based in Hong Kong. However, there are still uncertainties as to the future economic climate if global economy becomes sluggish and local purchasing power declines. Nevertheless, the Group is still expecting a healthy growth for the financial year of 2019 (the year ending 31 March 2019).

Up to the date of the announcement, all proceeds derived from the Initial Public Offer and Share Placement, at a total of HK\$25.0 million after deducting commission and relative expenses, were partly utilized in accordance with the proposed applications set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus. The Group opened two concession counters in department stores in Kwun Tong and Shatin respectively, completed the renovation of office and warehouse, engaged service providers 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.

Liquidity and Cash Flow Management

The Group has funded the liquidity and capital requirements principally from cash generated from operations and proceeds from listing.

As at 31 December 2018, the Group’s net current assets amounted to approximately HK\$40.2 million (31 March 2018: approximately HK\$0.7 million) which increased by approximately HK\$39.5 million or 5,642.9% due to receipt of proceeds from listing. Cash and bank balances amounted to approximately HK\$29.8 million (31 March 2018: approximately HK\$3.5 million), an increase of approximately HK\$26.3 million or 751.4%. The huge increase is the consequence of receipt of proceeds from listing. As at 31 December 2018, current assets amounted to approximately HK\$41.6 million (31 March 2018: approximately HK\$15.6 million) and current liabilities amounted to approximately HK\$1.4 million (31 March 2018: approximately HK\$14.9 million). Current ratio was approximately 29.7 as at 31 December 2018 (31 March 2018: approximately 1.0).

Gearing Ratio

Gearing ratio is calculated as total debts divided by the total equity as at the respective Reporting Date.

The gearing ratio as at 31 December 2018 was 7.4% (31 March 2018: approximately 760.7%) because of the full settlement of bank borrowings and issue of share capital due to listing.

Capital Expenditure

For the nine months ended 31 December 2018, the Group's capital expenditure amounted to approximately HK\$2.0 million (nine months ended 31 December 2017: approximately HK\$0.7 million), mainly for furniture and fixtures of the two concessionary counters.

Foreign Exchange Exposure

Since all of the assets and liabilities are situated in Hong Kong and denominated in Hong Kong dollars; and almost all of the revenue is generated from Hong Kong, the functional and reporting currency is Hong Kong dollar. There was no hedging instrument for payment of purchases in Renminbi as the Directors considered the payments in Renminbi were minor portion of total purchases and settlement within 60 days would not cause material foreign exchange risk.

Principal Risks and Uncertainties

Credit risk

The Group trades only with recognized 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

As at 31 December 2018, the Group had no bank borrowings and interest rate risk from borrowing is not present. With the reluctance of raising interest rate in the banking sector, the risk from deposits in commercial banks is not obvious and immediate.

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 cash from time deposits and funds generated from operations.

Employees and Remuneration Policies

As at 31 December 2018, the Group had 56 employees (31 December 2017: 50) working in Hong Kong. Employees are remunerated based on their qualifications, position and performance. The remuneration offered to employees generally includes salaries, allowances and discretionally bonus. Various training was provided to the employees. The total staff costs (including remuneration of Directors and mandatory provident funds contributions) for the nine months ended 31 December 2018 amounted to approximately HK\$10.8 million (nine months ended 31 December 2017: approximately HK\$7.5 million).

Dividends

The Board does not recommend the payment of dividend for the nine months ended 31 December 2018 (nine months ended 31 December 2017: HK\$2.0 million).

Contingent Liabilities

The Group had no significant contingent liabilities as at 31 December 2018.

Charge on the Group's Assets

As at 31 December 2018, the Group has no charges on the Group's assets.

Events After the Reporting Period

There were no material events after the Reporting Period that would affect the result of the Group for the nine months ended 31 December 2018.

Corporate Governance Practices and Compliance

Ying Kee Tea House Group Limited (the “**Company**”), together with its subsidiaries (the “**Group**”), commenced listing on 16 April 2018 on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). During the nine months ended 31 December 2018, 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 date from the date of listing to 31 December 2018, 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 on terms no less exacting than the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquires of all Directors, all Directors confirmed that they have complied with the required standard of dealings and its code of conduct regarding directors' securities transactions during the period from the date of listing to 31 December 2018.

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 reorganization 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 nine months ended 31 December 2018.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares or Debentures of the Company

So far as the Directors are aware, as at 31 December 2018, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in ordinary shares and underlying shares of the Company

Name of Director/ Chief Executive	Capacity/Nature of interest	Number of shares held/ interested	Approximate percentage of shareholding
Chan Kwong Yuen ^(Note 1)	Interested in a controlled corporation	270,000,000	75%
Chan Kun Yuen ^(Note 1)	Interested in a controlled corporation	270,000,000	75%
Chan Shu Yuen ^(Note 1)	Interested in a controlled corporation	270,000,000	75%

Note:

1. The Total Issued Share Capital of Profit Ocean Enterprises Limited (“**Profit Ocean**”, Incorporated in the BVI) is Owned by Tri-Luck Investment Limited (“**Tri Luck**”, Incorporated in the BVI and Fully Owned by Mr. Chan Tat Yuen), Wealth City Global Limited (“**Wealth City**”, Incorporated in the BVI and Fully Owned by Mr. Chan Kun Yuen), Sky King Global Limited (“**Sky King**”, Incorporated in the BVI and Fully Owned by Mr. Chan Shu Yuen) and Coastal Lion Limited (“**Coastal Lion**”, Incorporated in the BVI and Fully Owned by Mr. Chan Kwong Yuen) in Equal Shares. by Virtue of the Acting in Concert Arrangement Between the Parties, Each of Tri-Luck, Wealth City, Sky King and Coastal Lion, as Well as Mr. Chan Tat Yuen, Mr. Chan Kun Yuen, Mr. Chan Shu Yuen and Mr. Chan Kwong Yuen, is deemed to be Interested in all the shares held by Profit Ocean for Purposes of the SFO.

Save as disclosed above, as at 31 December 2018, none of the Directors or chief executive had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares of the Company

So far as known to the Directors or chief executive of the Company, as at 31 December 2018, the following persons/entities (other than the Directors and chief executives of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Long positions in ordinary shares and underlying shares of the Company

Name of Shareholder	Name of corporation	Nature of interest and capacity	Number of Shares held or interested	Approximate percentage of the total issued shares
Profit Ocean	Our Company	Beneficial owner	270,000,000	75%
Tri-Luck ^(Note 1)	Our Company	Interest in a controlled corporation	270,000,000	75%
Wealth City ^(Note 1)	Our Company	Interest in a controlled corporation	270,000,000	75%
Sky King ^(Note 1)	Our Company	Interest in a controlled corporation	270,000,000	75%
Coastal Lion ^(Note 1)	Our Company	Interest in a controlled corporation	270,000,000	75%
Mr. Chan Tat Yuen ^(Note 2)	Our Company	Interest in a controlled corporation	270,000,000	75%
Ms. Chu Min ^(Note 3)	Our Company	Interest of spouse	270,000,000	75%
Ms. Chan King Chi ^(Note 4)	Our Company	Interest of spouse	270,000,000	75%
Ms. Po Miu Kuen Tammy ^(Note 5)	Our Company	Interest of spouse	270,000,000	75%
Ms. Ng Wai Lam Lana Zoe ^(Note 6)	Our Company	Interest of spouse	270,000,000	75%

Notes:

1. The Total Issued Capital of Profit Ocean is Owned by Tri-Luck, Wealth City, Sky King and Coastal Lion in Equal Shares, i.e., 25%, While the Total Issued Share Capital of each of Tri-Luck, Wealth City, Sky King and Coastal Lion are fully owned by Mr. Chan Tat Yuen, Mr. Chan Kun Yuen, Mr. Chan Shu Yuen and Mr. Chan Kwong Yuen, Respectively. by Virtue of the Acting in Concert Arrangement between the Parties, each of Tri-Luck, Wealth City, Sky King and Coastal Lion, as well as Mr. Chan Tat Yuen, Mr. Chan Kun Yuen, Mr. Chan Shu Yuen and Mr. Chan Kwong Yuen, is deemed to be Interested in all the shares held by Profit Ocean for Purposes of the SFO.
2. The Total Issued Share Capital of Tri-Luck is owned by Mr. Chan Tat Yuen. Mr. Chan Tat Yuen is therefore deemed to be interested in all the shares held by Profit Ocean for purposes of the SFO.
3. Ms. Chu Min is the spouse of Mr. Chan Tat Yuen. For purposes of the SFO, Ms. Chu Min is deemed to be interested in the shares held by Mr. Chan Tat Yuen.
4. Ms. Chan King Chi is the spouse of Mr. Chan Kun Yuen. for purposes of the SFO, Ms. Chan King Chi is deemed to be interested in the shares held by Mr. Chan Kun Yuen.
5. Ms. Po Miu Kuen Tammy is the spouse of Mr. Chan Shu Yuen. for purposes of the SFO, Ms. Po Miu Kuen Tammy is deemed to be interested in the shares held by Mr. Chan Shu Yuen.
6. Ms. Ng Wai Lam Lana Zoe is the spouse of Mr. Chan Kwong Yuen. for purposes of the SFO, Ms. Ng Wai Lam Lana Zoe is deemed to be interested in the shares held by Mr. Chan Kwong Yuen.

Save as disclosed above, as at 31 December 2018, no person, other than the Directors of the Company whose interests are set out in the section “Directors’ and Chief Executive’s Interests and Short Positions in Shares, Underlying shares and Debenture of the Company and its associated corporations” above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

As at 31 December 2018, the controlling shareholders did not pledge any of the shares to any party.

There were no covenants restricting any specific performance leading to breach of loan agreement.

Connected Transactions

For the nine months ended 31 December 2018, the Company has transactions with the wholly-owned subsidiary which are exempted under rule 20.99.

There has been no financial assistance and guarantee granted to any controlling shareholders during the nine months ended 31 December 2018.

Board Diversity Policy

The Board has adopted a “**Board Diversity Policy**” in relation to the nomination and appointment of new directors, which sets out: the selection of board candidates shall be based on a range of diversity perspectives with reference to the Company’s business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience.

The above measures will be reviewed by the Nomination Committee every year to assess the suitability of the composition of the board and make recommendations to the board as it sees fit.

Audit Committee and Review of Preliminary Announcement

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 interim results of the Group for the nine months ended 31 December 2018 at a meeting held on 25 January 2019, which is of the view that the unaudited condensed consolidated financial statements complied with applicable accounting standards and legal requirements, and that adequate disclosures have been made.

Interests of Compliance Adviser

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed KGI Capital Asia Limited as its compliance adviser (the “**Compliance Adviser**”). As confirmed by the Compliance Adviser as of 31 December 2018, none of the Compliance Adviser or its directors, employees or close associates had any interests in the share capital of the Company or any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at the date of this announcement.

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

Hong Kong, 25 January 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 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.