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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 NINE MONTHS ENDED 31 DECEMBER 2019**

**CHARACTERISTICS OF GEM (“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 (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

THIRD QUARTERLY RESULTS

The board of Directors of the Company (the “**Board**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the three months and nine months ended 31 December 2019, together with the unaudited comparative figures for the corresponding periods in 2018, as follows:

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

For the three and nine months ended 31 December 2019

		Three months ended 31 December		Nine months ended 31 December	
		2019	2018	2019	2018
	<i>Notes</i>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	4	14,647	17,679	30,644	34,701
Cost of sales		(2,924)	(3,713)	(6,738)	(7,464)
Gross profit		11,723	13,966	23,906	27,237
Other income		84	120	476	464
Selling and distribution costs		(663)	(832)	(1,284)	(1,566)
Administrative expenses		(10,015)	(8,462)	(28,184)	(26,508)
Finance costs		(20)	–	(56)	(46)
Profit/(Loss) before income tax	5	1,109	4,792	(5,142)	(419)
Income tax expenses	6	(35)	(926)	(35)	(934)
Profit/(Loss) and total comprehensive income/(expense) for the period		1,074	3,866	(5,177)	(1,353)
Profit/(Loss) per share for profit/(loss) attributable to owners of the Company					
Basic and diluted (HK cents)	8	0.30	1.07	(1.44)	(0.38)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2019

	Share capital <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Share options reserve <i>HK\$'000</i>	(Accumulated losses)/ Retained profits <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
As at 1 April 2019 (audited)	41,879	990	–	(1,637)	41,232
Issue of equity settled share-based payments	–	–	987	–	987
Loss and total comprehensive expense for the period	–	–	–	(5,177)	(5,177)
At 31 December 2019 (unaudited)	41,879	990	987	(6,814)	37,042
As at 1 April 2018 (audited)	10	990	–	1,115	2,115
Issue of ordinary shares pursuant to the placing, net of expenses	41,869	–	–	–	41,869
Loss and total comprehensive expense for the period	–	–	–	(1,353)	(1,353)
At 31 December 2018 (unaudited)	41,879	990	–	(238)	42,631

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2019

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 is 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 of Chinese tea leaves, tea ware and tea gift sets in Hong Kong; and food and beverage retail in Hong Kong under the name of iTea serving products such as Hong Kong style coffee, fruit and bubble tea made from Chinese tea leaves. The Company’s immediate holding company is Profit Ocean Enterprises Limited, a company incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the nine months ended 31 December 2019 (“**Relevant Period**”) have been prepared in accordance with all applicable 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 (“**HKICPA**”) and the accounting principles generally accepted in Hong Kong. The unaudited condensed consolidated financial statements of the Group also include the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

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 subsidiaries, and all values are rounded to the nearest thousand (“**HK\$’000**”) except when otherwise indicated.

The unaudited condensed consolidated financial statements for the Relevant Period have been prepared in accordance with the accounting policies adopted in the Group’s annual financial statements for the year ended 31 March 2019, except for the adoption of the new and amended HKFRSs effective as of April 2019.

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. ADOPTION OF NEW AND AMENDED HKFRSS

In the current period, the Group has applied for the first time the new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operation and effective for the Group's unaudited condensed consolidated financial statements for the period beginning on 1 April 2019.

The adoption of these new HKFRSs, except for HKFRS 16, the details of which are explained below, had no material impact on how the results and financial positions for the current and prior periods have been prepared and presented.

The Group has not early adopted the new or revised standards and interpretations that have been issued but are not yet effective. The directors anticipate that the application of these new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

HKFRS 16 "Leases"

HKFRS 16 "Leases" replaces HKAS 17 "Leases" along with three Interpretations (HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease", HK(SIC) Int-15 "Operating Leases-Incentives" and HK(SIC) Int-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease"). HKFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting HKFRS 16 being recognised in equity as an adjustment to the opening balance of retained profits for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from HKAS 17 and HK(IFRIC)-Int 4 and has not applied HKFRS 16 to arrangements that were previously not identified as lease under HKAS 17 and HK(IFRIC)-Int 4.

As at April 2019, the Group has elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of HKFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term. On transition to HKFRS 16, the Group has applied the practical expedient for applying a single discount rate to a portfolio of leases with reasonably similar characteristics. The Group has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

The following is a reconciliation of total operating lease commitments as at 31 March 2019 to the lease liabilities recognised as at 1 April 2019:

	<i>HK\$'000</i>
Total operating lease commitments disclosed as at 31 March 2019	4,590
Recognition exemption – Leases with remaining lease term of 12 months or less	<u>(2,638)</u>
Operating leases liabilities before discounting	1,952
Discounting using incremental borrowing rate as at 1 April 2019	<u>(56)</u>
Total lease liabilities recognised under HKFRS 16 as at 1 April 2019	<u><u>1,896</u></u>
Classified as:	
Current lease liabilities	<u><u>1,896</u></u>

4. REVENUE

	Three months ended 31 December		Nine months ended 31 December	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales of tea products	14,485	17,679	29,993	34,701
Food and beverage retails	162	–	651	–
	<u>14,647</u>	<u>17,679</u>	<u>30,644</u>	<u>34,701</u>

5. 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	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Auditor's remuneration	100	102	300	245
Cost of inventories recognised as an expense	2,610	3,390	5,798	6,471
Depreciation of property, plant and equipment	278	193	691	429
Depreciation of right of use assets	307	–	1,037	–
Amortisation of reinstatement cost	106	205	391	378
Amortisation of intangible assets	26	–	77	–
Operating lease charges in respect of premises				
– minimum lease payments	–	2,160	–	6,489
– contingent rentals (<i>note</i>)	–	446	–	515
– short term leases and leases with lease term short than 12 months as at initial application of HKFRS 16	2,958	–	8,538	–
– variable lease payment (<i>note</i>)	264	–	319	–
Exchange (gain)/losses, net	(1)	5	(1)	3
Listing expenses	–	–	–	4,000
	<u>–</u>	<u>–</u>	<u>–</u>	<u>4,000</u>

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

6. INCOME TAX EXPENSES

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits for the Relevant Period, except that a subsidiary is entitled to a profits tax rate cut to 8.25% for the first HK\$2,000,000 assessable profit under the two-tiered profits tax rates regime of Hong Kong.

	Three months ended 31 December		Nine months ended 31 December	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current tax				
Hong Kong profits tax				
– Current period	<u>35</u>	<u>926</u>	<u>35</u>	<u>934</u>

As at 31 March 2019 and 31 December 2019, the Group did not have significant unrecognised deferred tax assets and liabilities.

7. DIVIDENDS

The Board has resolved not to declare any dividend for the nine months ended 31 December 2019 (nine months ended 31 December 2018: nil).

8. 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	
	2019	2018	2019	2018
	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>1,074</u>	<u>3,866</u>	<u>(5,177)</u>	<u>(1,353)</u>
Number of shares				
Weighted average number of ordinary shares (in thousands)	<u>360,000</u>	<u>360,000</u>	<u>360,000</u>	<u>356,073</u>
Effect of dilutive potential shares on exercise of share options (in thousands)	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Weighted average number of ordinary shares used in calculating diluted earnings/(loss) per share (in thousands)	<u>360,000</u>	<u>360,000</u>	<u>360,000</u>	<u>356,073</u>

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 the nine months ended 31 December 2018 and therefore, diluted loss per share equals to basic loss per share.

For the nine months ended 31 December 2019, the effect of dilutive potential shares on exercise of share options is not considered as the effect is anti-dilutive.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

	For the nine months ended	
	31 December	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue	30,644	34,701
Gross profit	23,906	27,237
Loss before taxation	(5,142)	(419)
Income tax expenses	(35)	(934)
Profit/(Loss) attributable to shareholders	(5,177)	(1,353)
(Loss) per share	<u>(HK1.44 cents)</u>	<u>(HK0.38 cents)</u>

Business Review

The Company is an investment holding company incorporated in Hong Kong. The principal activity of Ying Kee Tea Company Limited (the “**Tea Company**”), a subsidiary of the Company, is the sale of tea leaves, tea wares and tea gift sets through twelve retail shops and concessionary counters, while the principal activity of iTea. Ying Kee Limited (the “**iTea**”), another subsidiary of the Company, is the sale of beverages of Chinese tea, Italian coffee, fruits and other ingredients through one outlet (“**iTea shop**”).

Financial Review

Revenue, gross profit and net loss

The consolidated revenue of the Group for the nine months ended 31 December 2019 (the “**Reporting Period**”) amounted to approximately HK\$30.6 million (nine months ended 31 December 2018: approximately HK\$34.7 million), representing a decrease of approximately 11.7%. The gross profit for the Reporting Period amounted to approximately HK\$23.9 million (nine months ended 31 December 2018: approximately HK\$27.2 million), decreasing by approximately 12.2%. Gross profit margin was approximately 78.0% (nine months ended 31 December 2018: approximately 78.5%), a slight decrease of approximately 0.5% compared with that of the last corresponding period. Net loss for the Reporting Period was approximately HK\$5.2 million (nine months ended 31 December 2018: approximately HK\$1.4 million). The net loss for the Reporting Period was mainly due to the abrupt shrinkage in revenue caused by the mass protests followed by hostile encounter between the Hong Kong Government and the protesters since June 2019. The aftermath of these social events intimidated tourists and residents alike to get on the streets when some of the streets and shopping malls were forced to close for business. The overall economy was at its ebb when people has little desire to consume, in addition to the uncertainty of the China – United States second round trade negotiation to be held in 2021.

Selling and distribution costs

Selling and distribution costs reduced by approximately 18.0% to approximately HK\$1.3 million (nine months ended 31 December 2018: approximately HK\$1.6 million) primarily because of the reduction of entertainment expense after the listing and sales commission after sales employees' contract amendment, countered by increase in advertising development and maintenance expense for Facebook, Instagram and Wechat.

Administrative expenses

Administrative expenses were increased for the nine months ended 31 December 2019 relative to those for the nine months ended 31 December 2018 because of the followings:

1. Staff salaries increased by approximately 11.9% to approximately HK\$8.9 million (nine months ended 31 December 2018: approximately HK\$8.0 million) for the recruitment of shop staffs for the Shatin concessionary counter and the iTea Shop, with proportionate increase in staff benefits and contribution to MPF;
2. Depreciation on right of use expenses was newly incurred at approximately HK\$1.0 million after the introduction of HKFRS16 Leases in 2019 (nine months ended 31 December 2018: Nil);
3. Depreciation on fixed assets increased by approximately 61.1% to approximately HK\$0.7 million (nine months ended 31 December 2018: approximately HK\$0.4 million) because of the addition of the Shatin concessionary counter and the iTea Shop;
4. Rent increased by approximately 30.8% to approximately HK\$9.2 million (nine months ended 31 December 2018: approximately HK\$7.0 million) as a result of the addition of the Shatin concessionary counter and the iTea Shop; and
5. Share option compensation expenses of approximately HK\$1.0 million (nine months ended 31 December 2018: Nil) were newly incurred with the grant of share options to Directors, management and staff.

The increase in administrative expenses was countered by the listing expenses of approximately HK\$4.0 million incurred for the nine months ended 31 December 2018.

Outlook and Prospect

There are still uncertainties as to the future economic climate if global economy becomes sluggish and local purchasing power declines. The most immediate and urgent crisis is the prolonged social instability arising from the harsh conflicts between the Hong Kong Government and protesters. Unless the problem is resolved, the Group will envision a standstill or decline in growth. Looking into the future, the Group has employed prudent cash management approach including but not limited to negotiating for rental reduction, reducing discretionary expenses such as advertising, entertainment and incentive bonuses.

Up to the date of this announcement, all proceeds derived from the issue of new shares of the Company 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 Company at the price of HK\$0.54 per share (the “**Share Offer**”), after deduction of the underwriting commission and actual expenses paid by the Group in connection thereto, amounted to approximately HK\$25.2 million, were mostly utilized in accordance with the proposed applications set out in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 23 March 2018 (the “**Prospectus**”). The Group opened one concession counter in supermarket in Shatin and one shop in Tsimshatsui, completed the renovation of office and warehouse, engaged service providers to enhance its information system, recruited new staff and repaid the bank loan of approximately HK\$3.8 million. As for opening two more retail outlets as mentioned in the Prospectus, the Group considers the timing is not quite appropriate at the moment for the reasons discussed earlier and will keep a closer look at the market in the future. Other than that, there is no material difference between the disclosure in the Prospectus 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 the Share Offer.

As at 31 December 2019, the Group’s net current assets amounted to approximately HK\$32.5 million (31 March 2019: approximately HK\$37.7 million) which decreased by approximately HK\$5.2 million or 13.8% due to drawdown of cash and bank balances and time deposit for working capital purpose. Cash and bank balances amounted to approximately HK\$8.2 million (31 March 2019: approximately HK\$10.2 million), representing a decrease of approximately HK\$2.0 million or 19.5%. As at 31 December 2019, current assets amounted to approximately HK\$34.3 million (31 March 2019: approximately HK\$39.2 million) and current liabilities amounted to approximately HK\$1.8 million (31 March 2019: approximately HK\$1.5 million). Current ratio was approximately 18.7 times as at 31 December 2019 (31 March 2019: approximately 26.4 times).

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 2019 was approximately 13.6% (31 March 2019: approximately 7.8%) because of the decrease in retained earnings.

Capital Expenditure

For the nine months ended 31 December 2019, the Group’s capital expenditure amounted to approximately HK\$1.9 million (nine months ended 31 December 2018: approximately HK\$2.0 million), mainly for furniture and fixtures of the newly added concessionary counter and beverage shop.

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 2019, 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 2019, the Group had 70 employees (31 December 2018: 56) 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 nine months ended 31 December 2019 amounted to approximately HK\$11.7 million (nine months ended 31 December 2018: approximately HK\$10.8 million).

Dividends

The Board has resolved not to declare any dividend for the nine months ended 31 December 2019 (nine months ended 31 December 2018: Nil).

Contingent Liabilities

The Group had no significant contingent liabilities as at 31 December 2019.

Charge on the Group's Assets

As at 31 December 2019, the Group has no charges on the Group's assets.

Event After the Reporting Period

On 4 February 2020, Chan Sing Hoi Enterprises Limited ("**Chan Sing Hoi Enterprises**"), a company incorporated in Hong Kong with limited liability and a connected person of the Company, entered into the sale and purchase agreements (the "**Sale and Purchase Agreements**") with Sing Hoi Properties Limited ("**Sing Hoi Properties**") and Union Lucky Limited ("**Union Lucky**"), both are direct wholly-owned subsidiaries of the Company, pursuant to which (i) Chan Sing Hoi Enterprises conditionally agreed to sell and Sing Hoi Properties conditionally agreed to acquire the property at Shop B on Ground Floor, Siu Ying Commercial Building, Nos. 151-155 Queen's Road Central, Hong Kong ("**Property 1**") at the consideration of HK\$50.0 million; and (ii) Chan Sing Hoi Enterprises conditionally agreed to sell and Union Lucky conditionally agreed to acquire the property at Ground Floor, Mei Wah Building, No. 170 Johnston Road, Wan Chai, Hong Kong ("**Property 2**") at the consideration of HK\$45.5 million (the "**Acquisition**"). The consideration for the acquisition of Property 1 shall be satisfied by (i) payment of HK\$2.5 million as deposits at the date of signing the relevant sale and purchase agreement; and (ii) cash payment of HK\$22.5 million plus issuance of a promissory note in the principal amount of HK\$25.0 million by the Company in favour of Chan Sing Hoi Enterprises ("**Promissory Note 1**") at the date of completion. The consideration for the acquisition of Property 2 shall be satisfied by (i) payment of HK\$2.0 million as deposits at the date of signing the relevant sale and purchase agreement; and (ii) cash payment of HK\$18.0 million plus issuance of a promissory note in the principal amount of HK\$25.5 million by the Company in favour of Chan Sing Hoi Enterprises ("**Promissory Note 2**", together with the Promissory Note 1, collectively "**Promissory Notes**") at the date of completion.

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to reporting, announcement and shareholders' approval requirements.

The Acquisition and the receipt of financial assistance with the issuance of the Promissory Notes to Chan Sing Hoi Enterprises constitute connected transactions of the Company under Chapter 20 of the GEM Listing Rules. The issue of the Promissory Notes is fully exempt under Rule 20.88 of the GEM Listing Rules as it is conducted on normal commercial terms or better and is not secured by the assets of the Group. The Acquisition is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

An extraordinary general meeting of the Company will be convened to approve, among others, the Sale and Purchase Agreements and the transactions contemplated thereunder.

As at the date of this announcement, the Acquisition has not yet completed. For further details, please refer to the announcement of the Company dated 4 February 2020.

OTHER INFORMATION

Corporate Governance Practices and Compliance

The Group commits 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 in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 to the GEM Listing Rules. During the nine months ended 31 December 2019, the Company has complied with all relevant provisions of the CG Code.

Securities Transactions of Directors

The Group has adopted a code of conduct regarding securities transactions by Directors (the “**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. Having made specific enquires of all Directors, all Directors confirmed that they have complied with the Code of Conduct during the nine months ended 31 December 2019.

Purchase, Sale or Redemption of the Company’s Listed Securities

During the nine months ended 31 December 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares or Debentures of the Company and its Associated Corporations

So far as the Directors are aware, as at 31 December 2019, 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 the Securities and Futures Ordinance (“**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/ underlying shares held/interested	Approximate percentage of shareholding
Chan Kwong Yuen	Interested in a controlled corporation	270,000,000 (Note 1)	75%
	Beneficial owner	3,200,000 (Note 2)	0.89%
Chan Kun Yuen	Interested in a controlled corporation	270,000,000 (Note 1)	75%
	Beneficial owner	3,200,000 (Note 2)	0.89%
Chan Shu Yuen	Interested in a controlled corporation	270,000,000 (Note 1)	75%
	Beneficial owner	3,200,000 (Note 2)	0.89%
Siu Chi Ming	Beneficial owner	200,000 (Note 2)	0.06%
Lee Wai Ho	Beneficial owner	200,000 (Note 2)	0.06%
Wong Chee Chung	Beneficial owner	200,000 (Note 2)	0.06%

Notes:

- These 270,000,000 shares are held by Profit Ocean Enterprises Limited (“**Profit Ocean**”), a company owned by Tri-Luck Investments Limited (“**Tri-Luck**”), Wealth City Global Limited (“**Wealth City**”), Sky King Global Limited (“**Sky King**”) and Coastal Lion Limited (“**Coastal Lion**”) in equal shares, i.e. 25%. Each of Tri-Luck, Wealth City, Sky King and Coastal Lion is wholly owned by Mr. Chan Tat Yuen, Mr. Chan Kun Yuen, Mr. Chan Shu Yuen and Mr. Chan Kwong Yuen respectively.

Under the acting in concert arrangement between Mr. Chan Kwong Yuen, Mr. Chan Kun Yuen, Mr. Chan Shu Yuen and Mr. Chan Tat Yuen, each of Coastal Lion, Wealth City, Sky King, Tri-Luck, Mr. Chan Kwong Yuen, Mr. Chan Kun Yuen, Mr. Chan Shu Yuen and Mr. Chan Tat Yuen is deemed to be interested in all the shares of the Company held by Profit Ocean for purposes of the SFO.

- These shares are derived from the interests in share options granted by the Company pursuant to the share option scheme adopted by the Company on 14 March 2018.

Long positions in ordinary shares of associated corporations

Name of Director/ Chief Executive	Name of associated corporation	Capacity/nature of interest	Number of shares held/ interested	Percentage of shareholding
Chan Kwong Yuen	Profit Ocean	Interest in a controlled corporation	250	25%
	Coastal Lion	Beneficial owner	100	100%
Chan Kun Yuen	Profit Ocean	Interest in a controlled corporation	250	25%
	Wealth City	Beneficial owner	100	100%
Chan Shu Yuen	Profit Ocean	Interest in a controlled corporation	250	25%
	Sky King	Beneficial owner	100	100%

Save as disclosed above, none of the Directors or chief executives of the Company nor their associates had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in Rule 5.46 of the GEM Listing Rules as at 31 December 2019.

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 executives of the Company, as at 31 December 2019, 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 of the Company 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 5% 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	Nature of interest and capacity	Number of shares/ underlying shares held/interested	Approximate percentage of the total issued shares
Profit Ocean	Beneficial owner	270,000,000	75%
Tri-Luck	Interest in a controlled corporation	270,000,000 (Note 1)	75%
Wealth City	Interest in a controlled corporation	270,000,000 (Note 1)	75%
Sky King	Interest in a controlled corporation	270,000,000 (Note 1)	75%
Coastal Lion	Interest in a controlled corporation	270,000,000 (Note 1)	75%
Mr. Chan Tat Yuen	Interest in a controlled corporation	270,000,000 (Note 1)	75%
Ms. Chu Min	Beneficial owner	3,200,000 (Note 2)	0.89%
	Interest of spouse	270,000,000 (Note 3)	75%
Ms. Chan King Chi	Interest of spouse	3,200,000 (Note 3)	0.89%
		270,000,000 (Note 4)	75%
Ms. Po Miu Kuen Tammy	Interest of spouse	3,200,000 (Note 4)	0.89%
		270,000,000 (Note 5)	75%
Ms. Ng Wai Lam Lana Zoe	Interest of spouse	3,200,000 (Note 5)	0.89%
		270,000,000 (Note 6)	75%
		3,200,000 (Note 6)	0.89%

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 is wholly owned by Mr. Chan Tat Yuen, Mr. Chan Kun Yuen, Mr. Chan Shu Yuen and Mr. Chan Kwong Yuen, respectively.

Under the acting in concert arrangement between Mr. Chan Tat Yuen, Mr. Chan Kun Yuen, Mr. Chan Shu Yuen and Mr. Chan Kwong Yuen, each of Tri-Luck, Wealth City, Sky King and Coastal Lion, 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. These 3,200,000 shares are derived from the interests in share options granted by the Company pursuant to the share option scheme adopted by the Company on 14 March 2018.
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 (i) the shares held by Mr. Chan Tat Yuen; and (ii) share options granted to Mr. Chan Tat Yuen by the Company pursuant to the share option scheme adopted by the Company on 14 March 2018.
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 (i) the shares held by Mr. Chan Kun Yuen; and (ii) share options granted to Mr. Chan Kun Yuen by the Company pursuant to the share option scheme adopted by the Company on 14 March 2018.
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 (i) the shares held by Mr. Chan Shu Yuen; and (ii) share options granted to Mr. Chan Shu Yuen by the Company pursuant to the share option scheme adopted by the Company on 14 March 2018.
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 (i) the shares held by Mr. Chan Kwong Yuen; and (ii) share options granted to Mr. Chan Kwong Yuen by the Company pursuant to the share option scheme adopted by the Company on 14 March 2018.

Save as disclosed above, as at 31 December 2019, no person, other than the Directors whose interests are set out in the section “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares or Debentures of the Company and its Associated Corporations” above, had or was deemed to have 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 2019, the controlling shareholders did not pledge any of the shares to any party. The Company did not breach any loan agreement that is significant to the Group’s operations nor enter into loan agreements with covenants relating to specific performance of the controlling shareholders. Moreover, none of the Company nor its subsidiaries provided any financial assistance and guarantees to affiliated companies of the Company.

Share Option Scheme

The Company has adopted the share option scheme on 14 March 2018 (the “**Share Option Scheme**”) under which certain participants (including, among others, full time employee, consultant, adviser and director, and any distributor, contractor, supplier, agent, customer, business partner and service provider of any member of the Group) may be granted options to subscribe for the shares. The principal terms of the Share Option Scheme are summarised in the paragraph headed “Share Option Scheme” in appendix IV to the Prospectus.

Details of the movement in the share options granted under the Share Option Scheme for the nine months ended 31 December 2019 are as follows:

Name or category of participants	Date of grant of share options	Exercisable period	Exercise price of share options (HKD)	Outstanding at 1 April 2019	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding at 31 December 2019
Directors									
Mr. Chan Kwong Yuen	9 September 2019	1 June 2020 to 31 May 2023	0.189	-	3,200,000	-	-	-	3,200,000
Mr. Chan Kun Yuen	9 September 2019	1 June 2020 to 31 May 2023	0.189	-	3,200,000	-	-	-	3,200,000
Mr. Chan Shu Yuen	9 September 2019	1 June 2020 to 31 May 2023	0.189	-	3,200,000	-	-	-	3,200,000
Mr. Siu Chi Ming	9 September 2019	1 June 2020 to 31 May 2023	0.189	-	200,000	-	-	-	200,000
Mr. Lee Wai Ho	9 September 2019	1 June 2020 to 31 May 2023	0.189	-	200,000	-	-	-	200,000
Mr. Wong Chee Chung	9 September 2019	1 June 2020 to 31 May 2023	0.189	-	200,000	-	-	-	200,000
Sub-total				-	10,200,000	-	-	-	10,200,000
Substantial Shareholder									
Mr. Chan Tat Yuen	9 September 2019	1 June 2020 to 31 May 2023	0.189	-	3,200,000	-	-	-	3,200,000
Other Employees	9 September 2019	1 June 2020 to 31 May 2023	0.189	-	18,900,000	-	-	(750,000)	18,150,000
Total				-	32,300,000	-	-	(750,000)	31,550,000

Save as aforesaid, there were no share options granted, cancelled, exercised or lapsed under the Share Option Scheme during the nine months ended 31 December 2019.

Competing Interests

The Directors are not aware of any business or interest of the Directors nor the controlling shareholders of the Company (as defined in the GEM Listing Rules) nor any of their respective close associates that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the nine months ended 31 December 2019.

Audit Committee

The audit committee of the Company (the “**Audit Committee**”) was established on 14 March 2018 with written terms of reference in compliance with the requirements as set out in Rule 5.28 of the GEM Listing Rules and the CG Code. The Audit Committee currently comprises of all three independent non-executive Directors. The chairman of the Audit Committee is Mr. Siu Chi Ming, and the other members are Mr. Lee Wai Ho and Mr. Wong Chee Chung.

The principal duties of the Audit Committee include the review and supervision of the Group’s financial reporting process, risk management and internal control systems, and review of the Group’s financial information.

The Audit Committee has reviewed the unaudited condensed consolidated results of the Company for the nine months ended 31 December 2019 and is of the opinion that such results complied with the applicable accounting standards and the requirements under the GEM Listing Rules, 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, 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 31 December 2019 and up to the date of this announcement.

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

Hong Kong, 12 February 2020

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.

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.