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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 2019

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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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 (the "Directors") of Ying Kee Tea House Group Limited (the "Company") 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 (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief that the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement herein or this announcement misleading.

FINANCIAL HIGHLIGHTS

- The consolidated revenue of the Group for the financial year ended 31 March 2019 (the "Reporting Year") reached HK$44.9 million (2018: HK$45.4 million), representing a decrease by 1.1%.

- The gross profit for the year amounted to HK$35.0 million, (2018: HK$36.1 million), decreased by 3.0% year on year. Gross profit margin was 78.0% (2018: 79.5%) slightly lower than that of last year.

- Net loss attributable to the owners of the Company for the Reporting Year was HK$2.8 million (2018: Net loss of HK$3.2 million). The loss for the Reporting Year was mainly due to the non-recurring listing expenses of HK$4.0 million recognised (2018: HK$12.7 million).

- The net profit attributable to owners of the Company would have been HK$1.2 million should the listing expenses were excluded (2018: HK$9.5 million).

- Basic and diluted loss per share attributable to equity holders of the Company were HK0.77 cents (2018: loss per share of HK1.18 cents) for the Reporting Year.

- The board of directors does not recommend the payment of a final dividend for the Reporting Year.

ANNUAL RESULTS

The Board announces the audited consolidated results of the Group for the year ended 31 March 2019 together with the audited comparative figures for the year ended 31 March 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	**2019** ***HK$'000***	2018 *HK$'000*
Revenue	*4*	**44,915**	45,399
Cost of sales		**(9,900)**	(9,320)
Gross profit		**35,015**	36,079
Other income	*5*	**608**	32
Selling and distribution costs		**(2,055)**	(3,136)
Administrative expenses		**(35,422)**	(33,857)
Finance costs	*6*	**(46)**	(282)
Loss before income tax	*7*	**(1,900)**	(1,164)
Income tax expense	*8*	**(852)**	(2,011)
Loss for the year and total comprehensive expense for the year		**(2,752)**	(3,175)
Loss per share attributable to equity holders of the Company (expressed in HK cents per share)			
Basic and diluted	*11*	**(0.77)**	(1.18)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**4,229**	2,634
Intangible assets		**1,027**	—
		5,256	2,634
Current assets			
Inventories	*12*	**7,383**	6,323
Trade and other receivables	*13*	**4,753**	5,145
Tax refundable		**899**	568
Time deposits	*14*	**16,000**	639
Cash and bank balances		**10,172**	2,894
		39,207	15,569
Current liabilities			
Trade and other payables	*15*	**1,486**	4,883
Bank borrowings	*16*	**—**	10,000
		1,486	14,883
Net current assets		**37,721**	686
Total assets less current liabilities		**42,977**	3,320
Non-current liabilities			
Provision for long service payment		**476**	476
Provision for reinstatement cost		**1,269**	729
		1,745	1,205
Net assets		**41,232**	2,115
EQUITY			
Share capital	*17*	**41,879**	10
Reserves		**(647)**	2,105
Total equity		**41,232**	2,115

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 March 2019

1 GENERAL INFORMATION

Ying Kee Tea House Group Limited (the "Company") was incorporated in Hong Kong with limited liability on 14 September 2017. As at the reporting date, the address of its registered office was 5/F, Standard Chartered Bank Building, 4-4A Des Voeux Road Central, Hong Kong and on 27 February 2019, which was changed to Suites 1106–08, 11th Floor, The Chinese Bank Building, 61–65 Des Voeux Road, Central, Hong Kong 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 subsidiaries (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 British Virgin Islands ("BVI").

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$"), which is also the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousand ("HK$'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 policies and disclosures

New and amended HKFRSs that are effective for annual periods beginning on or after 1 April 2018

In the current year, the Group has applied for the first time the following new and 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 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKFRS 1	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

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

HKFRS 9 "Financial Instruments"

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "ECL model" for the impairment of financial assets.

When adopting HKFRS 9, the Group has applied the standard retrospectively to items that existed at 1 April 2018 in accordance with the transition requirement and also applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of HKFRS 9 in relation to classification, measurement, and impairment are recognised in retained profits.

The adoption of HKFRS 9 has impacted the following area:

— The classification and measurement of the Group's financial assets for cash and bank balances, time deposits, trade and other receivables are previously classified as loans and receivables under HKAS 39, are now classified at financial assets measured at amortised cost under HKFRS 9.

— HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECL earlier than under the "incurred loss" accounting model in HKAS 39.

Upon initial adoption of HKFRS, the Group applies the new ECL model to all financial assets measured at amortised cost.

The Group applies the HKFRS 9's simplified approach to measuring ECL which uses a lifetime expected loss allowance for trade receivables which do not have a significant financing component. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings based on debtors' ageing.

For other financial assets measured at amortised cost, the Group applies a general approach of recognising ECL.

There have been no changes to the classification or measurement of financial liabilities as a result of the application of HKFRS 9.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 "Revenue from Contracts with Customers" and the related "Clarifications to HKFRS 15 Revenue from Contracts with Customers" (hereinafter referred to as "HKFRS 15") replace HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue-related Interpretations.

The Group has elected to use the cumulative effect transition method, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained profits at 1 April 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 18.

In accordance with the transition guidance under HKFRS 15, the Group has only been applied to contracts that are incomplete as at 1 April 2018.

The adoption of HKFRS 15 has no material impact on the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the consolidated statement of cash flows.

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 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
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[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKFRS 3	Definition of a Business[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective date not yet determined
5 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

HKFRS 16 "Leases"

HKFRS 16 "Leases" replaced HKAS 17 and three related Interpretations.

Currently, the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into leases as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease, the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee would recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases of lease of office, warehouse, retails shops and concession counters which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss and other comprehensive income over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 on 1 April 2019 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019. Comparative information will not be restated. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets and not to perform a full review of existing leases and apply HKFRS 16 only to new contracts. Furthermore, the Group plans to use the practical expedient to account for leases for which the lease term ends within 12 months from the date of initial application as short-term lease. As at 31 March 2019, the Group's future minimum lease payments under non-cancellable operating leases amount to approximately HK$4,590,000 for office, warehouse, retails shops and concession counters, the majority of which is payable within five years after the reporting date.

The Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's consolidated financial statements from 2019 onwards.

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.

Estimation of impairment of trade and other receivables within the scope of ECL upon application of HKFRS 9

Since the initial adoption of HKFRS 9, the Group makes allowances on items subjects to ECL, including trade and other receivables, based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Before the adoption of HKFRS 9, the policy for impairment of trade receivables and other receivables of the Group is based on the evaluation of collectability and the ageing analysis of the receivables and on the management's judgment. A considerable amount of judgment 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 and other 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 2019 was HK$4,229,000 (2018: HK$2,634,000).

4. REVENUE AND SEGMENT REPORTING

4.1 Revenue

	2019	2018
	HK$'000	*HK$'000*
Sales of tea products	**44,915**	45,399

For the year ended 31 March 2019

Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time in the following types of customers and selling platform:

	2019
	HK$'000
Type of customers	
— Individuals	**42,849**
— Corporate	**2,066**
	44,915

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 non-current assets 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

	2019	2018
	HK$'000	*HK$'000*
Bank interest income	**436**	32
Sundry income	**145**	—
Exchange gain, net	**27**	—
	608	32

6. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest on bank borrowings	**46**	282

7. LOSS BEFORE INCOME TAX

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

	2019	2018
	HK$'000	*HK$'000*
Auditor's remuneration	**380**	300
Cost of inventories recognised as an expense	**8,745**	8,098
Depreciation of property, plant and equipment	**633**	457
Amortisation of reinstatement cost	**518**	142
Loss on disposal of property, plant and equipment	**193**	—
Operating lease charges in respect of premises		
— minimum lease payments	**8,960**	7,705
— contingent rentals *(note)*	**518**	539
Exchange (gain)/losses, net	**(27)**	3
Provision for long service payment	**5**	—
Reversal of provision for long service payment	**—**	(247)
Listing expenses	**4,000**	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

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

For the year ended 31 March 2019, Hong Kong profits tax is calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of the qualifying corporation will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the rate of 16.5%. For the year ended 31 March 2018, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits.

	2019	2018
	HK$'000	*HK$'000*
Current tax		
Hong Kong profits tax		
— Current year	**879**	1,939
— (Over)/under-provision in respect of prior years	**(27)**	72
Income tax expense	**852**	2,011

Reconciliation between income tax expenses and accounting loss at applicable tax rate:

	2019	2018
	HK$'000	*HK$'000*
Loss before income tax	**(1,900)**	(1,164)
Tax on loss before income tax at profit tax rate of 16.5% (2018: 16.5%)	**(314)**	(192)
Tax effect of two-tiered tax regime	**(165)**	—
Tax effect of non-deductible expenses	**1,376**	2,110
Tax effect of non-taxable income	**(100)**	(4)
Tax effect of temporary differences not recognised	**82**	25
Over/under-provision in respect of prior years	**(27)**	72
Income tax expense	**852**	2,011

At the reporting date, the Group did not have significant unrecognised deferred tax assets and liabilities (2018: Nil).

9. EMPLOYEE BENEFIT EXPENSES

	2019	2018
	HK$'000	*HK$'000*
Salaries, allowances and other benefits	**14,305**	10,828
Pension costs — defined contribution plans	**552**	434
Reversal of provision for long service payment	**—**	(247)
	14,857	11,015

10. DIVIDENDS

During the year, no interim dividend declared and paid by the Group (2018: HK$2 million).

	2019	2018
	HK$'000	*HK$'000*
Interim dividend	**—**	2,000

11. LOSS PER SHARE

The basic loss per share is calculated based on the loss attributable to equity holders of the Company and 356,301,370 ordinary shares (2018: 270,000,000 ordinary shares) for the year ended 31 March 2019. During the year ended 31 March 2018, the basic loss per share have been adjusted retrospectively on the assumption that the Group reoganisation and bonus issue (note 17) had been effective on 1 April 2017.

	2019	2018
	HK$'000	*HK$'000*
Loss for the year attributable to equity holders of the Company for the purposes of basic loss per share	**(2,752)**	(3,175)

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

12. INVENTORIES

	2019	2018
	HK$'000	*HK$'000*
Tea leaves	**3,656**	3,030
Canned/Packed tea products for sale	**2,252**	1,950
Tea wares	**374**	475
Other raw materials	**208**	—
Sundries and packaging materials	**893**	868
	7,383	6,323

13. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**1,429**	631
Less: ECL Allowance/Loss allowance	**—**	—
	1,429	631
Deposits, prepayments and other receivables		
Rental and other deposits	**2,548**	1,123
Other receivables	**109**	—
Prepayments	**667**	88
Prepaid listing expenses	**—**	3,303
Less: ECL Allowance	**—**	—
	3,324	4,514
	4,753	5,145

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 grant credit terms of 0 to 75 days to certain corporate customers. Based on the invoice dates (or date of revenue recognition if earlier), the ageing analysis of the trade receivables, net of ECL allowance (2018: net of loss allowance), was as follows:

	2019	2018
	HK$'000	*HK$'000*
0–30 days	**1,062**	523
31–60 days	**269**	76
61–90 days	**98**	32
	1,429	631

14. TIME DEPOSITS

As at reporting date, the time deposits earn interest at 1.96% to 2.38% (2018: 3.85%) per annum and have maturity period of 101 days to 182 days (2018: 365 days).

15. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**660**	444
Accrued charges and other payables	**826**	4,439
	1,486	4,883

Listing expenses payables amounting to HK$3,983,000 was 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:

	2019	2018
	HK$'000	*HK$'000*
0–30 days	**629**	444
31–60 days	**31**	—
	660	444

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

	2019	2018
	HK$'000	*HK$'000*
Unsecured bank loans repayable within one year and contain a repayable on demand clause	**—**	10,000

As at 31 March 2018, the bank loans bear interest at variable rates of 2.30% to 3.13% 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. All outstanding bank loans were repaid during the year ended 31 March 2019.

17. SHARE CAPITAL

	As at 31 March 2019		As at 31 March 2018	
	Number of shares	**Share capital**	Number of shares	Share capital
		HK$'000		*HK$'000*
Issued and fully paid:				
At the beginning of the year	**10,000**	**10**	—	—
Upon incorporation	**—**	**—**	10,000	10
Issue of ordinary shares pursuant to the bonus issue	**269,990,000**	**—**	—	—
Issue of ordinary shares pursuant to the placing	**90,000,000**	**41,869**	—	—
At the end of the year	**360,000,000**	**41,879**	10,000	10

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.

Pursuant to the written resolutions of the shareholder 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 16 April 2018. The shares allotted and issued rank pari passu in all respects with the then existing issued shares.

Immediately thereafter, gross cash consideration of approximately HK$48,600,000 from issue of 90,000,000 shares by issuing to public shareholders in relation to the public offer, net of issue cost of approximately HK$6,731,000, was credited to share capital account. 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 2019, Ying Kee Tea House Group Limited (the "Company", together with its subsidiaries, the "Group") enjoyed a stable retail environment until the last quarter when the Group recorded a negative growth.

With the opening of two new concessionary counters, one at APM in Kwun Tong in April 2018 and another one at YATA supermarket in Shatin in October 2018, the Group encountered a slightly drop of growth of 1.1%, due primarily to the stagnant economy caused by the United States — China trade tug-of-war. The Directors were of the opinion that retail of tea leaves and tea-related products remained in a moderately grim situation for the financial year ending 31 March 2020.

Financial Review

Revenue, gross profit and net loss

The consolidated revenue of the Group for the financial year ended 31 March 2019 (the "Reporting Year") reached approximately HK$44.9 million (2018: HK$45.4 million), representing a decrease by 1.1%. The gross profit for the year amounted to approximately HK$35.0 million (2018: HK$36.1 million), decreasing by 3.0% year-on-year. Gross profit margin was 78.0% (2018: 79.5%), slightly lower than that of last year. Net loss for the Reporting Year was approximately HK$2.8 million (2018: Net loss of HK$3.2 million). The loss for the Reporting Year was mainly due to the recognition of non-recurring listing expenses of approximately HK$4.0 million (2018: HK$12.7 million). The net profit would have been approximately HK$1.2 million if listing expenses were excluded (2018: HK$9.5 million). Basic and diluted loss per share attributable to equity holders of the Company were HK$0.77 cents (2018: loss per share of HK1.18 cents) for the Reporting Year.

Segmental information

For the Reporting Year, tea leaves were still the predominant products sold with a percentage of 94.4% of total revenue (2018: 94.8%). Tea wares and tea gift sets recorded percentage of 4.9% and 0.7% respectively of total revenue (2018: 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 41.9% (2018: 45.2%), 21.8% (2018: 20.9%) and 12.7% (2018: 11.8%) respectively.

Other income

There is no gain (2018: Nil) on disposal of property, plant and equipment. Bank interest income increased from HK$32,000 for the year ended 31 March 2018 to HK$436,000 for the Reporting Year. The reason is mainly due to the increase in time deposit from receipt of net proceeds from the share offer during the Reporting Year.

Selling and distribution costs

For the Reporting Year, the costs on selling and distribution decreased to approximately HK$2.1 million (2018: HK$3.1 million), representing a decrease of 32.3% as compared to that of the year ended 31 March 2018. This is a consequence of revision of employment terms upon renewal of contract to re-configure the sales commission to approximately HK$0.3 million (2018: HK$1.4 million), a reduction by HK$1.1 million, or 78.6%.

Administrative expenses

The following expenses were substantially increased for the year ended 31 March 2019 relative to those for the year ended 31 March 2018 because of the followings:

1. Rent increased by approximately 14.9% from HK$8.7 million to HK$10.0 million;

2. Building management fees increased by approximately 11.0% from HK$546,000 to HK$606,000 with opening of new concessionary counters;

3. Consultancy fee increased by approximately 376.4% from HK$178,000 to HK$848,000 for engaging consultants to aid the development of the new iTea operation;

4. Inception of listing maintenance cost amounted to HK$1.6 million (2018: Nil);

5. Recruitment expenses increased by approximately 853.3% from HK$15,000 to HK$143,000 due to new recruitment of staff with opening of new concessionary counters and iTea shop;

6. Staff salaries increased by approximately 63.2% from approximately HK$6.8 million to approximately HK$11.1 million for the additional recruited staff and change of terms of employment contract after salary adjustment; and

7. Trademark expenses increased by 116.3% from HK$49,000 to HK$106,000 due to renewal of the U.S and Japan trademark.

8. Directorship fee increased to HK$1.2 million (2018: Nil) after listing.

Finance costs

For the year ended 31 March 2019, the finance costs, which were basically bank borrowing interest, were HK$46,000 as compared to that for the year ended 31 March 2018 of HK$282,000. The reason for the decrease of 83.7% was because of the settlement of the bank loans after obtaining proceeds from the share offer in April 2018.

Listing expenses

The listing cost of approximately HK$7.4 million for the Reporting Year (2018: HK$16.0 million) were paid as final 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 in 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 2019, approximately HK$7.4 million (2018: HK$16.0 million) which were non-recurring, in which approximately HK$4.0 million (2018: HK$12.7 million) were charged to profit and loss for the Reporting Year while approximately HK$3.4 million (2018: HK$3.3 million) 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 adviser, share registrar, financial printer, company secretary agency, public and investor relations agency and dues to the Stock Exchange.

Inventory control

The net carrying value of the Group's inventories amounted to approximately HK$7.4 million (2018: HK$6.3 million) as at the end of the Reporting Year, representing an increase of approximately HK$1.1 million or 17.5% from that as at 31 March 2018. Main reason is the increase of minimum storage quantity when additional concessionary counters are operational.

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 profit margin, the Directors are responsible for procurement and warehouse staff is responsible for stocktaking to ascertain an adequate quantity of vintage pu-erh is available for sale.

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 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 decreased from approximately HK$5.1 million for the year ended 31 March 2018 to approximately HK$4.8 million, decreased by approximately HK$0.3 million or 5.9%. The moderate reduction was due primarily to the normalization of operation without listing cost accruals. As at 31 March 2019, rental and other deposits rose by approximately HK$1.4 million or 127.3% to approximately HK$2.5 million from approximately HK$1.1 million as at 31 March 2018. This was the result of paying rental deposits for opening of a new shop of iTea in Tsim Sha Tsui and two concessionary counters at APM in Kwun Tong and at YATA in Shatin.

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 proceeds from the share offer.

As at 31 March 2019, the Group's net current assets amounted to approximately HK$37.7 million (2018: HK$0.7 million) which increased by approximately HK$37.0 million or 5,285.7% due to substantial increase in time deposits, cash and bank balances and total repayment of bank loans. Cash and bank balances amounted to approximately HK$10.2 million (2018: HK$2.9 million), representing an increase of approximately HK$7.3 million or 251.7%, compared with that at 31 March 2018. Time deposits amounted to HK$16.0 million as at 31 March 2019, substantially increased by HK$15.4 million or 2,566.7%, as compared to HK$0.6 million as at 31 March 2018.

Trade and other payables

As at 31 March 2019, trade and other payables decreased from HK$4.9 million for the year ended 31 March 2018 to approximately HK$1.5 million, decreased by approximately HK$3.4 million or 69.4%. The decrease was primarily due to the final settlement of listing expenses accruals with balance of Nil (2018: HK$4.0 million).

Charge of Group's assets

At the end of the Reporting Year, there was no charge on the Group's assets.

Significant Investment

There was no significant investment during the year ended 31 March 2019 and as at the end of the financial year, there was no significant investment held by the Group.

Material Acquisitions and Disposals of Subsidiary, Associates and Joint Ventures

There was no material acquisitions and disposals of subsidiary, associates and joint ventures during the year ended 31 March 2019.

Capital Structure

The shares of the Company were listed on GEM of the Stock Exchange on 16 April 2018. There has been no change in the capital structure of the Group since then and share capital of the Group only comprises ordinary shares. As at 31 March 2019, the Company has 360,000,000 ordinary shares in issue.

Equity

Equity attributable to owners of the Company amounted to approximately HK$41.2 million (2018: HK$2.1 million) representing, a substantial increase of HK$39.1 million or 1,861.9%.

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 were no hedging instruments except bank deposits and cash in hand of RMB698,000 (2018: RMB577,000). For payment of purchases in Renminbi or US Dollars, the Directors considered the foreign exchange exposure was fairly covered as purchases in Renminbi represented 18.6% (2018: 7.1%) of the total purchase whereas in US Dollars a mere 1.6% of the total purchase (2018: Nil). Directors are of the opinion that it would not cause material exchange rate risk.

Employees and Remuneration Policies

As at 31 March 2019, the Group had 60 employees (2018: 52 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 2019 and 2018 amounted to approximately HK$14.9 million and HK$11.0 million respectively. The Group also adopted a share option scheme whereby qualified participants may be granted options to acquire shares of the Company.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 March 2019 (2018: Nil).

Commitments

The contract commitments mainly involve rental payable by the Group in respect of certain shops, concessionary counters, office and warehouse premises under operating leases arrangements. As at 31 March 2019, the Group's operating lease commitments were approximately HK$4.6 million (2018: HK$4.6 million). Capital commitments as at 31 March 2019 amounted to HK$0.9 million (2018: Nil).

Dividends

The Board does not recommend the payment of final dividend for the Reporting Year.

During the year ended 31 March 2019, the Group declared no interim dividend (2018: HK$2.0 million) to the shareholders.

Gearing Ratio

Gearing ratio is calculated as total debts divided by the total equity as at the respective reporting date.

As at 31 March 2019, the gearing ratio of the Group stood at 7.8% (2018: 760.7%). The decrease was mainly due to the settlement of bank loans and increase in equity as a result of issuance of new shares and reserves from the share offer.

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 241 under the heading "FUTURE PLANS AND USE OF PROCEEDS" in the prospectus of the Company dated 23 March 2018 (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 on 16 April 2018 through the share offer of 90,000,000 ordinary shares 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$25.2 million.

During the Reporting Year, the Group opened two new concession counters in supermarket in APM Kwun Tong and Shatin, engaged service providers to enhance our information system, recruited new staff and repaid the bank loan.

As at 31 March 2019, the Group's planed application and actual utilization of the net proceeds is set out below:

Use of Proceeds	Percentage of total net proceeds	Planned applications	Actual usage up to 31 March 2019	Unutilized net proceeds as at 31 March 2019
Open new retail points in Hong Kong	49.8%	12,551,000	2,740,000	9,811,000
Enhance management capability and efficiency through improvement of information system	13.4%	3,377,000	925,000	2,452,000
Expand human resources	2.6%	655,000	328,000	327,000
Repay bank loan partially	15.0%	3,780,000	3,780,000	—
Renovation of office and warehouse	9.6%	2,420,000	1,371,000	1,049,000
General working capital	9.6%	2,420,000	1,210,000	1,210,000
Total	100%	25,203,000	10,354,000	14,849,000

For the unutilized net proceeds for the year ended 31 December 2018, the Company intends to use them in the same manner and proportions as described in the Prospectus. The completion time of the use of the net proceeds will be determined based on the future business development of the Company.

Comparison of Business Objectives with Actual Business Progress

An analysis comparing the business objectives of the Group as set out in the Prospectus with the Group's actual business progress for the year ended 31 March 2019 is set out below:

Business objectives	Actual business progress
Open new retail points in Hong Kong	
• Locate and renovate premises for a concession counter in a department store in Kwun Tong ("Shop 11") and a retail shop in Causeway Bay ("Shop 12") and payment of rental related expenses • Recruit sales staff for each of Shop 11 and Shop 12 respectively and payment of salary • Rental and staff payment for a retail shop in Kowloon Bay ("Shop 8"), Shop 11 and Shop 12	The Company opened two retail points in Hong Kong during the year ended 31 March 2019, being Shop 11 and a concessionary counter in Shatin ("Shatin Shop"). The Company used the net proceeds for (i) location and renovation of premises for Shop 11 and Shatin Shop and payment of rental related expenses, (ii) recruit sales staff for Shop 11 and Shatin Shop and payment of salary; and (iii) rental and staff payment for Shop 8, Shop 11 and Shatin Shop.

Business objectives	Actual business progress
Enhance management capability and efficiency through improvement of information system	
• Engage third party to enhance the existing information system in the areas of accounting, procurement, customer relationship management, inventory and human resources	The Company engaged service providers to enhance the existing information system in the areas of accounting, procurement, customer relationship management, inventory and human resources
Expand our human resources	
• Payment of salary for the accounting staff	Approximately HK$328,000, being approximately 50.1% of fund available for the expansion of human resources in an amount of approximately HK$655,000, has been used.
Repay bank loan partially	
• Repay outstanding loan under the banking facilities with a bank	100.0% of fund available has been used as intended.
Renovation of our office and warehouse	
• Payment for renovating our office and warehouse in Siu Sai Wan	The renovation is completed. Approximately HK$1,371,000, being approximately 56.7% of fund available for renovation of office and warehouse in an amount of approximately HK$2,420,000, has been used.

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 time deposits. The time deposit rates were rather stable during the year ended 31 March 2019 and posed no material risks. The Group's policy is to manage its interest income to maximize the benefits and optimize cash flow status, 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 time deposits and funds generated from operations.

Please refer to note 25 to the consolidated financial statements for further details of financial risks facing by the Group.

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

A new concept store was opened on 15 April 2019 in Tsim Sha Tsui to sell beverages of tea and coffee with Chinese tea leaves and Italian coffee beans, with additives such as fruits, cream and tapioca jelly. The rationale of this new concept is to open a whole new platform of marketing the present Chinese tea leaves to younger generation. This new development also aims at stimulating demand for Chinese tea by creating new elements to cater different customers' taste.

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES AND COMPLIANCE

The Group was committed to maintain a high standard of corporate governance. The Company has applied the code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules. During the period under review (i.e. from 16 April 2018, the listing date (the "Listing Date") to 31 March 2019) ("Period Under Review"), the Company has complied, to the extent applicable and permissible, with the code provisions as set out in the CG Code.

The Board 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 Under Review.

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

The Shares were listed on GEM on 16 April 2018. During the Period under Review, neither the Company nor any of its subsidiary has purchased, sold or redeemed any of the Company's listed securities.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 March 2019 (31 March 2018: Nil).

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 Rule 5.28 of GEM Listing Rules and the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control systems of the Group. 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 audited consolidated financial statements of the Group for the year ended 31 March 2019 at a meeting held on 24 May 2019, 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.

SCOPE OF WORK OF GRANT THORNTON HONG KONG LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2019 have been agreed by the Company'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 and consequently no assurance has been expressed by Grant Thornton Hong Kong Limited on the preliminary announcement.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") will be held on 6 September 2019. For details of the AGM, please refer to the Notice of AGM which is expected to be published in June 2019.

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 (the "Compliance Adviser") 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. Save for the compliance adviser's agreement entered into between the Company and the Compliance Adviser dated 25 September 2017, the Compliance Adviser and its directors, employees or close associates confirmed they 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 2 September 2019 to 6 September 2019 (both dates inclusive), during which period no share transfers will be registered. In order to qualify for attending and voting at the AGM, all share transfers must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 30 August 2019.

PUBLICATION OF ANNUAL 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 2019 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, 24 May 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; and Mr. Wong Chee Chung, Mr. Siu Chi Ming and Mr. Lee Wai Ho as independent non-executive Directors.