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 2021

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 2021 (the "**Reporting Year**") reached approximately HK$36.1 million (2020: HK$37.1 million), representing a decrease by 2.7%.

- The gross profit for the year amounted to approximately HK$27.8 million, (2020: HK$28.4 million), decreasing by 2.1% year on year. Gross profit margin was 77.0% (2020: 76.5%), which is slightly higher than that of last year.

- Net loss attributable to the owners of the Company for the Reporting Year was approximately HK$9.1 million (2020: Net loss of HK$12.3 million). The loss for the Reporting Year was mainly due to the continuation of the COVID-19 pandemic and changes in and addition of accounting treatments for certain items, including but not limited to the introduction of HKFRS 16 on lease and its amendments, 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 HK2.54 cents (2020: loss per share of HK3.42 cents) for the Reporting Year.

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

The Board announces the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 March 2021 together with the audited comparative figures for the year ended 31 March 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	Notes	**2021** ***HK$'000***	2020 *HK$'000*
Revenue	*4*	**36,092**	37,148
Cost of sales		**(8,291)**	(8,756)
Gross profit		**27,801**	28,392
Other income	*5.1*	**3,712**	721
Loss on early repayment of promissory notes	*5.2*	**(912)**	—
Selling and distribution costs		**(1,566)**	(1,641)
Administrative expenses		**(34,560)**	(39,594)
Finance costs	*6*	**(3,605)**	(182)
Loss before income tax	*7*	**(9,130)**	(12,304)
Income tax expense	*8*	**(12)**	—
Loss for the year and total comprehensive expense for the year attributable to equity holders of the Company		**(9,142)**	(12,304)
Loss per share attributable to equity holders of the Company (expressed in HK cents per share)			
Basic and diluted	*11*	**(2.54)**	(3.42)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2021

	Notes	2021 HK$'000	2020 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	**110,856**	110,439
Intangible asset		**—**	87
Deposit paid for acquisition of intangible asset	14	**—**	1,000
Rental deposits	14	**357**	—
		111,213	111,526
Current assets			
Inventories	13	**6,616**	7,360
Trade and other receivables	14	**4,407**	3,641
Tax refundable		**—**	869
Time deposits	15	**—**	11,007
Cash and bank balances		**3,911**	5,798
		14,934	28,675
Current liabilities			
Trade and other payables	16	**1,267**	1,052
Bank borrowings	17	**10,250**	12,250
Lease liabilities	19	**5,893**	511
Tax payable		**27**	—
		17,437	13,813
Net current (liabilities)/assets		**(2,503)**	14,862
Total assets less current liabilities		**108,710**	126,388

	Notes	2021 HK$'000	2020 HK$'000
Non-current liabilities			
Provision for long service payment		**428**	608
Provision for reinstatement cost		**854**	854
Bank borrowings	*17*	**40,500**	42,750
Promissory notes	*18*	**37,358**	44,724
Lease liabilities	*19*	**1,672**	940
		80,812	89,876
Net assets		**27,898**	36,512
Equity			
Share capital	*20*	**41,879**	41,879
Reserves	*21*	**(13,981)**	(5,367)
Total equity		**27,898**	36,512

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2021

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 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 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. 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 ("**BVI**").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 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 Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's consolidated financial statements, if any, are disclosed in note 2.2.

The consolidated financial statements have been prepared on the historical cost basis. The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousand ("**HK$'000**") except when otherwise indicated.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

In preparing the consolidated financial statements of the Group, the directors have given consideration to the future liquidity of the Group in light of its net loss of HK$9,142,000 incurred for the year ended 31 March 2021 and, as at that date, the Group had net current liabilities of HK$2,503,000.

The directors have reviewed the current performance and cash flow forecast prepared by management as part of their assessment of the Group's ability to continue as a going concern, and after carefully considering the matters described below, the directors have a reasonable expectation that the Group is able to continue as a going concern for at least the next twelve months from the end of the reporting period and to meet its obligations, as and when they fall due, having regard to the following:

(i) the Group generated net cash inflows from operating activities of approximately HK$9,072,000 during the year ended 31 March 2021 and expects to continue to improve its working capital management and generate sufficient cash flows to meet its liabilities as and when they fall due in the next twelve months;

(ii) at 31 March 2021, the Group had available unutilised bank facilities of HK$15,100,000;

(iii) the Group has the ability to obtain new banking and other financing facilities and has the ability to renew or refinance the banking facilities upon maturity; and

(iv) the related company, Golden Ocean International Holdings Limited ("**Golden Ocean**"), an entity controlled by the substantial shareholders of the Company, has undertaken to provide continuing financial support to the Group for a period of twelve months from the date of approval of the consolidated financial statements by the directors in order to maintain the Group as a going concern.

Consequently, the directors have concluded that the Group has adequate resources to continue in operational existence for the foreseeable future and that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern.

2.2 Changes in accounting policies and disclosures

New and amended HKFRSs that are effective for annual periods beginning on or after 1 April 2020

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 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

The adoption of the amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

Early adoption of HKFRSs

The Group has elected to early adopt the following amendment of HKFRSs on 1 April 2020 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 provides 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 applies the practical expedient to all qualifying COVID-19-Related Rent Concessions granted to the Group during the year.

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. Total rent concessions recorded for the year ended 31 March 2021 are HK$105,000 (2020: HK$72,000).

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 and related amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[5]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021[6]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related to amendments to Hong Kong interpretation 5 (2020)[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts- Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual improvements to HKFRS Standards 2018–2020[2]
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination[5]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 Effective date not yet determined
5 Effective for business combination/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022
6 Effective for annual periods beginning on or after 1 April 2021

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. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Interest Rate Benchmark Reform — Phase 2

These amendments address the accounting issues that arise when existing Interbank Offered Rate ("**IBORs**") included in financial instruments are replaced with alternative benchmark risk-free rates.

The amendments mainly affect the following areas:

- financial instruments (measured at amortised costs) where the basis for determining the contractual cash flows changes as a result of the Reform — providing a practical expedient that an entity will not have to derecognise the carrying amount of financial instruments and recognise an immediate gain or loss for changes solely arised from the Reform, but will instead revise the effective interest rate of the financial instruments;

- modifications of lease liabilities as a result of the IBOR reform ("**Reform**") — providing a similar practical expedient that lessee will remeasure the lease liability by discounting the revised lease payments using a discount rate that reflects the change in the interest rate, instead of applying the original lease modification guidance in HKFRS 16;

- additional disclosures — an entity will be required to disclose information about new risks arising from the Reform and how it manages those risks as well as additional disclosure requirements for transitioning from IBORs to alternative benchmark risk-free rates.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 are effective for the annual period beginning on or after 1 January 2021 and apply retrospectively. Earlier application is permitted. As at 31 March 2021, the Group had several Hong Kong Interbank Offered Rate bank loans and lease liabilities which may be subject to the interest rate benchmark reform. The Group expects no significant gains or losses should the interest rate benchmark for these loans change and the directors of the Group is in the process of assessing the impact of the application which may have a potential impact on the consolidated financial statements of the Group resulting from the reform on application of the amendments.

Amendments to HKAS1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"

The amendments to HKAS 1 require entities to disclose material accounting policy information instead of significant accounting policies in its financial statements. The amendments also provide some guidance on how material policy information are being identified and provide some examples of when accounting policy information is likely to be material.

In March 2021, HKICPA issued HKFRS Practice Statement 2 "Making Materiality Judgements" to provide entities with non-mandatory guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with HKFRS. HKFRS Practice Statement 2 was subsequently revised to provide guidance and examples on how to apply the concept of materiality to accounting policy disclosures.

The amendments to HKAS 1 are effective for annual reporting period beginning on or after 1 January 2023 and are applied prospectively. Earlier application is permitted. Except for the disclosures of accounting policies in note 2 may need to be revised to cope with the above changes, the directors expect that the amendments have no other material impact on the consolidated financial statements.

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.

3.1 Estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition, the ageing of the inventories and the historical experience of selling products of similar nature. Management reassess these estimates at the reporting date to ensure inventories are carried at the lower of cost and net realisable value. If the market condition was deteriorate, resulting in a lower net realisable value of such inventories, additional allowance may be required. 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 under 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. The carrying amounts of trade and other receivables at each reporting date are disclosed in note 14.

When the actual future cash flows are different from expected, such difference will impact the carrying amount of trade receivables and other receivables within the scope of ECL under HKFRS 9 and credit losses in the periods in which such estimate has been changed.

Useful lives, residual values and depreciation of property, plant and equipment

The Group determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the depreciation charge where useful lives or residual values are materially different from those previously estimated. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expenses in the future periods. The carrying amounts of property, plant and equipment at each reporting date are disclosed in note 12.

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, management make assumptions about future revenues, gross profit, operating expense and capital expenditure. 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. Details of the impairment of property, plant and equipment and right-of-use assets are disclosed in notes 12.

During the year ended 31 March 2021, the Group had incurred an impairment loss of approximately HK$475,000 (2020: HK$284,000) and HK$284,000 (2020: Nil) on property, plant and equipment and right-of-use assets respectively.

Equity settled share-based payments

The Group measures the cost of equity-settled transactions with employees, consultants and advisors 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.

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.

3.2 Critical accounting judgements

Going concern basis

As disclosed in note 2.1, the consolidated financial statements have been prepared on a going concern basis. The appropriateness of the going concern basis is assessed after taking into consideration all relevant available information about future of the Group, including the Group's cash position, its availability to obtain financing facilities and financial support from a related company to finance its continuing operations and the cash flow forecasts of the Group. Such assessment inherently involve uncertainties. Actual results could differ significantly and hence render the adoption of the going concern basis inappropriate.

Determination of the lease term in lease contracts and discount rate

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension options, or not exercise a termination option. Factors considered include:

- contractual terms and conditions for the optional periods compared with market rates (e.g. whether the amount of payments in the optional periods is below the market rates);
- the extent of leasehold improvements undertaken by the Group; and
- costs relating to termination of the lease (e.g. relocation costs, costs of identifying another underlying asset suitable for the Group's needs).

Extension options are only included in the lease term if the lease is reasonably certain to be extended, which in turn affect the carrying amounts of lease liabilities and corresponding right-of-use assets.

During the years ended 31 March 2021 and 2020, the extension options in leases of concession counters had not been included in the calculation of lease liability because the Group could replace the assets without significant cost or business disruption. The extension options in the leases of retail shops, office and car park included in leasehold land and buildings as set out in note 12, resulted in an additional amount of HK$11,814,000 (2020: Nil) of right-of-use assets included in property, plant and equipment and lease liabilities recognised.

In determining the discount rate, the Group exercised considerable judgement in relation to determining the discount rate taking into account the nature of the underlying assets and the terms and conditions of the leases, at both the commencement date and effective date of the modification.

4. REVENUE AND SEGMENT REPORTING

4.1 Revenue

	2021	2020
	HK$'000	*HK$'000*
Sales of tea products	**35,528**	36,390
Food and beverage retails	**564**	758
	36,092	37,148

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:

	2021	2020
	HK$'000	*HK$'000*
Type of customer		
— Individuals	**34,797**	35,725
— Corporate	**1,295**	1,423
	36,092	37,148

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 reportable and operating segment and assesses the operating performance and allocates the resources of the Group as a whole. Accordingly, no segment information is presented.

In light of the drop in business and revenue caused by the novel coronavirus "COVID-19" pandemic, the directors decided to cease the food and beverage retails business in current year.

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 all of the Group's non-current assets are 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 AND OTHER GAIN OR LOSS

5.1 Other income

	2021	2020
	HK$'000	*HK$'000*
Bank interest income	**57**	315
Sundry income	**17**	334
Rent concessions	**105**	72
Government subsidies *(note)*	**3,533**	—
	3,712	721

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 Loss on early repayment of promissory note

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 (2020: Nil) incurred during the year ended 31 March 2021.

6. FINANCE COSTS

	2021	2020
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**1,524**	79
Imputed interest expenses from promissory notes	**1,722**	30
Finance charges on lease liabilities	**359**	73
	3,605	182

7. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	2021	2020
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**4,720**	1,021
Depreciation of right-of-use assets	**5,592**	1,344
Total depreciation	**10,312**	2,365
Amortisation of reinstatement cost	**47**	414
Amortisation of trademark	**10**	103
Total amortisation	**57**	517
Lease charges in respect of premises		
— short term leases and leases with lease term shorter than 12 months as at initial application of HKFRS 16 as at 1 April 2019	**1,604**	11,258
— variable lease payment	**673**	329
Total lease charges	**2,277**	11,587
Auditor's remuneration	**484**	460
Cost of inventories recognised as an expense	**7,060**	7,514
Loss on disposal/write-off of property, plant and equipment	**574**	566
Write-off of intangible asset	**77**	—
Loss on early repayment of promissory note	**912**	—
Exchange losses, net	**1**	27
Provision for long service payment	**—**	132
Share-based payment	**528**	1,778
Impairment loss of property, plant and equipment	**475**	284
Impairment loss of right-of-use assets	**284**	—
Impairment loss of intangible asset	**—**	837

8. INCOME TAX EXPENSE

	2021 *HK$'000*	2020 *HK$'000*
Current tax		
Hong Kong profits tax		
— Current year	**27**	—
— Over provision in respect of prior years	**(15)**	—
Income tax expense	**12**	—

The provision for Hong Kong Profits Tax for 2021 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%. No provision for Hong Kong Profits Tax has been provided as the Group incurred taxation loss for the year ended 31 March 2020.

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

	2021 *HK$'000*	2020 *HK$'000*
Loss before income tax	**(9,130)**	(12,304)
Tax on loss before income tax at profits tax rate of 16.5% (2020: 16.5%)	**(1,506)**	(2,030)
Tax effect on two-tiered tax regime	**(8)**	—
Tax effect of non-deductible expenses	**1,661**	1,296
Tax effect of non-taxable income	**(595)**	(102)
Tax effect of temporary differences not recognised	**106**	121
Tax effect of unused tax losses not recognised	**424**	715
Utilisation of tax losses previously not recognised	**(55)**	—
Over provision in respect of prior years	**(15)**	—
Income tax expense	**12**	—

No deferred tax asset had been recognised in relation to unrecognised tax losses of approximately HK$6,567,000 (2020: HK$4,332,000) as at 31 March 2021 due to the unpredictability of future profit streams. Theses tax losses do not expire under current legislation.

9. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2021	2020
	HK$'000	*HK$'000*
Salaries, allowances and other benefits	**14,046**	15,515
Retirement scheme contributions	**510**	569
Provision for long service payment	**—**	132
Share-based payment	**432**	1,445
	14,988	17,661

10. DIVIDENDS

No dividend had been paid or declared by the Group during the years ended 31 March 2021 and 2020, 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 (2020: 360,000,000 ordinary shares) for the year ended 31 March 2021.

	2021	2020
	HK$'000	*HK$'000*
Loss for the year attributable to equity holders of the Company for the purposes of basic loss per share	**(9,142)**	(12,304)

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 2021 and 2020 was lower than 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 2019				
Cost	1,896	1,622	7,209	8,831
Accumulated depreciation and amortisation	—	(682)	(3,920)	(4,602)
Net book amount	1,896	940	3,289	6,125
Year ended 31 March 2020				
Opening net book amount	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)
Impairment loss *(note i)*	—	(284)	—	(284)
Termination of lease	(527)	—	—	(527)
Closing net book amount	106,179	797	3,463	110,439
At 31 March 2020 and 1 April 2020				
Cost	107,322	1,976	7,777	117,075
Accumulated depreciation, amortisation and impairment loss	(1,143)	(1,179)	(4,314)	(6,636)
Net book amount	106,179	797	3,463	110,439
Year ended 31 March 2021				
Opening net book amount	**106,179**	**797**	**3,463**	**110,439**
Additions	**—**	**295**	**—**	**295**
Modification of lease term *(note iii)*	**11,814**	**—**	**—**	**11,814**
Disposal	**—**	**(42)**	**(532)**	**(574)**
Depreciation/Amortisation	**(9,473)**	**(188)**	**(698)**	**(10,359)**
Impairment loss *(note i)*	**(284)**	**(171)**	**(304)**	**(759)**
Closing net book amount	**108,236**	**691**	**1,929**	**110,856**
At 31 March 2021				
Cost	**119,136**	**1,854**	**6,322**	**127,312**
Accumulated depreciation, amortisation and impairment loss	**(10,900)**	**(1,163)**	**(4,393)**	**(16,456)**
Net book amount	**108,236**	**691**	**1,929**	**110,856**

Notes:

(i) As at 31 March 2021, the property, plant and equipment were allocated to the retail shops as individual CGUs from which the sales of tea products business arose. There were certain CGUs performed below budget in the current year and thus, the Group engaged the Valuer to conduct an impairment assessment on these CGUs. The value in use calculations were based on the cash flow projections based on the latest financial budgets approved by the Company's management covering a five-year period. Management determines revenue growth rate to be a key assumption as it is the main driver for revenue and costs in each period. The revenue growth rate is based on past historical sales information, current performance, internal management plans and market available information. The pre-tax discount rate used for the calculation was 14.92% and reflects specific risks relation to the relevant business. The recoverable amount of these CGUs was approximately HK$5,498,000 as at 31 March 2021, therefore, impairment loss of approximately HK$475,000 and HK$284,000 were allocated to write down the carrying amount of the property, plant and equipment and right-of-use assets respectively.

During the year ended 31 March 2020, the Group's food and beverage retails cash generating unit (the "**Food and Beverage Retails CGU**") performed below budget, management of the Group has conducted an impairment assessment on this CGU. The value in use calculations were based on the cash flow projections based on the financial budgets approved by the Company's management as at 31 March 2020. 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, 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 Limited ("**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.

(iii) During the year ended 31 March 2021, the Group entered into modified contracts with lessors to revise the monthly rental and extend the lease terms of the leases that originally accounted for as a short-term lease to which the Group has elected to apply the short-term lease exemption during the year ended 31 March 2020. As the modification does not add the right to use one or more underlying assets, it is not accounted for as a separate lease. Accordingly, the Group recognised an additional amount of HK$11,814,000 (2020: Nil) of right-of-use assets included in leasehold land and buildings and lease liabilities respectively.

As at 31 March 2021 and 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 and 1 April 2020	1,437
Modification of lease term	11,814
Depreciation for the year	(5,592)
Impairment for the year	(284)
At 31 March 2021	**7,375**

As at 31 March 2021, leasehold land and buildings with a carrying amount of HK$100,861,000 (2020: HK$104,742,000) was pledged to secure general banking facilities granted to the Group. The details in relation to these leases are set out in note 17.

13. INVENTORIES

	2021	2020
	HK$'000	*HK$'000*
Tea leaves	**3,228**	3,317
Canned/Packed tea products for sale	**2,178**	2,498
Tea wares	**398**	404
Other raw materials	**—**	61
Sundries and packaging materials	**812**	1,080
	6,616	7,360

14. TRADE AND OTHER RECEIVABLES

	2021	2020
	HK$'000	*HK$'000*
Trade receivables	**982**	499
Less: ECL allowance	**—**	—
	982	499
Deposits, prepayments and other receivables		
Rental and other deposits	**3,004**	3,581
Other receivables	**—**	184
Prepayments	**778**	377
Less: ECL allowance	**—**	—
	4,764	4,641
Less: non-current portion		
Deposit paid for acquisition of intangible asset	**—**	(1,000)
Rental deposits	**(357)**	—
	4,407	3,641

The directors consider that the fair values of trade and other receivables are not materially different from their carrying amounts and the ECL 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 (2020: 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:

	2021	2020
	HK$'000	*HK$'000*
0 – 30 days	**862**	342
31 – 60 days	**88**	55
61 – 90 days	**27**	86
Over 90 days	**5**	16
	982	499

15. TIME DEPOSITS

There was no time deposit as at 31 March 2021. As at 31 March 2020, the time deposits earn interest 1.58% to 2.03% per annum and have maturity period of 365 days.

16. TRADE AND OTHER PAYABLES

	2021	2020
	HK$'000	*HK$'000*
Trade payables	**361**	64
Accrued charges and other payables	**906**	988
	1,267	1,052

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

	2021	2020
	HK$'000	*HK$'000*
0 – 30 days	**361**	64

All amounts are short-term and hence the carrying amounts of trade and other payables are considered to be a reasonable approximation of fair values.

17. BANK BORROWINGS

	2021	2020
	HK$'000	*HK$'000*
Carrying amount repayable:		
Within one year	**10,250**	12,250
In the second year	**2,250**	2,250
In the third to fifth years	**6,750**	6,750
After the fifth year	**31,500**	33,750
	50,750	55,000
Less: carrying amount of bank loans 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)	**(8,000)**	(10,000)
Less: amounts shown under current liabilities	**(2,250)**	(2,250)
Amounts shown under non-current liabilities	**40,500**	42,750
Secured *(note i)*	**42,750**	45,000
Unsecured *(note ii & iii)*	**8,000**	10,000
	50,750	55,000

Notes:

(i) At 31 March 2021 and 2020, the balances were secured by certain property, plant and equipment as set out in note 12.

(ii) At 31 March 2021, the amount of HK$3,000,000 (2020: HK$10,000,000) included in the unsecured borrowings were guaranteed by certain subsidiaries of the Company.

(iii) At 31 March 2021, the amount of HK$5,000,000 (2020: Nil) included in the unsecured borrowings were guaranteed by Hong Kong Special Administrative region ("**HKSAR**") under SME Financing Guarantee Scheme and personal guarantees given by Chan Shu Yuen, Chan Kwong Yuen, Chan Kun Yuen and Chan Tat Yuen, the controlling shareholders of the Group.

The effective interest rates range from 2.13% to 3% (2020: 3.00% to 4.02%) per annum.

18. PROMISSORY NOTES

	2021	2020
	HK$'000	*HK$'000*
At beginning of year	**44,724**	—
Fair value of promissory notes issued at the inception date	**—**	44,694
Imputed interest charged *(note 6)*	**1,722**	30
Loss on early repayment of promissory notes *(note 5.2)*	**912**	—
Repayment of promissory notes	**(10,000)**	—
At end of year	**37,358**	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 to Chan Sing Hoi Enterprises 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% per annum 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.

19. LEASE LIABILITIES

	2021	2020
	HK$'000	*HK$'000*
Total minimum lease payments:		
Due within one year	**6,058**	558
Due in the second to fifth years	**1,719**	988
	7,777	1,546
Future finance charges on leases liabilities	**(212)**	(95)
Present value of leases liabilities	**7,565**	1,451

	2021	2020
	HK$'000	*HK$'000*
Present value of minimum lease payments:		
Due within one year	**5,893**	511
Due in the second to fifth years	**1,672**	940
	7,565	1,451
Less:		
Portion due within one year included under current liabilities	**(5,893)**	(511)
Portion due after one year included under non-current liabilities	**1,672**	940

As at 31 March 2021 and 2020, lease liabilities amounted to HK$7,565,000 (2020: HK$1,451,000) are effectively secured by the related underlying assets as the rights to the leased asset would be reverted to the lessor in the event of default by repayment by the Group. During the year ended 31 March 2021, the total cash outflows for the leases are HK$8,231,000 (2020: HK$12,906,000).

20. SHARE CAPITAL

	As at 31 March 2021		As at 31 March 2020	
	Number of shares	**Share capital**	Number of shares	Share capital
		HK$'000		*HK$'000*
Issued and fully paid:				
At 31 March 2020 and 2021	**360,000,000**	**41,879**	360,000,000	41,879

21. RESERVES

(a) Capital reserve

It represents the excess of nominal value of shares of Ying Kee Tea Company Limited ("**Ying Kee**") over the nominal value of shares allotted by the Company arising from reorganisation.

(b) Contribution reserve

It represents the deemed contribution by controlling shareholders through Chan Sing Hoi Enterprises, in the issuance of non-interest bearing promissory notes to Chan Sing Hoi Enterprises in the prior year, details of which are set out in note 18. The contribution reserve represents the difference between the fair value of assets acquired and the fair value of the non-interest bearing promissory notes issued.

22. 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 and advisers ("**participants**") of the Group, including directors of any companies in the Group, to take up options at nil consideration for each participant to subscribe for shares of the Company. 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:

Directors and other employees	**2021**		2020	
	Number	**Exercise price per share**	Number	Exercise price per share
	'000	***HK$***	*'000*	*HK$*
Outstanding at 1 April	**26,050**	**0.189**	—	0.189
Granted	**—**	**0.189**	26,800	0.189
Lapsed	**(650)**	**0.189**	(750)	0.189
Outstanding at 31 March	**25,400**	**0.189**	26,050	0.189

Consultants and advisers	**2021**		2020	
		Exercise price		Exercise price
	Number	**per share**	Number	per share
	'000	***HK$***	*'000*	*HK$*
Outstanding at 1 April	**5,500**	**0.189**	5,500	0.189
Granted	**—**	**0.189**	—	0.189
Lapsed	**—**	**0.189**	—	0.189
Outstanding at 31 March	**5,500**	**0.189**	5,500	0.189

Notes:

(i) On 9 September 2019, the Company granted 32,300,000 share options to certain of its participants for HK$1 consideration per personal at an exercise price of HK$0.189 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. During the year ended 31 March 2021, 650,000 (2020: 750,000) share options were lapsed, resulting in a transfer of HK$47,000 (2020: Nil) from share option reserve to accumulated losses. No share option was exercised during the year ended 31 March 2021 and 2020.

In total, HK$528,000 of share-based compensation expense has been recognised in profit or loss for the year ended 31 March 2021 (2020: HK$1,778,000) and the corresponding amount of which has been credited to share option reserve. No liabilities were recognised due to share-based payment transactions.

23. INTERESTS IN SUBSIDIARIES

Details of the Company's subsidiaries as at 31 March 2021 and 2020 were as follows:

Company name	Place of incorporation	Issued and paid up capital	Percentage of equity interest directly held by the Company		Principal activities
			2021	2020	
Ying Kee	Hong Kong	HK$1,000,000	**100%**	100%	Retail trading of tea products
iTea. Ying Kee Limited	Hong Kong	HK$1	**100%**	100%	Distribution of food and beverage products
New Vantage (Hong Kong) Limited	Hong Kong	HK$1	**100%**	100%	Trademark holding
Sing Hoi Properties Limited	Hong Kong	HK$10,000	**100%**	100%	Property holding
Union Lucky Limited	Hong Kong	HK$1	**100%**	100%	Property holding

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operational Review

For the year ended 31 March 2021, the Group continued to go through a distressed retail environment from 1 April 2020 to 31 March 2021, leading to the negative growth throughout the year.

The outbreak of the COVID-19 pandemic from January 2020 to the date of this announcement continued to have a phenomenal impact on the contraction of retail turnover. With the government's tightening of rules on gathering and outdoor restrictions to prevent acquiring the novel coronavirus, our shops and concession counters shortened business hours, thus reducing sales.

The Group's tea-related beverage store in Tsim Sha Tsui under the brand "iTea", which commenced business in April 2019 as an effort of the Group to diversify its business from the traditional retail of tea leaves, ceased its operation with effect from 31 March 2021 due to the drop in business and revenue caused by the COVID-19 outbreak since January 2020.

Financial Review

Revenue, gross profit and net loss

The consolidated revenue of the Group for the Reporting Year reached approximately HK$36.1 million (2020: HK$37.1 million), representing a decrease by 2.7%. The gross profit for the year amounted to approximately HK$27.8 million (2020: HK$28.4 million), decreasing by 2.1% year-on-year. Gross profit margin was 77.0% (2020: 76.5%), which is slightly higher than that of last year. Net loss for the Reporting Year was approximately HK$9.1 million (2020: Net loss of HK$12.3 million). The loss for the Reporting Year was mainly due to the continuation of the COVID-19 pandemic and changes in and addition of accounting treatments for certain items, including but not limited to the introduction of HKFRS 16 on lease and its amendments, 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$2.54 cents (2020: loss per share of HK3.42 cents) for the Reporting Year.

Segmental Information

For the Reporting Year, tea leaves were still the predominant products sold with a percentage of 92.6% of total revenue (2020: 88.5%). Tea wares, tea gift sets and beverage recorded percentage of 2.7%, 3.2% and 1.5% respectively of total revenue (2020: 4.1%, 5.4% and 2.0% 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 40.1% (2020: 37.0%), 24.4% (2020: 22.4%) and 10.6% (2020: 12.1%) respectively.

Other Income

Bank interest income decreased from approximately HK$0.3 million for the year ended 31 March 2020 to approximately HK$57,000 for the Reporting Year due primarily to the reduction of time deposit from approximately HK$11.0 million to Nil.

Sundry income, majority of which was proceeds from the Hong Kong Government under the Retail Sector Subsidy Scheme and Government Grant — Employment Support Scheme, increased from approximately HK$17,000 for the year ended 31 March 2020 to approximately HK$3.7 million for the Reporting Year.

Selling and distribution costs

For the Reporting Year, the costs on selling and distribution amounted to approximately HK$1.6 million (2020: HK$1.6 million), remaining stable as compared to that of the year ended 31 March 2020.

Administrative expenses

The following expenses were either increased or decreased for the year ended 31 March 2021 relative to those for the year ended 31 March 2020 because of the followings:

1. Depreciation of property, plant and equipment increased by 370.0% from approximately HK$1.0 million to approximately HK$4.7 million due to depreciation arisen from acquisition of the two properties in previous year;

2. The new accounting standards HKFRS 16 Leases and additional amendments included depreciation on the right of use of leased assets increased approximately by 330.8% from approximately HK$1.3 million to approximately HK$5.6 million;

3. Staff benefits decreased by 16.7% from approximately HK$0.6 million to approximately HK$0.5 million because of reduction of head count;

4. Staff salaries decreased by 10.6% from approximately HK$12.3 million to approximately HK$11.0 million for reduction of head count;

5. Rent on shops and booths decreased by 73.1% from approximately HK$11.9 million to approximately HK$3.2 million because of the rent concession, acquisition of two shops and new accounting stantards HKFRS 16 Leases;

6. Share option expenses decreased by 72.2% from approximately HK$1.8 million to approximately HK$0.5 million; and

7. Impairment loss increased to approximately HK$0.5 million (2020: HK$0.3 million) and approximately HK$0.3 million (2020: Nil) on property, plant and equipment and right-of-use assets respectively.

Finance costs

For the year ended 31 March 2021, the finance costs, which were basically bank borrowing interest, finance lease interest, imputed interest expense from promissory notes were in the aggregate of approximately HK$3.6 million (2020: HK$0.2 million). The reason for the increase was because of the secured mortgage loans and promissory note used to acquire the two properties. The two properties acquired were collateralised to the borrowing bank with some restrictive covenants.

Carrying value of acquired properties as at 31 March 2021	HK$100.9 million
Bank borrowings secured by the properties as at 31 March 2021	HK$42.8 million

Inventory control

The net carrying value of the Group's inventories was approximately HK$6.6 million (2020: HK$7.4 million) as at the end of the Reporting Year.

Main reason for keeping the inventory level lower was due to management's decision not to over-stock during a period of uncertainty.

The Board closely monitored the inventory level and movements during the year ended 31 March 2021 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 increased from approximately HK$3.6 million for the year ended 31 March 2020 to approximately HK$4.4 million, increased by approximately HK$0.8 million or 22.2%. The increase was primarily due to the increase in credit sales. As at 31 March 2021, rental and other deposits decreased by approximately HK$0.8 million or 16.7% to approximately HK$3.0 million from approximately HK$3.6 million as at 31 March 2020.

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 2021, the Group's net current liabilities amounted to approximately HK$2.5 million (2020: net current assets HK$14.9 million) which decreased by approximately HK$17.4 million or 116.8% mainly due to decrease in time deposits, cash and bank balances and substantial increase in lease liabilities. Cash and bank balances amounted to approximately HK$3.9 million (2020: HK$5.8 million), representing a decrease of approximately HK$1.9 million or 32.8%, compared with that at 31 March 2020.

There was no time deposits as at 31 March 2021, decreased by approximately HK$11.0 million or 100%, as compared to approximately HK$11.0 million as at 31 March 2020.

Trade and other payables

As at 31 March 2021, trade and other payables increased from approximately HK$1.1 million for the year ended 31 March 2020 to approximately HK$1.3 million, increased by approximately HK$0.2 million or 18.2%. The increase was not significant as compared to that of the previous year.

Charge of Group's Assets

As at the end of the Reporting Year, the Group had 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, Wanchai, 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 year ended 31 March 2021.

Significant Investment

There was no significant investment during the year ended 31 March 2021 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 2021.

Capital Structure

The shares of the Company were listed on GEM of the Stock Exchange on 16 April 2018. There has been no change in the capital structure of the Group since then and share capital of the Group only comprises ordinary shares. As at 31 March 2021, the Company had 360,000,000 ordinary shares in issue.

Equity

Equity attributable to owners of the Company amounted to approximately HK$27.9 million as at 31 March 2021 (2020: HK$36.5 million), representing a decrease of HK$8.6 million or 23.6%.

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 approximately RMB2,000 (2020: RMB331,000). For payment of purchases in Renminbi or US Dollars, the Directors considered the foreign exchange exposure was fairly covered as purchases in Renminbi represented 14.3% (2020: 7.3%) of the total purchase whereas there was no purchase in US Dollars in the Reporting Year (2020: 3.1%).

Employees and Remuneration Policies

As at 31 March 2021, the Group had 56 employees (2020: 71 employees) working in Hong Kong. Employees are remunerated based on their qualifications, position and performance. The remuneration offered to employees generally includes salaries, allowances and discretionary bonus. Various training was provided to the employees. The total staff costs including remuneration of Directors, mandatory provident funds contributions and provision for long services payment for the year ended 31 March 2021 and 2020 amounted to approximately HK$14.6 million and approximately HK$16.2 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 2021, there was no share options granted to Directors and employees (2020: HK$1.4 million).

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 March 2021 (2020: Nil).

Commitments

The contract commitments mainly involve rental payable by the Group in respect of certain shops, concession counters, office and warehouse premises under operating leases arrangements. As at 31 March 2021, the Group's operating lease commitments were approximately HK$0.2 million after re-classification under the new release of HKFRS 16 and relevant amendments (2020: HK$1.4 million). Other contractual commitments as at 31 March 2021 amounted to approximately HK$0.1 million (2020: HK$0.4 million).

Dividends

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

During the year ended 31 March 2021, the Group declared no interim dividend (2020: Nil) to the shareholders.

Gearing Ratio

As at 31 March 2021, the gearing ratio of the Group stood at 352.2% (2020: 284.0%). The huge increase was mainly due to the mortgage and revolving bank loans and decrease in equity as a result of accumulated loss over the Reporting Year.

Capital Expenditure

For the year ended 31 March 2021, the Group's capital expenditure amounted to approximately HK$0.3 million (2020: approximately HK$108.5 million), mainly for machinery and equipment.

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 concession 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, of which approximately HK$24.6 million had been utilised as of 31 March 2021.

During the Reporting Year, the Group announced a change in use of proceeds and allocated additional unutilized net proceeds as general working capital to enable the Group to have higher flexibility in responding to the uncertainty in the retail market in a more effective way due to the fallout from the COVID-19 pandemic.

As at 31 March 2021, the Group's planned application and actual utilization of the net proceeds is set out below:

Use of Proceeds	**Planned applications before change of use of proceeds in July 2020**	**Planned applications after change of use of proceeds in July 2020**	**Actual usage up to 31 March 2021**	**Unutilized net proceeds as at 31 March 2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Opened new retail points in Hong Kong	12,551	6,056	6,056	—
Enhanced management capability and efficiency through improvement of information system	3,377	3,377	2,734	643
Expanded human resources	655	655	655	—
Repaid bank loan	3,780	3,780	3,780	—
Renovation of office and warehouse	2,420	1,371	1,371	—
General working capital	2,420	9,964	9,964	—
Total	25,203	25,203	24,560	643

Comparison of Business Objectives with Actual Business Progress

An analysis comparing the business objectives of the Group as set out in the Prospectus and the announcement of change in use of proceeds dated 22 July 2020, with the Group's actual business progress for the year ended 31 March 2021 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. As at 31 March 2021, HK$6.1 million of the fund available had been utilised. The unutilised portion has been reallocated to general working capital of which approximately HK$6.5 million has been utilised.
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. As at 31 March 2021, HK$2.7 million of the fund available had been used.
Expand our human resources	
• Payment of salary for the accounting officer	All of the HK$655,000 had been used to recruit accounting personnel.

Business objectives	Actual Business Progress
Repay bank loan	
• Repay outstanding loan under the banking facilities with a bank	100% of fund available had been used as at 31 March 2021.
Renovation of our office and warehouse	
• Payment for renovating our office and warehouse in Siu Sai Wan	Approximately HK$1.4 million, being approximately 56.7% of fund available for renovation of office and warehouse in the amount of approximately HK$2.4 million had been used. Renovation has been completed. The unutilized portion has been reallocated to general working capital of which approximately HK$1.0 million had been utilised as at 31 March 2021.

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 banking facilities, which include but not limited to term loan secured by the two properties owned by the Group and revolving loan secured by the Group's inventories. The borrowing rates were rather stable during the year ended 31 March 2021 and posed no material risks. The Group's policy is to manage its interest expense to 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 funds generated from operations.

Please refer to note 28 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

The Group's tea-related beverage store in Tsim Sha Tsui under the brand "iTea", which commenced business in April 2019 as an effort of the Group to diversify its business from the traditional retail of tea leaves, ceased its operation with effect from 31 March 2021 due to the drop in business and revenue caused by the novel coronavirus (COVID-19) outbreak since January 2020.

As at the date of this announcement, the Group repudiated from the contract with the software provider as it could not deliver the Enterprise Resource Planning (the "**ERP**") system and Point-of-sales ("**POS**") system according to the contract delivery date without bugs. Legal action had been proceeded to claim for costs and damages. As at the date of this announcement, the Board has no knowledge of the outcome of the dispute.

Save as disclosed elsewhere in this announcement, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2021 and up to the date of this announcement.

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES AND COMPLIANCE

The Group is committed to maintaining 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 2020 to 31 March 2021) ("**Period Under Review**"), the Company has complied, to the extent applicable and permissible, with the code provisions as set out in the CG Code, save for the deviation from code provision A.6.7.

Under code provision A.6.7 of the CG Code, independent non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Two independent non-executive directors were absent from the Company's annual general meeting held on 18 September 2020 due to other business commitments.

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

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 2021 (31 March 2020: 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 2021 at a meeting held on 28 June 2021, 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 2021 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 Friday, 27 August 2021. For details of the AGM, please refer to the Notice of AGM which is expected to be published in June 2021.

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

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed 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 Elstone, 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 2021 and up to the date of this announcement.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 23 August 2021 to Friday, 27 August 2021 (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 Friday, 20 August 2021.

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 2021 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, 29 June 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.