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 2020

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 (as defined below) for the financial year ended 31 March 2020 (the "Reporting Year") amounted to approximately HK$37.1 million (2019: HK$44.9 million), representing a decrease by 17.4%.

- The gross profit for the year amounted to approximately HK$28.4 million, (2019: HK$35.0 million), decreased by 18.9% year on year. Gross profit margin was 76.5% (2019: 78.0%) slightly lower than that of last year.

- Net loss attributable to the owners of the Company for the Reporting Year was approximately HK$12.3 million (2019: Net loss of HK$2.8 million). The loss for the Reporting Year was mainly due to the social incidents, the unprecedented outbreak of coronavirus ("COVID-19") and the changes in and addition of accounting treatments for certain items, including but not limited to the introduction of HKFRS 16 on Lease, share option expenses, impairment of property, plant and equipment and intangible assets.

- Basic and diluted loss per share attributable to equity holders of the Company were HK3.42 cents (2019: loss per share of HK0.77 cents) for the Reporting Year.

- The board of Directors (the "Board") does not recommend the payment of a final dividend for the Reporting Year.

ANNUAL RESULTS

The Board announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2020 together with the audited comparative figures for the year ended 31 March 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	**2020** ***HK$'000***	2019 *HK$'000*
Revenue	*4*	**37,148**	44,915
Cost of sales		**(8,756)**	(9,900)
Gross profit		**28,392**	35,015
Other income	*5*	**721**	608
Selling and distribution costs		**(1,641)**	(2,055)
Administrative expenses		**(39,594)**	(35,422)
Finance costs	*6*	**(182)**	(46)
Loss before income tax	*7*	**(12,304)**	(1,900)
Income tax expense	*8*	**–**	(852)
Loss for the year and total comprehensive expense for the year		**(12,304)**	(2,752)
Loss per share attributable to equity holders of the Company (expressed in HK cents per share)			
Basic and diluted	*11*	**(3.42)**	(0.77)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*12*	**110,439**	4,229
Intangible asset		**87**	1,027
Deposit paid for acquisition of intangible asset	*14*	**1,000**	–
		111,526	5,256
Current assets			
Inventories	*13*	**7,360**	7,383
Trade and other receivables	*14*	**3,641**	4,753
Tax refundable		**869**	899
Time deposits	*15*	**11,007**	16,000
Cash and bank balances		**5,798**	10,172
		28,675	39,207
Current liabilities			
Trade and other payables	*16*	**1,052**	1,486
Bank borrowings	*17*	**12,250**	–
Lease liabilities	*19*	**511**	–
		13,813	1,486
Net current assets		**14,862**	37,721
Total assets less current liabilities		**126,388**	42,977

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 31 March 2020

	Notes	**2020** **HK$'000**	2019 HK$'000
Non-current liabilities			
Provision for long service payment		**608**	476
Provision for reinstatement cost		**854**	1,269
Bank borrowings	*17*	**42,750**	–
Promissory notes	*18*	**44,724**	–
Lease liabilities	*19*	**940**	–
		89,876	1,745
Net assets		**36,512**	41,232
Equity			
Share capital	*20*	**41,879**	41,879
Reserves		**(5,367)**	(647)
Total equity		**36,512**	41,232

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. GENERAL INFORMATION

The Company was incorporated in Hong Kong with limited liability on 14 September 2017. The address of its registered office was Suites 1106-08, 11th Floor, The Chinese Bank Building, 61-65 Des Voeux Road, Central, Hong Kong and on 1 June 2020, the registered office changed to 8/F, Wah Shing Centre, 5 Fung Yip Street, Siu Sai Wan, Hong Kong and its principal place of business is Hong Kong.

The share(s) of the Company (the "Shares(s)") were listed on GEM on 16 April 2018.

The Company is an investment holding company. The Group is principally engaged in the retail trading of tea products and food and beverage retails. As at the reporting date, the Company's holding company is Profit Ocean Enterprises Limited ("Profit Ocean"), a company incorporated in the British Virgin Islands.

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 requirements of the GEM Listing Rules.

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies 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 the Directors' 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures

New and amended HKFRSs that are effective for annual periods beginning on or after 1 April 2019

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 2019:

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment Features with Negative Consideration
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments

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 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 a Lessee

As at 1 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, 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. The incremental borrowing rate applied to lease liabilities recognised under HKFRS 16 was 3.94%.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures (Continued)

New and amended HKFRSs that are effective for annual periods beginning on or after 1 April 2019 (Continued)

HKFRS 16 "Leases" (Continued)

As a Lessee (Continued)

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:

	HK$'000
Total operating lease commitments disclosed as at 31 March 2019	4,590
Recognition exemption – Leases with remaining lease term of 12 months or less	(2,638)
Operating leases liabilities before discounting	1,952
Discounting using incremental borrowing rate as at 1 April 2019	(56)
Total lease liabilities recognised under HKFRS 16 as at 1 April 2019	1,896
Classified as:	
Current lease liabilities	1,385
Non-current lease liabilities	511
	1,896

Total impact arising from transition to HKFRS 16

The following table summarises the impact of transition to HKFRS 16 on the Group's consolidated statement of financial position at 1 April 2019:

	HK$'000
Increase in right-of-use assets presented in property, plant and equipment	1,896
Increase in lease liabilities	1,896

Early adoption of HKFRSs

During the year, the Group has elected to early adopt the following amendment of HKFRSs in the current year's consolidated financial statements and the principal effects for adopting these new HKFRSs are as follows:

Amendments to HKFRS 16	COVID-19-Related Rent Concessions

Amendments to HKFRS 16 only apply to lessee accounting and have no effect on lessor accounting. The amendments add a practical expedient to provide a relief for lessees to bypass the need to carry out an assessment to decide whether a COVID-19 related rent concession received is a lease modification or not and allow lessees to account for such rent concessions as if the change was not a lease modification.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures (Continued)

Early adoption of HKFRSs (Continued)

This practical expedient is only applicable to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b) any reduction in lease payments affects only payments originally due on or before 30 June 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and

c) there is no substantive change to other terms and conditions of the lease.

A lessee that chooses to apply this practical expedient would be required to apply it consistently to all lease contracts with similar characteristics and in similar circumstances. Additional disclosures are required if this practical expedient are used.

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 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 3	Definition of a Business[4]

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods beginning on or after 1 January 2021

3 Effective date not yet determined

4 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

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. The application of all new, amendments to HKFRSs and new interpretation will have no material impact on the consolidated financial statements in the foreseeable future.

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. The Directors 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 13.

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

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. The Directors 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 was approximately HK$110,439,000 (2019: HK$4,229,000).

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, the Directors make assumptions about future revenues and profits. These assumptions relate to future events and circumstances and the actual results may vary. Determining the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors with reference to trademark royalty rate.

The Group has incurred an impairment loss of approximately HK$284,000 (2019: Nil) on property, plant and equipment and approximately HK$837,000 (2019: Nil) on intangible asset for the year ended 31 March 2020.

Equity settled share-based payments

The Group measures the cost of equity-settled transactions with employees, consultants and advisers by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is measured at grant date using the Binomial Model based on backward induction, taking into account the terms and conditions upon which the options were granted. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Deferred tax

The Group recognises tax/deferred tax assets and liabilities for anticipated tax based on estimates of when the tax/deferred tax will be paid or recovered. When the final outcome of these matters is different from the amounts initially recorded, such differences impact the period in which the determination is made. Critical accounting estimates relate to the profit forecasts used to determine the extent to which deferred tax assets are recognised from available losses and the period over which they are estimated.

4. REVENUE AND SEGMENT REPORTING

4.1 Revenue

	2020	2019
	HK$'000	*HK$'000*
Sales of tea products	**36,390**	44,915
Food and beverage retails	**758**	–
	37,148	44,915

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:

	2020	2019
	HK$'000	*HK$'000*
Type of customer		
– Individuals	**35,725**	42,849
– Corporate	**1,423**	2,066
	37,148	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 and food and beverage retails 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

	2020	2019
	HK$'000	*HK$'000*
Bank interest income	**315**	436
Sundry income	**334**	145
Exchange gain, net	**–**	27
Rent concessions *(note)*	**72**	–
	721	608

Note:

The Group has applied the practical expedient for "COVID-19-Related Rent Concessions" of HKFRS 16.

6. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**79**	46
Imputed interest expenses from promissory notes	**30**	–
Finance charges on lease liabilities	**73**	–
	182	46

7. LOSS BEFORE INCOME TAX

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

	2020	2019
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**1,021**	633
Depreciation of right-of-use assets	**1,344**	–
Total depreciation	**2,365**	633
Amortisation of reinstatement cost	**414**	518
Amortisation of trademark	**103**	–
Total amortisation	**517**	518
Lease charges in respect of premises		
– minimum lease payments	**–**	8,960
– contingent rentals *(note)*	**–**	518
– short term leases and leases with lease term shorter than 12 months as at initial application of HKFRS 16	**11,258**	–
– variable lease payment	**329**	–
Total lease charges	**11,587**	9,478
Auditor's remuneration	**460**	380
Cost of inventories recognised as an expense	**7,514**	8,745
Loss on disposal/write-off of property, plant and equipment	**566**	193
Exchange losses/(gain), net	**27**	(27)
Provision for long service payment	**132**	5
Share-based payment	**1,778**	–
Impairment loss of intangible asset	**837**	–
Impairment loss of property, plant and equipment	**284**	–
Listing expenses	**–**	4,000

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

	2020	2019
	HK$'000	*HK$'000*
Current tax		
Hong Kong profits tax		
– Current year	**–**	879
– Over provision in respect of prior years	**–**	(27)
Income tax expense	**–**	852

No provision for Hong Kong Profits Tax has been provided as the Group incurred taxation loss for the year ended 31 March 2020. The provision for Hong Kong Profits Tax for 2019 is calculated at 16.5% of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying entities are taxed at 8.25%, and the profits above HK$2 million are taxed at 16.5%.

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

	2020	2019
	HK$'000	*HK$'000*
Loss before income tax	**(12,304)**	(1,900)
Tax on loss before income tax at profits tax rate of 16.5% (2019: 16.5%)	**(2,030)**	(314)
Tax effect of two-tiered tax regime	**–**	(165)
Tax effect of non-deductible expenses	**1,296**	1,376
Tax effect of non-taxable income	**(102)**	(100)
Tax effect of temporary differences not recognised	**121**	82
Tax effect of unused tax losses not recognised	**715**	–
Over provision in respect of prior years	**–**	(27)
Income tax expense	**–**	852

No deferred tax asset has been recognised in relation to unrecognised tax losses of approximately HK$4,332,000 (2019: Nil) as at 31 March 2020 due to the unpredictability of future profit streams. These tax losses do not expire under current legislation.

9. EMPLOYEE BENEFIT EXPENSES

	2020	2019
	HK$'000	*HK$'000*
Salaries, allowances and other benefits	**15,515**	14,305
Pension costs-defined contribution plans	**569**	552
Provision for long service payment	**132**	–
Share-based payment *(note 21)*	**1,445**	–
	17,661	14,857

10. DIVIDENDS

No dividend has been paid or declared by the Group during the years ended 31 March 2020 and 2019, nor has any dividend been proposed since the end of the reporting period.

11. LOSS PER SHARE

The basic loss per share is calculated based on the loss attributable to equity holders of the Company and on the weighted average number of 360,000,000 ordinary shares (2019: 356,301,370 ordinary shares) for the year ended 31 March 2020.

	2020	2019
	HK$'000	*HK$'000*
Loss for the year attributable to equity holders of the Company for the purposes of basic loss per share	**(12,304)**	(2,752)

There were no dilutive potential ordinary shares arising from the conversion of the Company's share options since the average market price of ordinary shares during the year ended 31 March 2020 was lower the exercise price of the options and therefore, diluted loss per share equals to basic loss per share for both years.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings *HK$'000*	Machinery and equipment *HK$'000*	Leasehold improvement and furniture and fixtures *HK$'000*	Total *HK$'000*
At 1 April 2018				
Cost	–	1,325	7,780	9,105
Accumulated depreciation and amortisation	–	(892)	(5,579)	(6,471)
Net book amount	–	433	2,201	2,634
Year ended 31 March 2019				
Opening net book amount	–	433	2,201	2,634
Additions	–	649	2,290	2,939
Disposals	–	(16)	(177)	(193)
Depreciation/Amortisation	–	(126)	(1,025)	(1,151)
Closing net book amount	–	940	3,289	4,229
At 31 March 2019 and 1 April 2019				
Cost	–	1,622	7,209	8,831
Accumulated depreciation and amortisation	–	(682)	(3,920)	(4,602)
Net book amount as at 31 March 2019	–	940	3,289	4,229
Adjustment from the adoption of HKFRS 16 *(note 2.2)*	1,896	–	–	1,896
Net book amount as at 1 April 2019, restated	1,896	940	3,289	6,125
Year ended 31 March 2020				
Opening net book amount as at 1 April 2019, restated	**1,896**	**940**	**3,289**	**6,125**
Additions *(note ii)*	**106,217**	**369**	**1,884**	**108,470**
Disposals/Write-off	**–**	**(4)**	**(562)**	**(566)**
Depreciation/Amortisation	**(1,407)**	**(224)**	**(1,148)**	**(2,779)**
Termination of lease	**(527)**	**–**	**–**	**(527)**
Impairment loss *(note i)*	**–**	**(284)**	**–**	**(284)**
Closing net book amount	**106,179**	**797**	**3,463**	**110,439**
At 31 March 2020				
Cost	**107,322**	**1,976**	**7,777**	**117,075**
Accumulated depreciation, amortisation and impairment losses	**(1,143)**	**(1,179)**	**(4,314)**	**(6,636)**
Net book amount	**106,179**	**797**	**3,463**	**110,439**

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes:

(i) During the year ended 31 March 2020, the performance of the Group's food and beverage retails cash generating unit (the "CGU") fell below its budget, the Directors of the Group have conducted an impairment assessment on the CGU. The value in use calculations were based on the cash flow projections of the latest financial budgets approved by the Directors. The pre-tax discount rate used for the calculation was 9.63%. The recoverable amount of the CGU was approximately HK$716,000 as at 31 March 2020, and therefore, an impairment loss of approximately HK$284,000 has been recognised in respect of property, plant and equipment, which has been allocated to machinery and equipment.

(ii) On 25 March 2020, the Group acquired two properties (the "Properties") from the related company, Chan Sing Hoi Enterprises in considerations, amounted to HK$50,000,000 and HK$45,500,000 respectively. The Group will continue using the Properties as retail shops for business operation.

As at 31 March 2020, included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

	HK$'000
Leasehold land and buildings carried at cost	
As at 1 April 2019	1,896
Addition during the year	1,412
Termination of lease during the year	(527)
Depreciation for the year	(1,344)
At 31 March 2020	**1,437**

As at 31 March 2020, leasehold land and buildings with a carrying amount of approximately HK$104,742,000 (2019: Nil) was pledged to secure general banking facilities granted to the Group. The details in relation to these leases are set out in note 19.

13. INVENTORIES

	2020	2019
	HK$'000	*HK$'000*
Tea leaves	**3,317**	3,656
Canned/Packed tea products for sale	**2,498**	2,252
Tea wares	**404**	374
Other raw materials	**61**	208
Sundries and packaging materials	**1,080**	893
	7,360	7,383

14. TRADE AND OTHER RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**499**	1,429
Less: ECL allowance	**–**	–
	499	1,429
Deposits, prepayments and other receivables		
Rental and other deposits	**3,581**	2,548
Other receivables	**184**	109
Prepayments	**377**	667
Less: ECL allowance	**–**	–
	4,641	4,753
Less: non-current portion		
Deposit paid for acquisition of intangible asset	**(1,000)**	–
	3,641	4,753

The Directors consider that the fair values of trade and other receivables are not materially different from their carrying amounts and the expected credit loss are considered as insignificant 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 (2019: 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, was as follows:

	2020	2019
	HK$'000	*HK$'000*
0 – 30 days	**342**	1,062
31 – 60 days	**55**	269
61 – 90 days	**86**	98
Over 90 days	**16**	–
	499	1,429

15. TIME DEPOSITS

As at reporting date, the time deposits earn interest at 1.58% to 2.03% (2019: 1.96% to 2.38%) per annum and have maturity period of 365 days (2019: 101 days to 182 days).

16. TRADE AND OTHER PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade payables	**64**	660
Accrued charges and other payables	**988**	826
	1,052	1,486

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

	2020	2019
	HK$'000	*HK$'000*
0 – 30 days	**64**	629
31 – 60 days	**–**	31
	64	660

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.

17. BANK BORROWINGS

	2020	2019
	HK$'000	*HK$'000*
Carrying amount repayable:		
Within one year	**12,250**	–
In the second year	**2,250**	–
In the third to fifth years	**6,750**	–
After the fifth year	**33,750**	–
	55,000	–
Less: carrying amount of bank loan that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**(10,000)**	–
Less: amounts shown under current liabilities	**(2,250)**	–
Amounts shown under non-current liabilities	**42,750**	–
Secured *(note i)*	**45,000**	–
Unsecured *(note ii)*	**10,000**	–
	55,000	–

Notes:

(i) At 31 March 2020, the balances were secured by property, plant and equipment as set out in note 12 (2019: Nil).

(ii) At 31 March 2020, the amount of HK$10,000,000 (2019: Nil) included in the unsecured borrowings were guaranteed by certain subsidiaries of the Company.

The effective interest rates range from 3.00% to 4.02% (2019: Nil) per annum.

18. PROMISSORY NOTES

	2020	2019
	HK$'000	*HK$'000*
At 31 March 2019 and 1 April 2019	**–**	–
Fair value of promissory notes issued at the inception date	**44,694**	–
Imputed interest charged *(note 6)*	**30**	–
At 31 March 2020	**44,724**	–

On 25 March 2020, the Company issued two promissory notes with principal amounts of HK$25,500,000 and HK$25,000,000 respectively as part of the consideration for the acquisition of the Properties (note 12). The promissory notes were issued at a discounted value which is calculated by the Group's effective interest rate of 4.16% p.a. to discount the value of the promissory notes into their fair value at inception date amounting to approximately HK$44,694,000.

The promissory notes were unsecured and interest-free on its principal sum. The promissory notes will be matured in 3 years from the date of issue, being 25 March 2023 (the "Maturity Date") and the Company may, at its sole and absolute discretion, further extend the Maturity Date for another three years. The Directors consider that the early repayment option or extension option have been taken into account in determining the fair value of the promissory notes. The fair value of early repayment option and extension option is minimal.

19. LEASE LIABILITIES

	2020	2019
	HK$'000	*HK$'000*
Total minimum lease payments:		
Due within one year	**558**	–
Due in the second to fifth years	**988**	–
	1,546	–
Future finance charges on leases liabilities	**(95)**	–
Present value of leases liabilities	**1,451**	–

	2020	2019
	HK$'000	*HK$'000*
Present value of minimum lease payments:		
Due within one year	**511**	–
Due in the second to fifth years	**940**	–
	1,451	–
Less:		
Portion due within one year included under current liabilities	**(511)**	–
Portion due after one year included under non-current liabilities	**940**	–

Note:

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 March 2019 has not been restated. Details for transitions to HKFRS 16 are set out in note 2.2.

20. SHARE CAPITAL

	As at 31 March 2020		As at 31 March 2019	
	Number of shares	**Share capital**	Number of shares	Share capital
		HK$'000		*HK$'000*
Issued and fully paid:				
At the beginning of the year	**360,000,000**	**41,879**	10,000	10
Issue of ordinary shares pursuant to the Bonus Issue (as defined below)	**–**	**–**	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**	360,000,000	41,879

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 (the "Bonus Issue"). The Bonus Issue was completed on 13 April 2018. The shares allotted and issued rank pari passu in all respects with the then existing issued shares.

Immediately thereafter, 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 order, net off 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.

21. SHARE-BASED COMPENSATION

The Company has a share option scheme which was adopted on 14 March 2018 whereby the Directors are authorised, at their discretion, to invite employees, consultants, advisers of the Group and directors of any companies in the Group ("Qualified Participants"), to take up options at nil consideration for each participant to subscribe for the Shares. Each option gives the holder the right to subscribe for one ordinary share in the Company.

All share-based compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

Share options and exercise price for the reporting date are as follows:

	2020	
	Number	**Exercise price per share**
	'000	***HK$***
Outstanding at 1 April	**–**	**–**
Granted	**32,300**	**0.189**
Lapsed	**(750)**	**0.189**
Outstanding at 31 March	**31,550**	**0.189**

Notes:

(i) On 9 September 2019, the Company granted 32,300,000 (2019: Nil) share options to certain Qualified Participants for HK$1 consideration per person at an exercise price of HK$0.189 (2019: Nil) per share.

(ii) The options vest after 9 months from the date of grant (1 June 2020) and then exercisable within a period of three years (31 May 2023). The total number of shares which may be issued upon exercise of all options to be granted under the share option scheme must not in aggregate exceed 10% of the share capital of the Company in issue as at 9 September 2019, i.e. 32,300,000 shares. No share option has been exercised during the year ended 31 March 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operational Review

For the year ended 31 March 2020, the Group encountered an abrupt turbulent retail environment from June 2019 to 31 March 2020, leading to the negative growth throughout the year.

The social unrest due to the introduction of the "Extradition Bill" pending second reading before the Legislative Council provoked mass of people to demonstrate on the streets and public area from June 2019 to January 2020. The turmoil caused the retail joints and restaurants to reduce operating hours, sometimes even to close for business. The consumers were forced to keep out of the streets and shopping malls, resulting in loss of consuming desire.

The outbreak of the COVID-19 pandemic from January 2020 to the date of this announcement witnessed another phenomenal impact on the contraction of retail turnover. With the government's encouragement of "staying home" to prevent acquiring the novel coronavirus, our shops and concessionary counters shortened the business hours.

In spite of the opening of iTea, a tea-related beverage store in Tsim Sha Tsui commenced on April 2019, the Group encountered a drop of revenue of 17.4%, which is approximately HK$7.8 million. 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 ended 31 March 2020.

Financial Review

Revenue, gross profit and net loss

The consolidated revenue of the Group for the Reporting Year reached approximately HK$37.1 million (2019: HK$44.9 million), representing a decrease by 17.4%. The gross profit for the year amounted to approximately HK$28.4 million (2019: HK$35.0 million), decreasing by 18.9% year-on-year. Gross profit margin was 76.5% (2019: 78.0%), which is slightly lower than that of last year. Net loss for the Reporting Year was approximately HK$12.3 million (2019: Net loss of HK$2.8 million). The loss for the Reporting Year was mainly due to the social incidents and the unprecedented outbreak of COVID-19 and changes in and addition of accounting treatments for certain items, including but not limited to the introduction of HKFRS 16 on lease, share option expenses, impairment of tangible and intangible assets during the Reporting Year. Basic and diluted loss per share attributable to equity holders of the Company were HK$3.42 cents (2019: loss per share of HK0.77 cents) for the Reporting Year.

Segmental information

For the Reporting Year, tea leaves were still the predominant products sold with a percentage of 88.5% of total revenue (2019: 94.4%). Tea wares, tea gift sets and beverage recorded percentage of 4.1%, 5.4% and 2.0% respectively of total revenue (2019: 4.9%, 0.7% and Nil respectively), representing a lower proportion of sales as compared with that of tea leaves. Regarding the sales of tea leaves, Pu-erh tea 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 37.0% (2019: 41.9%), 22.4% (2019: 21.8%) and 12.1% (2019: 12.7%) respectively.

Other income

Bank interest income decreased from approximately HK$0.4 million for the year ended 31 March 2019 to approximately HK$0.3 million for the Reporting Year. The reason is mainly due to the decrease in time deposit used to pay off the prescribed proceed application and for operating expenses exceeding operating income during the Reporting Year.

Selling and distribution costs

For the Reporting year, the costs on selling and distribution decreased to approximately HK$1.6 million (2019: HK$2.1 million), representing a decrease of 23.8% as compared to that of the year ended 31 March 2019. This is a consequence of reduction in sales.

Administrative expenses

The following expenses were substantially increased for the year ended 31 March 2020 relative to those for the year ended 31 March 2019 because of the followings:

1. Depreciation of property, plant and equipment increased by 66.7% from approximately HK$0.6 million to approximately HK$1.0 million;

2. The new accounting standards HKFRS 16 Leases included depreciation on the right of use of leased assets of approximately HK$1.3 million (2019: Nil);

3. Staff benefits increased by 20.0% from approximately HK$0.5 million to approximately HK$0.6 million because of recruitment of additional new staff for iTea;

4. Staff salaries increased by 10.8% from approximately HK$11.1 million to approximately HK$12.3 million for the additional recruited staff of iTea;

5. Loss on disposal or write-off of property, plant and equipment increased by 200% from approximately HK$0.2 million to approximately HK$0.6 million;

6. Amortisation of intangible asset increased to approximately HK$0.1 million (2019: Nil);

7. Impairment loss of intangible asset was approximately HK$0.8 million (2019: Nil); and

8. Share option expenses amounted to approximately HK$1.8 million (2019: Nil).

Finance costs

For the year ended 31 March 2020, the finance costs, which were basically bank borrowing interest, imputed interest expense from promissory notes of approximately HK$30,000 (2019: Nil) was recognised based on pro-rata basis of computation and totally amounted to approximately HK$182,000 as compared to that for the year ended 31 March 2019 of approximately HK$46,000. The reason for the increase of 295.7% was because of the inception of secured mortgage loans and unsecured bank borrowings used to acquire the Properties. The properties acquired were collateralised to the borrowing bank with some restrictive covenants.

Carrying value of acquired properties	HK$104.7 million
Bank borrowings secured by the properties	HK$45.0 million

Inventory control

The net carrying value of the Group's inventories was approximately HK$7.4 million (2019: HK$7.4 million) as at the end of the Reporting Year.

Main reason for keeping the inventory level unchanged is due to the Directors' decision not to over-stock during a period of uncertainty.

The Board closely monitored the inventory level and movements during the year to ensure an adequate amount of stock was maintained and to avoid loss of sales due to under-stocking. As vintage pu-erh tea contributed the highest gross profit margin, the Directors are responsible for procurement and warehouse staff is responsible for stocktaking to ascertain sufficient stock of vintage pu-erh tea is available for sale.

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

- Stocktake by shop manager and warehouse staff was carried out every month;
- Reconciliation of physical stock and amount in the accounting system was performed by the shop manager and accountant every month;
- Office personnel observed physical stocktake by shop manager and warehouse staff every quarter; and
- 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$4.8 million for the year ended 31 March 2019 to approximately HK$4.6 million, decreased by approximately HK$0.2 million or 4.2%. The reduction was primarily due to the decrease in credit sales. As at 31 March 2020, rental and other deposits rose by approximately HK$1.1 million or 44.0% to approximately HK$3.6 million from approximately HK$2.5 million as at 31 March 2019. This was the result of the increase of rent and paying rental deposits for opening of a new shop of iTea in Tsim Sha Tsui.

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 2020, the Group's net current assets amounted to approximately HK$14.9 million (2019: HK$37.7 million) which decreased by approximately HK$22.8 million or 60.5% due to decrease in time deposits, cash and bank balances and substantial increase in bank loans. Cash and bank balances amounted to approximately HK$5.8 million (2019: HK$10.2 million), representing a decrease of approximately HK$4.4 million or 43.1%, compared with that at 31 March 2019.

Time deposits amounted to approximately HK$11.0 million as at 31 March 2020, decreased by approximately HK$5.0 million or 31.3%, as compared to approximately HK$16.0 million as at 31 March 2019.

Trade and other payables

As at 31 March 2020, trade and other payables decreased from approximately HK$1.5 million for the year ended 31 March 2019 to approximately HK$1.1 million, decreased by approximately HK$0.4 million or 26.7%. The decrease was primarily due to the decrease in purchase.

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 2020 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 2020.

Capital Structure

The Shares 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 2020, the Company has 360,000,000 ordinary shares in issue.

Equity

Equity attributable to owners of the Company amounted to approximately HK$36.5 million as at 31 March 2020 (2019: HK$41.2 million), representing a decrease of approximately HK$4.7 million or 11.4%.

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 deposit and cash in hand of RMB331,000 (2019: RMB698,000). For payment of purchases in Renminbi or US Dollars, the Directors considered the foreign exchange exposure was fairly covered as purchases in Renminbi represented 7.3% (2019: 18.6%) of the total purchase whereas in US Dollars a mere 3.1% of the total purchase (2019: 1.6%).

Employees and Remuneration Policies

As at 31 March 2020, the Group had 71 employees (2019: 60 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 the Directors, mandatory provident funds contributions and provision for long services payment for the years ended 31 March 2020 and 2019 amounted to approximately HK$16.2 million and HK$14.9 million respectively. The Group also adopted a share option scheme whereby Qualified Participants may be granted options to acquire shares of the Company. During the year ended 31 March 2020, share-based payment granted to the Directors and employees amounted to approximately HK$1.4 million (2019: Nil).

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 March 2020 (2019: 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 2020, the Group's operating lease commitments were approximately HK$1.4 million (2019: HK$4.6 million). Other contractual commitments as at 31 March 2020 amounted to approximately HK$0.4 million (2019: HK$0.9 million).

Dividends

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

During the year ended 31 March 2020, the Group declared no interim dividend (2019: Nil) to the shareholders.

Gearing Ratio

As at 31 March 2020, the gearing ratio of the Group stood at 231.1% (2019: 0). The huge increase was mainly due to the inception of mortgage and revolving bank loans and decrease in equity as a result of accumulated loss over the Reporting Year.

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"). Due to economic uncertainty prevailing at this moment, the Group decided not to open any shop or concessionary counter until situation improves.

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 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 one beverage shop in Tsim Sha Tsui, engaged service providers to enhance our information system and recruited new staff.

As at 31 March 2020, the Group's planned application and actual utilization of the net proceeds is set out below:

Use of Proceeds	Percentage of total net proceeds *%*	Planned applications *HK$*	Actual usage up to 31 March 2020 *HK$*	Unutilized net proceeds as at 31 March 2020 *HK$*
Opened new retail points in Hong Kong	49.8%	12,551,000	6,056,000	6,495,000
Enhanced management capability and efficiency through improvement of information system	13.4%	3,377,000	2,109,000	1,268,000
Expanded human resources	2.6%	655,000	655,000	–
Repaid bank loan	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	2,420,000	–
Total	100.0%	25,203,000	16,391,000	8,812,000

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 2020 is set out below:

Business objectives	**Actual Business Progress**
Open new retail points in Hong Kong	
• Locate and renovate premises for tea leaves retail shop and payment of rental related expenses	The Company opened one beverage shop in Tsim Sha Tsui ("Shop 13") during the year ended 31 March 2020.
• Recruit sales staff for new shop and payment of salary	The Company did not use the net proceeds for (i) location and renovation for Shop 13 and payment of rental related expenses, and (ii) recruitment of sales staff for Shop 13 and payment of salary.
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 officer	All of the HK$655,000 has been used to recruit accounting personnel.
Repay bank loan	
• Repay outstanding loan under the banking facilities with a bank	100% of fund available has been used.
Renovation of our office and warehouse	
• Payment for renovating our office and warehouse in Siu Sai Wan	Approximately HK$1,371,000, being approximately 56.7% of fund available for renovation of office and warehouse in the amount of approximately HK$2,420,000 has been used. Renovation has been completed.

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 2020 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 of the Group.

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 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

After the outbreak of coronavirus ("COVID-19") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 outbreak and evaluate its impact on the financial position, cash flows and operating results of the Group.

Save as disclosed above, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2020 and up to the date of this announcement.

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES AND COMPLIANCE

The Group is 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 1 April 2019 to 31 March 2020) ("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 the 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 enquiries 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 2020 (31 March 2019: Nil).

AUDIT COMMITTEE AND REVIEW OF PRELIMINARY ANNOUNCEMENT

The audit committee (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 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 2020 at a meeting held on 19 June 2020, 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 2020 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 18 September 2020. For details of the AGM, please refer to the Notice of AGM which is expected to be published in June 2020.

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

Reference is made to the announcement of the Company dated 31 March 2020 in relation to the change of compliance advisor. The Company and KGI Capital Asia Limited ("KGI") have mutually agreed to terminate the compliance adviser's agreement dated 25 September 2017 entered into between the Company and KGI with effect from 1 April 2020 (the "Termination") due to the recent changes in personnel of KGI.

Following the Termination and in accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Elstone Capital Limited ("Elstone") 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 commencing from 1 April 2020. Save for the compliance adviser's agreements entered into between the Company and each of KGI and Elstone and its respective 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 31 March 2020 and up to the date of this announcement.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 14 September 2020 to 18 September 2020 (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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4: 30 p.m. on 11 September 2020.

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 2020 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, 19 June 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.