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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 2020

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 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, 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 2020, together with the unaudited comparative figures for the corresponding period in 2019, as follows:

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

For the three and nine months ended 31 December 2020

		Three months ended 31 December		Nine months ended 31 December	
	Notes	2020	2019	2020	2019
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	4	14,946	14,647	28,214	30,644
Cost of sales		<u>(3,259)</u>	<u>(2,924)</u>	<u>(6,295)</u>	<u>(6,738)</u>
Gross profit		11,687	11,723	21,919	23,906
Other income		1,018	84	3,719	476
Other gain or loss	5	(422)	–	(912)	–
Selling and distribution costs		(657)	(663)	(1,150)	(1,284)
Administrative expenses		(9,114)	(10,015)	(24,897)	(28,184)
Finance costs		<u>(896)</u>	<u>(20)</u>	<u>(2,653)</u>	<u>(56)</u>
Profit/(Loss) before income tax	6	1,616	1,109	(3,974)	(5,142)
Income tax expenses	7	<u>–</u>	<u>(35)</u>	<u>–</u>	<u>(35)</u>
Profit/(Loss) and total comprehensive income/(expense) for the period		<u>1,616</u>	<u>1,074</u>	<u>(3,974)</u>	<u>(5,177)</u>
Profit/(Loss) per share for profit/(loss) attributable to equity holders of the Company					
Basic and diluted (HK cents)	9	<u>0.45</u>	<u>0.30</u>	<u>(1.10)</u>	<u>(1.44)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2020

	Share capital <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Contribution reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total Equity <i>HK\$'000</i>
As at 1 April 2020 (audited)	41,879	990	1,778	5,806	(13,941)	36,512
Equity settled share-based payments	–	–	528	–	–	528
Lapse of share options	–	–	(47)	–	47	–
Loss and total comprehensive expense for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(3,974)</u>	<u>(3,974)</u>
At 31 December 2020 (unaudited)	<u>41,879</u>	<u>990</u>	<u>2,259</u>	<u>5,806</u>	<u>(17,868)</u>	<u>33,066</u>
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	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(5,177)</u>	<u>(5,177)</u>
At 31 December 2019 (unaudited)	<u>41,879</u>	<u>990</u>	<u>987</u>	<u>–</u>	<u>(6,814)</u>	<u>37,042</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2020

1. GENERAL INFORMATION

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

The Company’s shares were listed on the GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 16 April 2018.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the retail trading of tea products and food and beverage retails. 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 2020 (“**Relevant Period**”) have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**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 2020, except for the adoption of the new and amended HKFRSs effective as of 1 April 2020.

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 2020. 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.

The Group has early adopted the Amendments to HKFRS 16 "COVID-19-Related Rent Concessions" in the Relevant Period in preparing the unaudited condensed consolidated financial statements.

The principal effects for adopting this 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 provide a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 ("COVID-19-Related Rent Concessions") are lease modification and, instead, account for those rent concessions as if they were not lease modifications. The practical expedient is only applicable to COVID-19-Related Rent Concessions 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.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-Related Rent Concessions granted to the Group during the period.

Consequently, rent concessions received have been recognised in "Other income" in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 April 2020.

4. REVENUE

	Three months ended		Nine months ended	
	31 December		31 December	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales of tea products	14,801	14,485	27,795	29,993
Food and beverage retails	145	162	419	651
	<u>14,946</u>	<u>14,647</u>	<u>28,214</u>	<u>30,644</u>

5. OTHER INCOME AND OTHER GAIN OR LOSS

5.1 Other Income

	Three months ended		Nine months ended	
	31 December		31 December	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Bank interest income	2	78	57	257
Government grants (<i>Note</i>)	1,004	–	3,543	–
Rent concessions	12	–	105	–
Sundry income	–	6	14	219
	<u>1,018</u>	<u>84</u>	<u>3,719</u>	<u>476</u>

Note: The Group has received the government grants from HKSAR Government under the “Anti-epidemic Fund” during the outbreak of the COVID-19 pandemic. There were neither unfulfilled conditions nor other contingencies attached to the receipt of those grants. There is no assurance that the Group will continue to receive such grant in the future.

5.2 Other Gain or Loss

The Group has early repaid part of the promissory notes with the amounts of HK\$10,000,000, resulting in a loss on early repayment of promissory note of HK\$912,000 incurred during the nine months ended 31 December 2020 (nine months ended 31 December 2019: Nil).

6. 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	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Auditor's remuneration	100	100	300	300
Cost of inventories recognised as an expense	2,923	2,610	5,397	5,798
Depreciation of property, plant and equipment	1,281	278	3,542	691
Depreciation of right of use assets	275	307	852	1,037
Amortisation of reinstatement cost	11	106	36	391
Amortisation of intangible assets	2	26	7	77
Lease charges in respect of premises — short term leases and leases with lease term short than 12 months as at initial application of HKFRS 16	2,663	2,958	5,968	8,538
— variable lease payment (<i>Note</i>)	530	264	732	319
Exchange gain/(loss), net	—	(1)	1	(1)
Share-based payment	—	—	528	—

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

7. INCOME TAX EXPENSE

No provision for Hong Kong Profit has been provided as the Group incurred taxation loss for the nine months ended 31 December 2020. Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits for the nine months ended 31 December 2019.

	Three months ended 31 December		Nine months ended 31 December	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current tax				
Hong Kong profits tax				
— Current period	—	35	—	35

8. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend for the nine months ended 31 December 2020 (nine months ended 31 December 2019: nil).

9. 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	
	2020	2019	2020	2019
	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>1,616</u>	<u>1,074</u>	<u>(3,974)</u>	<u>(5,177)</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>360,000</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

	For the nine months ended	
	31 December	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue	28,214	30,644
Gross profit	21,919	23,906
Loss before taxation	(3,974)	(5,142)
Income tax expenses	–	(35)
Profit/(Loss) attributable to shareholders	(3,974)	(5,177)
(Loss) per share	<u>(HK1.10 cents)</u>	<u>(HK1.44 cents)</u>

Business and Operational Review

For the nine months ended 31 December 2020 (the “**Reporting Period**”), the Group continued to encounter yet another abrupt turbulent retail environment with retail businesses reeling from tightened social-distancing measures caused by the fourth wave of COVID-19 infections in Hong Kong resulting in negative growth throughout the Reporting Period.

Financial Review

Revenue, gross profit and net loss

The consolidated revenue of the Group for the Reporting Period amounted to approximately HK\$28.2 million (nine months ended 31 December 2019: approximately HK\$30.6 million), representing a decrease of approximately 7.9%. The gross profit for the Reporting Period amounted to approximately HK\$21.9 million (nine months ended 31 December 2019: approximately HK\$23.9 million), decreasing by approximately 8.3%. Gross profit margin was approximately 77.7% (nine months ended 31 December 2019: approximately 78.0%), a decrease of approximately 0.3% compared with that of the last corresponding period. Net loss for the Reporting Period was approximately HK\$4.0 million (nine months ended 31 December 2019: approximately HK\$5.2 million). The net loss for the Reporting Period was mainly due to the prolonged period of COVID-19 pandemic.

Selling and distribution costs

Despite the increase in sales commission paid to internet shopping platform due to more customers buying our products online, selling and distribution costs reduced by approximately 10.4% to approximately HK\$1.2 million (nine months ended 31 December 2019: approximately HK\$1.3 million) primarily because of the reduction of total sales.

Administrative expenses

Despite the significant increase in expense for the additional depreciation of the two properties after the acquisition, administrative expenses were decreased by 11.7% for the nine months ended 31 December 2020 relative to those for the nine months ended 31 December 2019. This is because of reduction in lease payments for properties, and cancellation in the set up of booths in exhibitions and shopping malls. Also the expense reductions in amortization of reinstatement cost for certain property and in share option compensation upon vesting accounted for the overall decrease in administrative expenses.

Outlook and Prospect

The prolonged period of confirmed COVID-19 cases after the fourth wave outbreak continued to haunt the community during the Reporting Period. With the Hong Kong Government's new preventive measures of tightening mobility of people on the street (dine-in ban from six o'clock, temporary closure of mass gathering places and work from home advocacy, etc.), consumers were more reluctant to spend time and money on non-essential items. The value of total retail sales for the eleven months ended November 2020 decreased by 25.3% compared with that for the eleven months of 2019 (the value of retail sales for food decreased by 8.8% year on year (The Census and Statistics Department, The Hong Kong Government Special Administrative Region). The continuation of the United States — China trade war that led to a bleak global economic climate will remain for the ongoing period. The Directors are prudent in cash flow management to safeguard the Group's assets and will continue to provide a healthy operational environment to overcome this period of difficulty. Cost restraint and reduction program is continuously underway to curb any unnecessary spending and expenditure to improve profit structure of the Group.

Liquidity and Cash Flow Management

The Group adopted a prudent financial policy in order to maintain a healthy financial position under the uncertainty of the economic situation. The Group funded the liquidity and capital requirements principally from cash generated from operations and remaining proceeds from listing.

As at 31 December 2020, the Group's net current assets amounted to approximately HK\$9.6 million (31 March 2020: approximately HK\$14.9 million) which decreased by approximately HK\$5.3 million or 35.6% due to drawdown of cash and bank balances and time deposit for working capital purpose. Cash and bank balances amounted to approximately HK\$2.1 million (31 March 2020: approximately HK\$5.8 million), representing a decrease of approximately HK\$3.7 million or 63.2%. As at 31 December 2020, current assets amounted to approximately HK\$14.2 million (31 March 2020: approximately HK\$28.7

million) and current liabilities amounted to approximately HK\$4.6 million (31 March 2020: approximately HK\$13.8 million). Current ratio was approximately 3.09 times as at 31 December 2020 (31 March 2020: approximately 2.08 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 2020 was approximately 257.3% (31 March 2020: approximately 231.1%) because of increase in bank borrowings and promissory notes issuance.

Capital Expenditure

For the nine months ended 31 December 2020, the Group's capital expenditure amounted to approximately HK\$0.3 million (nine months ended 31 December 2019: approximately HK\$1.9 million), mainly for plant and equipment.

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 2020, the Group had bank borrowings of HK\$47.3 million (2019: Nil) and interest rate risk from borrowing is still minimal because of reluctance of raising interest rate in the banking sector. Promissory notes are not interest bearing and do not bear any interest rate risk. As at 31 December 2020, the Group had no time deposit (2019: HK\$11.0 million).

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 funds generated from operations.

Employees and Remuneration Policies

As at 31 December 2020, the Group had 63 employees (31 December 2019: 70) 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 salaries, benefits, mandatory provident funds contributions and long service payment) for the nine months ended 31 December 2020 amounted to approximately HK\$6.0 million (nine months ended 31 December 2019: approximately HK\$11.7 million) after deducting the Employment Support Scheme from the Hong Kong SAR Government.

For the nine months ended 31 December 2020, the Group received the grant of approximately HK\$3.5 million provided by the Employment Support Scheme and Retail Sector Subsidy Scheme under the Anti-Epidemic Fund of the Hong Kong Government. It further reduced the Group's financial burden of the staff cost.

Dividend

The Board has resolved not to declare any dividend for the nine months ended 31 December 2020 (nine months ended 31 December 2019: Nil).

Contingent Liabilities

The Group had no significant contingent liabilities as at 31 December 2020.

Charge on the Group's Assets

As at 31 December 2020, the Group has first and second legal charges on ownership and rental right respectively of the Group's assets, namely, property at shop B, ground floor, Siu Ying Commercial Building, 151–155 Queen's Road, Central 1–1B, Wing Kut Street, Hong Kong and property at ground floor, Mei Wah Building, No. 170 Johnston Road, Hong Kong as securities for the banking facilities granted to the Group.

Save as disclosed above, there was no other material charge on the Group's assets for the nine months ended 31 December 2020.

Event After the Reporting Period

Save as disclosed above, there were no material events after the Reporting Period that would affect the result of the Group for the nine months ended 31 December 2020.

OTHER INFORMATION

Corporate Governance Practices and Compliance

During the nine months ended 31 December 2020, the Group was committed to maintain a high standard of corporate governance, and to comply to the extent practicable with the Code of Corporate Governance Practices. The Company has applied the code provisions and recommended best practices in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 to the GEM Listing Rules. During the nine months ended 31 December 2020, the Company has complied with all relevant provisions of the CG Code. The Board is responsible for the leadership and control of, and promoting the success of the Group. This is achieved by the setting up of corporate strategic objectives and policies, and the monitoring and evaluations of operating activities and financial performance of the Group.

Securities Transactions of Directors

The Group has adopted a code of conduct regarding securities transactions by Directors (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 2020.

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

During the nine months ended 31 December 2020, 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 2020, 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
Mr. Chan Kwong Yuen	Interested in a controlled corporation	270,000,000 (<i>Note 1</i>)	75%
	Beneficial owner	3,200,000 (<i>Note 2</i>)	0.89%
Mr. Chan Kun Yuen	Interested in a controlled corporation	270,000,000 (<i>Note 1</i>)	75%
	Beneficial owner	3,200,000 (<i>Note 2</i>)	0.89%
Mr. Chan Shu Yuen	Interested in a controlled corporation	270,000,000 (<i>Note 1</i>)	75%
	Beneficial owner	3,200,000 (<i>Note 2</i>)	0.89%
Mr. Siu Chi Ming	Beneficial owner	200,000 (<i>Note 2</i>)	0.06%
Mr. Lee Wai Ho	Beneficial owner	200,000 (<i>Note 2</i>)	0.06%
Mr. Wong Chee Chung	Beneficial owner	200,000 (<i>Note 2</i>)	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.

2. 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 (“**Share Option Scheme**”).

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 2020.

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 2020, 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 (<i>Note 1</i>)	75%
Wealth City	Interest in a controlled corporation	270,000,000 (<i>Note 1</i>)	75%
Sky King	Interest in a controlled corporation	270,000,000 (<i>Note 1</i>)	75%
Coastal Lion	Interest in a controlled corporation	270,000,000 (<i>Note 1</i>)	75%
Mr. Chan Tat Yuen	Interest in a controlled corporation	270,000,000 (<i>Note 1</i>)	75%
	Beneficial owner	3,200,000 (<i>Note 2</i>)	0.89%
Ms. Chu Min	Interest of spouse	270,000,000 (<i>Note 3</i>)	75%
		3,200,000 (<i>Note 3</i>)	0.89%
Ms. Chan King Chi	Interest of spouse	270,000,000 (<i>Note 4</i>)	75%
		3,200,000 (<i>Note 4</i>)	0.89%
Ms. Po Miu Kuen	Interest of spouse	270,000,000 (<i>Note 5</i>)	75%
Tammy		3,200,000 (<i>Note 5</i>)	0.89%
Ms. Ng Wai Lam Lana	Interest of spouse	270,000,000 (<i>Note 6</i>)	75%
Zoe		3,200,000 (<i>Note 6</i>)	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.
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.
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.
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.
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.

Save as disclosed above, as at 31 December 2020, 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 2020, 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 purpose of the Share Option Scheme is to enable the Company to grant options to selected 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) as incentives or rewards for their contribution to the Group. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees of the Company, the Directors and other selected participants for their contributions to the Group. The Company conditionally approved and adopted the Share Option Scheme by written resolutions on 14 March 2018. Further details of the Share Option Scheme are set in the section headed “Statutory and General Information — 8. SHARE OPTION SCHEME” in Appendix IV of the prospectus of the Company dated 23 March 2018.

Details of the movement in the share options granted under the Share Option Scheme for the nine months ended 31 December 2020 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 2020	Granted during the period	Exercised during the period	Cancelled during the period	lapsed during the period	Outstanding at 31 December 2020
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				<u>10,200,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>10,200,000</u>
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, consultants and advisors	9 September 2019	1 June 2020 to 31 May 2023	0.189	18,150,000	—	—	—	—	18,150,000
Total				<u>31,550,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>31,550,000</u>

After the Reporting Period and up to the date of this announcement, there were a total of 650,000 share options with exercise price of HK\$0.189 cancelled pursuant to the Share Option Scheme due to the resignation and retirement of certain employees.

Competing Interests

The Directors were not aware of any business or interest of the Directors or the controlling shareholders of the Company or any of their respective close associates (as defined in the GEM Listing Rules) 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 2020.

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 principal 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 of three members, being all 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 unaudited condensed consolidated results of the Company for the nine months ended 31 December 2020 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 Elstone Capital Limited on 1 April 2020 (the “**Compliance Adviser**”) as its compliance adviser, which provides advice and guidance to the Company in respect of compliance with the GEM Listing Rules including various requirements relating to the Directors’ duties. The Compliance Advisor and its directors, employees or close associates confirmed they had no interests in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 31 December 2020 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, 3 February 2021

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.