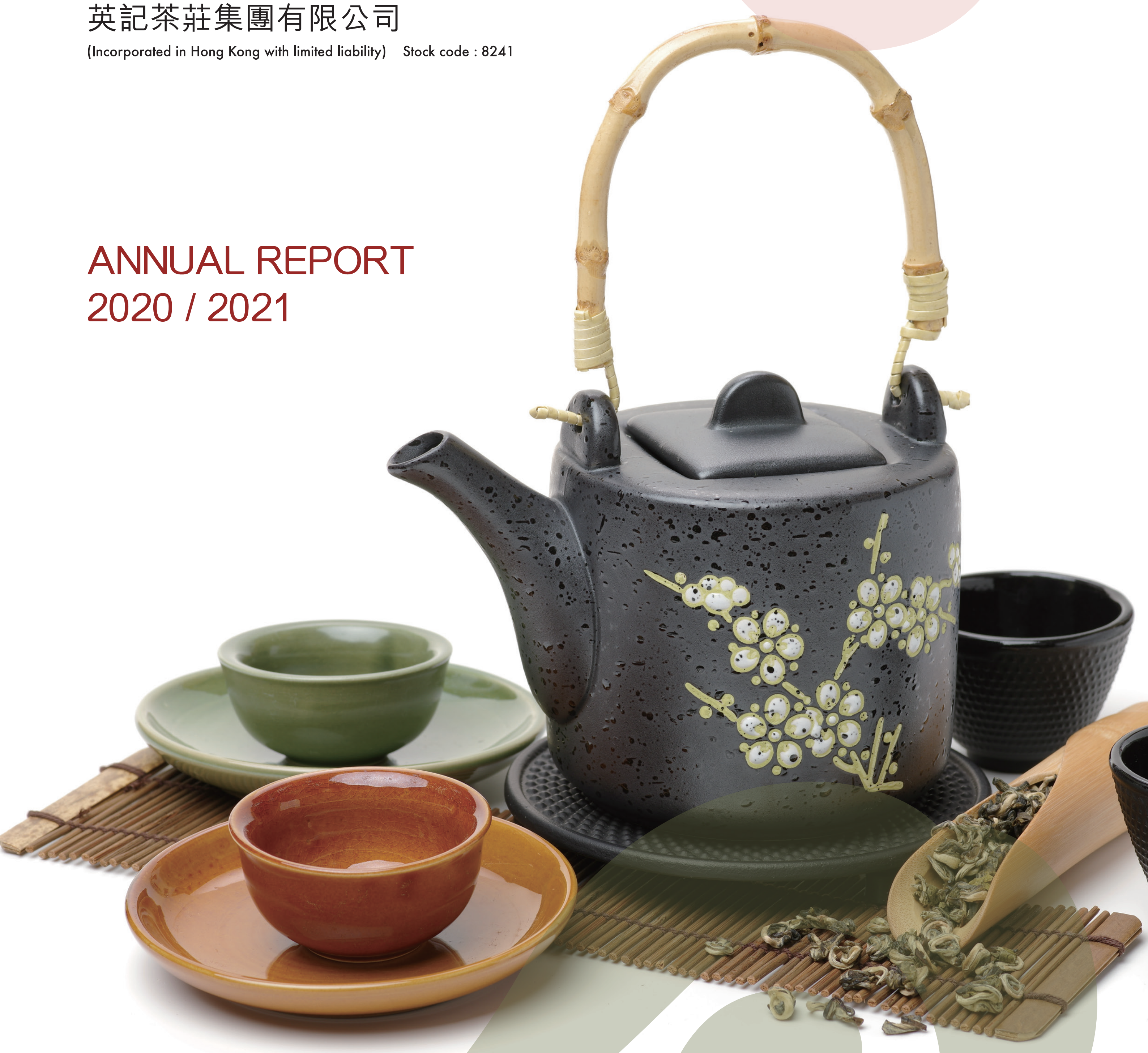
英記茶莊
YING KEE TEA HOUSE

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

ANNUAL REPORT
2020 / 2021



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CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chan Kwong Yuen *(Chairman)*
Mr. Chan Kun Yuen *(Chief Executive Officer)*
Mr. Chan Shu Yuen

Independent Non-executive Directors

Mr. Siu Chi Ming
Mr. Lee Wai Ho
Mr. Wong Chee Chung

COMPANY SECRETARY

Mr. So Stephen Hon Cheung

AUTHORISED REPRESENTATIVES

Mr. Chan Kun Yuen
Mr. So Stephen Hon Cheung

COMPLIANCE OFFICER

Mr. Chan Kun Yuen

AUDIT COMMITTEE

Mr. Siu Chi Ming *(Chairman)*
Mr. Lee Wai Ho
Mr. Wong Chee Chung

REMUNERATION COMMITTEE

Mr. Wong Chee Chung *(Chairman)*
Mr. Siu Chi Ming
Mr. Lee Wai Ho
Mr. Chan Kwong Yuen
Mr. Chan Kun Yuen

NOMINATION COMMITTEE

Mr. Lee Wai Ho *(Chairman)*
Mr. Siu Chi Ming
Mr. Wong Chee Chung
Mr. Chan Kwong Yuen
Mr. Chan Kun Yuen

REGISTERED OFFICE

8/F., Wah Shing Centre
5 Fung Yip Street
Siu Sai Wan, Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

8/F., Wah Shing Centre
5 Fung Yip Street
Siu Sai Wan, Hong Kong

COMPLIANCE ADVISER

Elstone Capital Limited
Suite 1612, 16/F, West Tower, Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

LEGAL ADVISER AS TO HONG KONG LAW

Nixon Peabody CWL
5th Floor, Standard Chartered Bank Building
4-4A Des Voeux Road Central
Hong Kong

PRINCIPAL BANKERS

OCBC Wing Hang Bank Limited
161 Queen's Road Central
Hong Kong

China Construction Bank (Asia)
3/F., CCB Tower
3 Connaught Road Central
Hong Kong

Hang Seng Bank Limited
Room 1201–06, 12/F
18 Carnarvon Road
Tsimshatsui, Kowloon
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

INDEPENDENT AUDITOR

Grant Thornton Hong Kong Limited
12/F., 28 Hennessy Road
Wanchai
Hong Kong

STOCK CODE

8241

WEBSITE OF THE COMPANY

www.yingkeetea.com

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Dear Stakeholders,

On behalf of the board of directors (the "**Board**") of Ying Kee Tea House Group Limited, I am pleased to present the annual report of Ying Kee Tea House Group Limited (and its subsidiaries collectively the "**Group**") for the year ended March 31, 2021.

OVERVIEW

The Group had undergone another year of difficulty caused by the Novel Coronavirus ("**COVID-19**") pandemic that had spread globally. Revenue of the Group recorded an aggregate of approximately HK$36.1 million for the year ended 31 March 2021, as compared to approximately HK$37.1 million for the year ended 31 March 2020, a slight decrease of 2.7%. For this reason, the Board was committed to further reduce expenses and capital expenditure in order to minimize loss and maximize cash in-flow from operations. After careful consideration, the Board decided to discontinue the business of iTea, a subsidiary which offered retail sale of tea beverage and recorded losses in two consecutive years. The cessation of business of iTea would cut loss and improve cashflow of the Group in the succeeding years. However, the immediate effect would create impairment on fixed assets for the current year. The Board expected that the cessation of business would eliminate building management fees, salaries, purchases of materials, utilities, rent and rates once and for all which in turn would relieve the financial burden of the Group. The Board will continue to restrain costs incurred in the Group, including but not limited to requesting concession on rent, cutting down discretionary expenses like advertising, staff year-end bonus, entertainment expenses and lowering of professional fees when new mandate renewed. Commencing 1 April 2021, the Group, through its subsidiary, Ying Kee Tea Company Limited (the "**Ying Kee**"), has 11 retail shops and concession counters selling more than 80 products.

The Board will ensure a prudent cashflow control and monitor management and operations carefully for better liquidity and sustainability. Senior management will ascertain a team of efficient and effective human resource to streamline the operation procedures. Consequently, the head count was reduced to an adequate level for the aim of balancing sales loss and staff redundancy for the year ended 31 March 2021.

The Group recorded a net loss attributable to the owners of the Group of approximately HK$9.1 million for the year ended 31 March 2021, while the net loss in previous year was approximately HK$12.3 million. Indirect sales through the website HKTV Mall increased drastically to compensate part of the loss of sales in conventional shops and concession counters. Notwithstanding the reduction in sales volume, there was no material disruption to the production chain and processing activities during the year ended 31 March 2021.

OUTLOOK

Net proceeds from issue of new shares of the Company at the time of its listing on GEM after deducting corresponding fees, commission and expenses totalled to approximately HK$25.2 million, of which approximately HK$24.6 million had been utilized as of 31 March 2021. Up to the date of this annual report, we have incurred approximately HK$2.7 million to revamp the existing information system in the areas of accounting, procurement, customer relationship management and inventory. The remaining proceeds unutilized in relation to opening new retail shops of approximately HK$6.5 million and renovation of office and warehouse of approximately HK$1.0 million had been reallocated to general working capital as disclosed in the announcement on 22 July 2020. As at the date of this annual report, 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 annual report, the Board has no knowledge of the outcome of the dispute. The Board is of the opinion that working capital of the Group is adequate to surmount the present economic hardship.

APPRECIATION

Finally, on behalf of the Board, I would like to offer my appreciation and gratitude to our shareholders, business associates, customers and suppliers for their faithful support and confidence in the Group, especially to our colleagues for their dedication and effort, which is crucial in the era of anxiety caused by the COVID-19 pandemic. In the upcoming year, we will continue to monitor the operation with due care and diligence to guide our business back to the normal track.

Yours sincerely,

Chan Kwong Yuen
Chairman of the Board
Hong Kong, 29 June 2021

MANAGEMENT DISCUSSION AND ANALYSIS

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 annual report 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 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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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 has 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 HK$'000	Planned applications after change of use of proceeds in July 2020 HK$'000	Actual usage up to 31 March 2021 HK$'000	Unutilized net proceeds as at 31 March 2021 HK$'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 • Recruit sales staff for new shop and payment of salary	The Company opened one beverage shop in Tsim Sha Tsui ("**Shop 13**") during the year ended 31 March 2020. 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 has been utilised. The unutilised portion has been reallocated to general working capital of which approximately HK$6.5 million has been ultilised.
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 has been used.
Expand our human resources	
• Payment of salary for the accounting officer	All of the HK$655,000 has been used to recruit accounting personnel.
Repay bank loan	
• Repay outstanding loan under the banking facilities with a bank	100% of fund available has been used 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 has been used. Renovation has been completed. The unutilized portion has been reallocated to general working capital of which approximately HK$1.0 million has 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 annual report, 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 annual report, the Board has no knowledge of the outcome of the dispute.

Save as disclosed elsewhere in this annual report, 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 annual report.

OBJECTIVES

The Board is pleased to present the Environmental, Social and Governance ("**ESG**") Report for the year ended 31 March 2021.

This Report is prepared with a view to complying with the "comply or explain" provisions of the Environmental, Social and Governance Reporting Guide as set out in Appendix 20 to the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

STRATEGY, MANAGEMENT APPROACH AND PRIORITIES

The Group is principally engaged in the retail trading of tea products, including Chinese tea leaves, tea wares and tea gifts set. In view of the abrupt turbulent retail environment arisen by the COVID-19 pandemic, the Group focused mainly on its business of tea products, food and beverage in Hong Kong for the Reporting Year. The scope of ESG in the Reporting Year is same as that for the year ended 31 March 2020. The Group is committed to the long-term sustainability of the employment and labour practices, operating practices and communities as part of its business strategy.

The Board has overall responsibility for evaluating and determining the Group's ESG-related risks, and overseeing the management in the design, implementation and monitoring of the risk management and internal control systems to address the ESG-related issues. The management of the Group prioritises food safety, product responsibility and employee rights and obligations in the tea industry as key aspects of its sustainability management. In view of capricious outbreak of the COVID-19 in Hong Kong, employee health and safety was top priority as highly material ESG-related issues. Effective internal control systems and procedures on these areas were reinforced with a view to enhancing efficiency of operation and generating the environmental and social benefits to the stakeholders.

STAKEHOLDERS ENGAGEMENT

The Group recognises the expectation and feedback from their stakeholders are vital to sustainable development of the Group. Therefore, the Group maintains regular engagement and opens dialogues with its stakeholders through various communication channels to understand their concerns in order to promote and adjust the direction of sustainable development. The Group's key stakeholders, communication channels, their interests and concerns are set out below.

Stakeholder Group	Communication Channels	Interests and Concerns
Employees	• Regular performance evaluations • Training • Team meetings • Internal email	• Career development • Remuneration and benefits • Equal opportunities • Working environment in health and safety
Shareholders and Investors	• Annual General Meeting and other shareholders meetings • Annual Reports, Interim Reports, Circulars and Announcements	• Business strategies • Sustainable operations • Financial performance • Corporate governance
Customers	• Corporate website • Hotline and email • In-person meeting • Social media platforms	• Products and services quality, food safety in particular • Customer data and privacy protection • Responsible marketing
Suppliers	• Regular performance evaluations • Site visits	• Payment schedule • Fair and open selection process • Business integrity and ethics
Industries players	• Collaboration	• Fair competition • Industry development
Governmental regulators	• Annual Reports, Interim Reports, Circulars and Announcements	• Performance in compliance with relevant laws and regulations • Business integrity and ethics
Community	• Donations and participation • Social media platforms	• Business integrity and ethics • Environmental protection • Community engagement

A. ENVIRONMENTAL

A1. Emissions

The production activities of the Group mainly involve blending, packaging and deliveries. These activities produce minimal air pollutants and greenhouse gases from the use of vehicles and purchased electricity.

Notwithstanding that the production has remote impact on the environment, the Group encourages employees to take the initiatives to participate in various emission reduction and energy saving measures, including electricity preservation.

In addition, the Group closely follows the laws and regulations relating to environmental protection in Hong Kong. For instance, the Group complies with the Air Pollution Control Ordinance so as to address the emission of air pollutants and greenhouse gases which leads to acid rain and also global warming.

During the Reporting Year, no incidents where fines nor penalties were imposed for non-compliance of environmental regulations upon the Group.

Air pollutants, such as nitrogen oxides ("**NOx**"), Sulphur oxides ("**SOx**") etc., are generated from transportation directly. The data of air pollutants emission during the Reporting Year was not available to the Group as the transportation has been outsourced to the third-party providers.

During the Reporting Year, the greenhouse gas emission and its intensity indirectly derived from the purchased electricity are as follows:

Description	Emission & Intensity 2021	2020
Consumption of Purchased Electricity (A)	**195,268 kWh**	210,158 kWh
Carbon Dioxide (CO_2) Emission (B)	**107.954 tonnes**	136.294 tonnes
Area of Office, Factory Premise and Retail Shops (C)	**14,631 sq. ft.**	14,901 sq. ft.
CO_2 Emission Intensity per Office and Factory Premises Area (D = B/C)	**7 kg/sq. ft.**	9 kg/sq. ft.

Given the nature of the business, the processing of tea products has remote impact on discharge into water and land, and does not produce any material hazardous and non-hazardous wastes that cause significant impact to the environment.

A2. Use of Resources

Electricity, water and paper are the primary resources used within the Group. The Group is actively strengthening its management of resources with an aim to improve the resource efficiency in a cost-effective manner.

Energy conservation is being adopted to promote efficient usage of resources and reduction in air emission. The Group encourages employees in saving electricity throughout daily operations in office and retail shops, such as switching lights to energy-saving LED lightings; switching off all idle lights, computers, air-conditioners and other office equipment when they are not in use.

The Group has also adopted conservation of water and paper, such as reminding employees to "turn off the tap" after using; printing and photocopying on both sides of paper; sending documents electronically; use of recycled papers; shredding waste paper and returning to paper-recycling company etc., in order to reduce excessive use of resources.

During the Reporting Year, the usage of electricity, water and paper and their intensity of the Group are disclosed in the following table:

Description	Purchased Electricity 2021	Purchased Electricity 2020	Water 2021	Water 2020	Paper 2021	Paper 2020
Resources Consumption (A)	**195,268 kWh**	210,158 kWh	**772 m^3**	726 m^3	**52,500 piece**	55,000 piece
Area of Office & Factory Premise and Retail Shops (B)	**14,631 sq. ft.**	14,901 sq. ft.	**13,156 sq. ft.**	13,156 sq. ft.	**10,562 sq. ft.**	10,562 sq. ft.
Intensity (C = A/B)	**13 kWh/sq. ft**	14 kWh/sq. ft.	**0.06 m3/sq. ft.**	0.06 m3/sq. ft.	**5 piece/sq. ft.**	5 piece/sq. ft.

Despite a slight increase in water consumption due to more frequent cleaning in workplace to ensure healthy and safe working environment, the overall usage of resources was decreased because of the slowdown of the Group's business activities under the COVID-19 pandemic during the Reporting Year.

As the operation of the Group is based in Hong Kong, the management believes that there is no material issue in sourcing water for operation.

The Group was engaged in the industry of packaged branded Chinese tea and retail of food and beverages for the Reporting Year. A variety of tea products specifications, food and drinks requires different packaging.

A control mechanism has been putting in place to monitor the inventory levels and to minimise obsolete inventory, including the package materials. In response to social concerns about plastic pollution in beverages, the Group supports customers to bring their own reusable tumblers or mugs and drink without straw.

Due to the packing materials are light and in a wide range, the consumption of packing materials in terms of weight is not available. The main types and usage unit of packing materials during the Reporting Year are as follows:

Type of Package Materials		Amount of Unit 2021	2020
Paper	Bags	**108,136**	120,865
	Cups	**2,000**	6,794
	Others	**7,063**	3,265
Plastic	Bags	**16,467**	11,863
	Cups	**13,000**	52,955
Aluminium foil		**2,915**	3,340
Gift boxes		**3,076**	2,296

The pandemic of COVID-19 and series of strict social distancing measures imposed have impaired the consumer sentiment and stifled customer traffic. The demand for the Group's food and beverage products has reduced under this stressful environment. Hence, during the Reporting Year, the overall consumption of package materials decreased.

A3. The Environment and Natural Resources

By the nature of the business, the management considers that the operation of the Group does not cause any significant impact on the environment and natural resources.

B. SOCIAL

(i) Employment and Labour Practices

B1. Employment

The management understands the importance of maintaining a good relationship with employees. Policies of Human Resource Management and Employee Handbook have been established to create better working environment and to protect the basic rights of the employees.

All employees are treated fairly in regards to recruitment, training and development, appraisal of work performance, promotion and transfers, remuneration and benefits.

The Group aims to provide equal employment opportunity which is free from any form of discrimination or harassment, regardless of age, gender, race, religion, disability, political stance and marital status.

The Group provides competitive remuneration and benefits to employees in the market. Apart from basic salary and welfare, the Group offers extra benefit including night shift, commission and bonus, marriage and compassionate leave.

All levels of staff are appraised annually based upon the same performance criteria. Bonus, salary increment and promotion are determined in accordance with the results of the staff appraisal.

The Group conforms to the relevant laws and regulations in Hong Kong, including the Employment Ordinance, Mandatory Provident Fund Schemes Ordinance, Occupational Safety and Health Ordinance, Minimum Wage Ordinance and Employees' Compensation Ordinance. During the Reporting Year, no material and significant disputes between the Group and the employees were occurred.

B2. *Health and Safety*

The Group is committed to providing a workplace free from injury and illness through an effective procedures and practice on occupational health and safety.

A safety manual has been implementing to assist staff in dealing with unexpected incidents, minimise the discharge or hazardous outputs and mitigate its impact. The safety measures include but not limited to the guidelines of fire safety, handling equipment and dangerous goods, delivering heavy goods, ensuring hygiene, providing first-aid kits and anti-theft measures etc.

The outbreak of the COVID-19 has been affecting the Group's business. The management of the Group considers that it is their social responsibility to safeguard their staff against infection of the COVID-19. Since the outbreak in early 2020, the Group has been implementing preventative measures in retail shops, concession counters and office to ensure the health and safety of employees. The measures include requesting employees, in particular the frontline staff, to wear surgical masks properly and using hand sanitisers at work; and increasing frequency of cleaning and disinfecting workplace to maintain good environmental hygiene. In addition, tea tasting service in the retail shops was suspended to eliminate the risk of potential viral transmission amongst its frontline staff and customers. All shops had curtailed their business hours to reduce social contacts. The Group will continuously pay close attention to the situation of the COVID-19 pandemic and strengthen the precautionary measures if necessary.

The Group adheres to, in all material respects, applicable health, safety and environmental laws and regulations in Hong Kong such as Occupational Safety and Health Ordinance and Employees' Compensation Ordinance etc. The administrative department is responsible for overseeing the Group's occupational health and safety system to ensure compliance with the relevant laws and regulations.

If any accident occurs, the administrative department will timely report the work injury to the Labour Department by a prescribed form in accordance with Employees' Compensation Ordinance. All employee has been insured under employee compensation policy. To prevent similar work injuries, the administrative department will inspect the accident and prepare accident report for investigation and remediation as appropriate.

The Group has maintained a healthy and safe working environment and recorded no work-related fatalities during the Reporting Year.

B3. Development and Training

The management acknowledges that continuous staff training and development helps to improve the efficiency and productivity in the Group. Employees are encouraged to participate in relevant internal and external training courses so as to heighten their competence and maintain high quality of services.

The administrative department sets out training plans annually taking into consideration survey and requirements from various departments. The Group arranges regular trainings in accordance with the training plans, which cover trainings in relation to customer services skills to retail staff such as knowledge of tea products, sales techniques, handling of complaints, identification of bills etc.

After the trainings, staff is subjected to performance evaluation to ascertain that their skills and abilities can meet the Group's performance standard.

B4. Labour Standards

The Group complies with the Employment Ordinance in Hong Kong, and adopt zero tolerance for any forced or child labour.

During the process of recruitment, personal identify and educational background of candidate are strictly verified. The human resources department checks identify proof and documents of candidate to ensure that they have reach the legal working age, in an effort to eliminate the employment of child and forced labour.

The Group enters into employment contracts with employees on the principle of equality and voluntarism such as rights to terminate employment and offer of adequate protection in relation to minimum wages, working hours and overtime. The Group also monitors staff performance periodically to observe any unusual situation so as to protect the rights and freedoms of their staff.

(ii) Operating Practices

B5. Supply Chain Management

The Group has formulated policies and procedures of supply management to streamline and standardise the procurement process of tea leaves, tea wares and tea gift sets.

New suppliers are selected in the consideration of their brand name, reputation, cooperation history, product quality etc. Raw materials are only sourced from suppliers that meet the Group's quality requirements. In particular, the suppliers would provide inspection reports of tea leaves if requested by the Group.

Meanwhile, the Group carries out an annual assessment of their performance based on the product quality, delivery and post-sale services. Existing suppliers are required to provide valid registration documents and business licenses to ensure that they retain the high quality to the Group's acceptable standards.

A majority of suppliers of the Group are located in Hong Kong with long-established relationship. During the Reporting Year, number of suppliers grouped by geographical region are as follows:

Region	Number of suppliers		Portion	
	2021	2020	**2021**	2020
Hong Kong	**24**	33	**86%**	83%
China	**2**	5	**7%**	12%
Taiwan	**2**	2	**7%**	5%
Total	**28**	40	**100%**	100%

As a result of slow movement in raw materials by the decrease in demand for tea products, food and beverage during the COVID-19 pandemic, the number of suppliers had been decreased accordingly.

B6. Product Responsibility

The Group is responsible for an uncompromising philosophy in quality standards, which is essential to business sustainability. The Group has established a sound quality management system and has been accredited with ISO 9001:2008 and ISO 9001:2015 certification from UKAS Management Systems for design, manufacturing, packaging and retail of Chinese tea leaves and retail of tea wares since June 2009. The Group adopts and maintains quality standards in tea products throughout the constant quality and safety inspection of raw materials and finished products.

Reliable and accurate information on tea products of the Group, such as country of origin, storing time and grading, are provided to the customers for their purchases decision-making.

The Group strictly follows the relevant regulations regarding product responsibility in Hong Kong, including but not limited to the Food Safety Ordinance, the Trade Descriptions Ordinance, the Competition Ordinance and the Personal Data (Privacy) Ordinance.

The Group endeavors to improve its quality control system and to raise customer satisfaction continuously. Any customers' feedback or complaints will be recorded and handled immediately for improvement.

During the Reporting Year, the Group had not received any complaints from customers or the public, in which encountered any litigation regarding food safety and retail of tea products.

The Group stresses the importance of safeguarding and protecting the intellectual property rights. Certain trademarks and domain names of the Group were registered in Hong Kong, China, Macau, Japan and other jurisdictions over the world.

Without the consent of the Group, staff or distributors should not authorise any third-parties to use the registered trademark(s) of the Group for any purposes and shall not participate in or assist in any activity that may infringe the intellectual property rights of the Group.

The Group has included in the staff handbook and policy a stipulation on data privacy matters. All information containing secret, proprietary, confidential or generally undisclosed nature in relation to operations, activities and business affairs of the Company and its business associates should be safeguarded with security controls and procedures.

B7. Anti-Corruption

The Group strives to comply not only with requirements of the statutory law, rules and regulations, such as the Prevention of Bribery Ordinance in Hong Kong, but also with recognised compliance practices.

The Group adheres to stringent anti-corruption policies as stated in the Company's Code of Business Ethics, Anti-Fraud Policy and Anti-money Laundering Policy.

Regular trainings on anti-fraud and anti-money laundering are provided to the staff. All levels of employees are expected to understand and be accountable for compliance.

The Group conducts periodic and systematic fraud risk assessments through internal and external audit. Suspected cases of fraud should be reported promptly to the management. All potential frauds are fully investigated and immediate corrective actions will be taken to resolve substantiated frauds.

Furthermore, the Group has been adopting precautions of money laundering and terrorist financing, including customers due diligence procedures.

The Group has also put in place a whistle-blowing framework to provide a channel for employees and other stakeholders to raise legitimate concerns, where they have reasonable grounds for believing that there is fraud or corruption within the Group. Employees or stakeholders can raise out their concerns as long as they feel comfortable to an appropriate management or the chairperson of the audit committee of the Company.

There were no legal cases regarding corruption brought against the Company and its employees during the Reporting Year. There were also no whistle-blowing messages received during the Reporting Year.

(iii) Community

B8. Community Investment

The Group is devoted to taking up the corporate social responsibility for the communities in Hong Kong through Chinese tea drinking culture promotion, occupational health and safety management and social support.

The Group makes use of the social media platforms to promote the traditional culture of tea appreciation in the community. Tea-related knowledge, such as tea classification and tea brewing theory, was continuously uploaded to social networking sites such as Facebook, Instagram etc., throughout the Reporting Year.

The Group actively engages with the stakeholders including customers, suppliers, employees, social media through different channels and platforms to understand their needs and develop relationship with the community.

The Group contributed donation and sponsorship of approximately HK$5,000 (2020: HK$62,000) in terms of fund and gifts to support the community services of non-profit organisations and the education of schools during the Reporting Year.

CORPORATE GOVERNANCE PRACTICE

The shares of the Company commenced listing on 16 April 2018 on GEM. During the period from 1 April 2020 to 31 March 2021 (the "**Period Under Review**"), the Group was committed to maintaining a high standard of corporate governance, and to comply to the extent practicable with the Code of Corporate Governance Practices. The Company has applied the code provisions in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules. During the Period Under Review, the Company has complied, to the extent applicable and permissible, with the code provisions set out in the CG Code save for the deviation from code provision A.6.7.

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, 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.

BOARD COMPOSITION

The Board is responsible for the leadership and control of the Company, and is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Group. The Board reserved for its decision or consideration matters covering overall Group strategy, major acquisitions and disposals, annual budgets, annual, interim and quarterly results, approval of major capital transactions and other significant operational and financial matters. The management was delegated the authority and responsibility by the Board for the daily management of the Group. In addition, the Board has also delegated various responsibilities to the Board committees. Further details of these committees are set out in this report.

As at the date of this report, the Board consists of six members. Among them, three are executive directors ("**EDs**") and three are independent non-executive directors ("**INEDs**").

Executive Directors

Mr. Chan Kwong Yuen *(Chairman)*
Mr. Chan Kun Yuen *(Chief Executive Officer)*
Mr. Chan Shu Yuen

During the Period Under Review and up to the date of this report, there was no change in the composition of the Board.

All of the EDs possess the qualification and experiences in their respective areas of responsibility and have been working for the Group for many years. Under the leadership of the chairman of the Board (the "**Chairman**") and the chief executive officer (the "**CEO**"), the EDs are able to conduct business effectively and efficiently.

Mr. Chan Kwong Yuen is the older brother of Mr. Chan Shu Yuen and also a cousin of Mr. Chan Kun Yuen. The biographical details of the Directors, including their respective interests in the Group and their respective relationships with other Directors, are set out on pages 43 to 46 and pages 34 to 36 of this annual report.

Independent Non-Executive Directors

Mr. Siu Chi Ming
Mr. Lee Wai Ho
Mr. Wong Chee Chung

All of the INEDs are experienced professionals in accounting and finance. Their independent view would definitely provide constructive comments and recommendations to the Board towards the aim of safeguarding the interests of the shareholders and the Group as a whole.

The Company has received from each INED an annual confirmation of his independence and the Company considers such Directors to be independent in accordance with the criteria set out in rule 5.09 of the GEM Listing Rules.

BOARD DIVERSITY POLICY

The Board has adopted a Board Diversity Policy in relation to the nomination and appointment of new Directors, which sets out: the selection of Board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience.

The above measures have been incorporated in the terms of reference of the nomination committee of the Company (the "**Nomination Committee**") and will be reviewed by the Nomination Committee every year to assess the suitability of the composition of the Board and make recommendations to the Board as it sees fit.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

The Company acknowledges the importance of adequate and ample continuing training and professional development for the Directors in order to enhance the quality of corporate governance. The Company continuously updates the Directors on the latest developments regarding the GEM Listing Rules and other applicable regulatory and statutory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices.

All Directors have participated in continuous professional development and provided a record of training they received for the year ended 31 March 2021 to the Company. Training record of each Director received for the year ended 31 March 2021 is summarised below:

Name of Director	Type of Training
Mr. Chan Kwong Yuen	A, B
Mr. Chan Kun Yuen	A, B
Mr. Chan Shu Yuen	A, B
Mr. Siu Chi Ming	A
Mr. Lee Wai Ho	A, B
Mr. Wong Chee Chung	B

Notes:

A. attending seminars and/or conference and/or forums on subjects relating to Directors' duties and corporate governance.

B. reading newspaper, journals and updates as regards legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

A person may be appointed as a member of the Board at any time either by the shareholders in a general meeting or by the Board upon recommendation of the Nomination Committee. Directors who are appointed by the Board must retire at the next following annual general meeting after their appointment.

According to the articles of association of the Company as amended from time to time and the CG Code, all Directors are subject to retirement by rotation once every three years and no less than one-third of the Directors for the time being (excluding those EDs who are not subject to the rotation requirement under the articles of association of the Company) shall retire from office by rotation at each annual general meeting.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and the CEO are separate and not performed by the same individual. Mr. Chan Kwong Yuen is the Chairman and Mr. Chan Kun Yuen is the CEO.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

Each of the INEDs has entered into a letter of appointment with the Company for a term of two years commencing from 16 April 2018, being the date from which the shares of the Company are listed on GEM, renewable automatically for successive terms of one year each upon expiration of the initial term, which can be terminated by not less than two months' written notice served by either party on the other. Each of such appointments is subject to the rotation and retirement provisions in the articles of association of the Company.

ACCESS TO SUPPORTING

The Directors may have access to the advice and services of the company secretary of the Company (the "**Company Secretary**") with a view to ensuring that board procedures, and all applicable rules and regulations, are followed. Similarly, the Directors may obtain financial information, summaries and reports from the chief financial officer of the Group for ascertaining the financial position on a regular basis. In addition, the Directors may, upon reasonable request, seek independent professional advice in appropriate circumstances, at the Group's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the Directors to assist the relevant Directors to discharge their duties.

Appropriate insurance coverage has been arranged in respect of any plausible legal action arising from the business of the Group against the Directors.

BOARD MEETINGS AND GENERAL MEETING

The Board held a total of six meetings during the year ended 31 March 2021 and passed resolutions by way of written resolutions. Besides the four meetings held for, among other matters, approving the quarterly, interim and final results of the Group, two ad hoc meetings were held for approving, among others, profit warning and the change in use of proceeds from the listing announcement.

The corporate governance functions are also performed by the Board. The corporate governance functions are to develop and review the Company's policies and practices on corporate governance to comply with the CG Code, to review and monitor the training and continuous professional development of Directors and senior management, to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors, and to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Sufficient notices to Board meetings are given to all Directors prior to the meetings for the purpose of providing all Directors with adequate time to reschedule their business for the meetings, if necessary, and to propose matters to be included in the agenda for the meetings. An agenda and related documents are dispatched to all Directors at least three days before each of the meetings to ensure that the Directors have sufficient time to review the related documents and be adequately prepared for the meeting. When Directors are unable to attend a meeting, they are advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting.

Management of the Group has, from time to time, supplied to the Board relevant information, as well as reports relating to operational and financial performance of the Group, enabling the Directors to make informed decisions. Members of the management who are responsible for the preparation of the documents for discussion at the Board meetings are usually invited to present the relevant documents and to take any questions or address queries that the Directors may have on the documents. This enables the Board to perform a comprehensive and informed evaluation as part of the Board's decision-making processes.

The proceedings of the Board at its meetings are conducted by the Chairman who is responsible to ensure that sufficient time is allocated for discussion and consideration of each item on the agenda and that equal opportunities are given to the Directors to speak and express their views and share their concerns. Minutes of the board meetings are recorded in sufficient detail about the matters considered by the Board and the decisions reached, including any concerns raised by the Directors. The minutes are kept by the Company Secretary, or other personnel appointed by the Board at the meetings. Subsequently, the minutes are circulated to and signed by all the Directors and are opened for inspection by the Directors.

During the year ended 31 March 2021, one general meeting of the Company, being the 2020 annual general meeting held on 18 September 2020, was convened.

The attendance of individual members at Board meetings and general meetings held during the year ended 31 March 2021 is set out as follows:

Name of Director	Number of meetings attended	Number of general meeting attended
Executive Directors		
Mr. Chan Kwong Yuen	6/6	1/1
Mr. Chan Kun Yuen	4/6	1/1
Mr. Chan Shu Yuen	4/6	0/1
Independent Non-executive Directors		
Mr. Siu Chi Ming	6/6	1/1
Mr. Lee Wai Ho	6/6	0/1
Mr. Wong Chee Chung	6/6	0/1

SECURITIES TRANSACTIONS OF DIRECTORS

The Group has adopted a code of conduct regarding securities transactions by Directors ("**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. The Company has made specific enquiry to all Directors, and all Directors have confirmed that they have complied with the Code of Conduct during the Period Under Review.

BOARD COMMITTEES

As an integral part of good corporate governance and to assist the Board in execution of its duties, the Board is supported by four Board committees, namely the executive committee (the "**Executive Committee**"), Nomination Committee, remuneration committee (the "**Remuneration Committee**") and audit committee (the "**Audit Committee**"). Each of these committees oversees particular aspects of the Group's affairs under its defined scope of duties and terms of reference approved by the Board. The terms of reference of the Nomination Committee, Remuneration Committee and Audit Committee can be found on the Group's website through the link www.yingkeetea.com and the GEM website. All of these committees are provided with sufficient resources to discharge their duties.

Executive Committee

The Executive Committee was established on 14 April 2018 and comprised of three members, who are all EDs. The chairman of the Executive Committee is Mr. Chan Kwong Yuen and the other members are Mr. Chan Kun Yuen and Mr. Chan Shu Yuen.

The Executive Committee has been delegated with powers from the Board to deal with matters of the Group. The authority and major duties of the Executive Committee are summarised as follows:

- to establish strategic planning for Board approval;
- to monitor daily business operations, including sales, processing, brand and product promotion, capital and human resources of the Group;
- to review and approve management reports;
- to evaluate investments opportunities for Board approval; and
- to monitor fund flows and evaluate cash management policies within the Group.

Nomination Committee

The Nomination Committee was set up on 14 April 2018. The Nomination Committee currently comprises of five members. The chairman of the Nomination Committee is Mr. Lee Wai Ho and the other members are Mr. Chan Kwong Yuen, Mr. Chan Kun Yuen, Mr. Siu Chi Ming and Mr. Wong Chee Chung. Except for Mr. Chan Kwong Yuen and Mr. Chan Kun Yuen who are EDs, the remaining three members are all INEDs.

The duties of the Nomination Committee are summarised as follows:

- to review the structure, size, composition and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, the skills, knowledge and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; in identifying suitable individuals, the Nomination Committee shall consider individuals on merit and against the objective criteria, with due regard for the benefits of diversity on the Board;
- to assess the independence of independent non-executive directors;
- taking into account the Company's corporate strategy and the mix of skills, knowledge, experience and diversity required in the future, to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the CEO;
- review the Company's nomination policy and board diversity policy on a regular basis, and make recommendations to the Board for consideration and approval as appropriate; and
- monitor the implementation of the Company's nomination policy and board diversity policy and report in the Corporate Governance Report annually.

In considering the new appointment of Directors, the Nomination Committee makes reference to certain criteria such as integrity, independent mindedness, experience, skill and the ability to commit time and effort to carry out his duties and responsibilities effectively, etc.

To ensure changes to the Board composition can be managed without undue disruption, there should be a formal, considered and transparent procedure for selection, appointment and re-appointment of Directors, as well as plans in place for orderly succession (if considered necessary), including periodical review of such plans. The appointment of a new Director (to be an additional Director or fill a casual vacancy as and when it arises) or any re-appointment of Directors is a matter for decision by the Board upon the recommendation of the proposed candidate by the Nomination Committee.

The criteria to be applied in considering whether a candidate is qualified shall be his or her ability to devote sufficient time and attention to the affairs of the Company and contribute to the diversity of the Board as well as the effective carrying out by the Board of the responsibilities which, in particular, are set out as follows:

(a) participating in Board meetings to bring an independent judgment on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conducts;

(b) taking the lead where potential conflicts of interests arise;

(c) serving on the Audit Committee, the Remuneration Committee and the Nomination Committee (in the case of candidate for non-executive Director) and other relevant Board committees, if invited;

(d) bringing a range of business and financial experience to the Board, giving the Board and any Board committee on which he or she serves the benefit of his or her skills, expertise, and varied backgrounds and qualifications and diversity through attendance and participation in the Board/Board committee meetings;

(e) scrutinizing the Company's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance;

(f) ensuring the Board committees on which he or she serves to perform their powers and functions conferred on them by the Board; and

(g) confirming to any requirements, direction and regulation that may from time to time be prescribed by the Board or contained in the constitutional documents of the Company or imposed by legislation or the GEM Listing Rules, where appropriate.

If the candidate is proposed to be appointed as an INED, his or her independence shall be assessed in accordance with, among other things, the factors as set out in Rule 5.09 of the GEM Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time. Where applicable, the totality of the candidate's education, qualifications and experience shall also be evaluated to consider whether he or she has the appropriate professional qualifications or accounting or related financial management expertise for filling the office of an INED with such qualifications or expertise as required under Rule 5.05(2) of the GEM Listing Rules.

The Nomination Committee holds at least one meeting every year. During the year ended 31 March 2021, the Nomination Committee held one meeting for, among other matters, the review of the Board's structure, size, composition and diversity, assessment of the independence of the INEDs, and making recommendation to the Board on the re-election of retiring Director at the annual general meeting of the Company held on 18 September 2020. The attendance of members at the Nomination Committee meetings held during the year ended 31 March 2021 is set out as follows:

Executive Directors	
Mr. Chan Kwong Yuen	1/1
Mr. Chan Kun Yuen	1/1
Independent Non-executive Directors	
Mr. Siu Chi Ming	1/1
Mr. Lee Wai Ho *(Chairman of the Nomination Committee)*	1/1
Mr. Wong Chee Chung	1/1

Remuneration Committee

The Remuneration Committee was set up on 14 April 2018. The Remuneration Committee currently comprises five members, with Mr. Wong Chee Chung as chairman of the Remuneration Committee and Mr. Chan Kwong Yuen, Mr. Chan Kun Yuen, Mr. Siu Chi Ming and Mr. Lee Wai Ho as other members. Except for Mr. Chan Kwong Yuen and Mr. Chan Kun Yuen who are EDs, the remaining three members of the Remuneration Committee are INEDs.

The duties of the Remuneration Committee are summarised as follows:

- make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- to determine with delegated responsibility, the remuneration packages of individual EDs and senior management (which should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment);
- to make recommendations to the Board on the remuneration of non-executive Directors;
- to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
- to review and approve compensation payable to EDs and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive for the Company;

- to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

- to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration package.

The Remuneration Committee adopted the approach under code provision B.1.2(c)(i) of the CG Code to determine, with delegated responsibility, the remuneration packages of individual EDs and senior management of the Company.

The Remuneration Committee holds at least one meeting every year. During the year ended 31 March 2021, the Remuneration Committee held one meeting to discuss and review the existing policy and structure of the remuneration for the Directors and senior management and approval of remuneration packages of senior management of the Company. The attendance of members at the Remuneration Committee meetings held during the year ended 31 March 2021 is set out as follows:

Executive Directors	
Mr. Chan Kwong Yuen	1/1
Mr. Chan Kun Yuen	1/1
Independent Non-executive Directors	
Mr. Siu Chi Ming	1/1
Mr. Lee Wai Ho	1/1
Mr. Wong Chee Chung *(Chairman of the Remuneration Committee)*	1/1

Remuneration policy of the Group

The remuneration policy of the Group is designed to ensure remuneration offered to the Directors or employees is appropriate for the corresponding duties performed, sufficient compensation for their effort and time dedicated to the affairs of the Group, and competitive and effective in attracting and motivating employees. The key components of the Company's remuneration package include basic salary, and where appropriate, other allowances, incentive bonus, mandatory provident funds and sales commissions. The Group also adopted a share option scheme whereby qualified participants may be granted options to acquire shares of the Company.

The emoluments payable to Directors are determined with reference to the responsibilities, qualifications, experience of individuals. The packages are reviewed annually and as required from time to time. The Group also continuously spends resources in training and encourages staff for self-development and improvements.

The Group recognises that the future success depends on its ability to build up a team of high caliber professional managers as its human resources capital. The Group is fully committed to building up such resources capital to enhance its assets for ensuring future growth.

Audit Committee

The Audit Committee was established on 14 April 2018. The Audit Committee currently comprises of all three INEDs. The chairman of the Audit Committee is Mr. Siu Chi Ming, and the other members are Mr. Lee Wai Ho and Mr. Wong Chee Chung.

The terms of reference of the Audit Committee were prepared and adopted in compliance with the CG Code. The terms of reference of the Audit Committee are available on the Company's website through the link www.yingkeetea.com and the GEM website.

The major duties of the Audit Committee are summarised as follows:

- to act as the key representative body for overseeing the Company's relations with the external auditor, to be primarily responsible for making recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

- to discuss with the external auditor the nature and scope of the audit and reporting obligations and ensure co-ordination where more than one audit firm is engaged before the audit commences;

- to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally;

- to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

- to monitor the Company's integrity of financial statements and the annual report and accounts, half-year report and quarterly reports, and to review significant financial reporting judgements contained in them;

- to consider any significant or unusual items that are, or may need to be, reflected in the report and accounts and it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or external auditor; and

- to review the Group's financial reporting process, risk management and internal control systems.

The Audit Committee holds meetings at least twice a year. During the year ended 31 March 2021, the Audit Committee held four meetings to, among other matters, review the quarterly, interim and annual financial statements and the related results announcement, documents and other matters or issues raised by the Company's auditor and made recommendation to the Board the re-appointment of the Company's auditor, discuss and confirm with the management the effectiveness of the Group's financial reporting process, risk management and internal control systems, and review the risk management and internal control systems and made recommendation to the Board. The attendance of members at the Audit Committee meetings held during the year ended 31 March 2021 is set out as follows:

Independent Non-executive Directors	
Mr. Siu Chi Ming	
(Chairman of Audit Committee)	4/4
Mr. Lee Wai Ho	4/4
Mr. Wong Chee Chung	4/4

Accountability and Audit

The Board is accountable to the shareholders of the Company through proper financial reporting, regular internal control reviews, interim/quarterly reviews and annual audits. These are the most efficient way of assessing the effectiveness of the Board in managing the business and affairs of the Group.

Financial Reporting

The Directors acknowledge their responsibility to prepare financial statements of the Group and other financial disclosures required under the GEM Listing Rules and the Company's management will provide information and explanation to the Board to enable it to make informed assessments of the financial and other decisions.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. In preparing the consolidated financial statements for the year ended 31 March 2021, the Directors have:

- approved the adoption of the applicable Hong Kong Financial Reporting Standards;

- selected suitable accounting policies and applied them consistently throughout the period covered by the consolidated financial statements;

- made judgements and estimates that are prudent and reasonable, and ensure the consolidated financial statements are prepared on a going concern basis; and

- ensured that the consolidated financial statements are prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance, the GEM Listing Rules and the applicable accounting standards.

The Board recognizes that high quality corporate reporting is important in enhancing the relationship between the Group and its stakeholders. The Board aims at presenting a balanced, clear and comprehensive vision of the performance, position and prospects of the Group in all corporate communications.

The statement of the auditor of the Company in respect of its reporting responsibilities on the Company's financial statements for the year ended 31 March 2021 is set out in the "Independent Auditor's Report" on pages 49 to 55 of this annual report.

Risk Management and Internal Controls

The Board acknowledges its responsibility to ensure that a sound and effective internal control system is maintained. The system includes a defined management structure with specified limits of authority, to:

- achieve business objectives and safeguard assets against unauthorised use or disposition;
- ensure maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication; and
- ensure compliance with the relevant legislation and regulations.

The internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Internal control framework

The internal control framework that the Board established in maintaining effective internal controls within the Group is as follows:

1. *Distinct organisational structure*

   To allow delegation of authority as well as to enhance accountability, a distinct organisational structure exists which details lines of authority and control responsibilities in each department of the subsidiaries of the Company. Department heads are involved in preparing the operation plan based on corporate strategies and annual operational and financial targets determined by the Board. Both the strategic plan and the annual operating plan laid down the foundation for the preparation of the annual budgets, which identify and prioritize business opportunities with reference to the resources allocation.

   During the year ended 31 March 2021, the Group adopted a clear and distinct organisational structure and a precise authority matrix to improve operation flow. With the continuous focus on the chain of command, the Group anticipates to attain better controls and effectively monitors the management, operational and financial processes.

2. *Regular risk assessment*

   Policies and procedures are set up to identify, manage and control risks including but not limited to operational risk, accounting risk and compliance risk that may have an impact on the business of the Group. The Group engaged an advisory company specialising in risk review to study, evaluate and identify risks incidental to the Group and to provide recommendations for mitigation of such risks.

3. *Regulated cash/treasury management*

   The Group maintains a sound system and a clear authority matrix to ensure daily cash/treasury operations meet the relevant policies and rules established by the Group.

4. *Regular reviews by external advisory service company on risk and internal control*

Grant Thornton Advisory Services Limited was engaged to conduct an internal control review for three years consecutively. The external adviser assisted all levels of administration in the achievement of the organisational goals and objectives by striving to provide a positive impact on:

- efficiency and effectiveness of operating functions;
- reliability of financial reporting;
- status of implementation and effectiveness of the internal control policies and procedures; and
- compliance with applicable laws and regulations.

The external adviser also assisted the Group to ensure that the Company maintains a sound system of internal control by:

- reviewing all aspects of the Group's activities and internal controls; and
- reviewing the practices and procedures adopted by the Group and whether the Group has complied throughout the period.

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality;
- Confidentiality agreements are in place when the Group enters into significant negotiations; and
- The EDs are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

The Board is responsible for the risk management and internal control system of the Group and ensuring review of the system's effectiveness is conducted annually. Several areas have been considered during the Board's reviews, which include but not limited to (i) the changes, since the last annual review, in the nature and extent of significant risks since the last annual review, and the Group's ability to respond to changes in its business and the external environment, and (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control system.

The Board, through its reviews and the reviews made by Grant Thornton Advisory Services Limited and the Audit Committee, concluded that the risk management and internal control system were effective and adequate. It is also considered that the resources, staff qualifications and experience of relevant staff were adequate and the training programs and budget provided were sufficient.

INTERNAL AUDIT FUNCTION

The Company does not have an internal audit department. The Board has reviewed the need for an internal audit function and is of the view that in light of the size, nature and complexity of the business of the Group, as opposed to diverting resources to establish a separate internal audit department, it would be more cost effective to appoint external independent professionals to perform independent review of the adequacy and effectiveness of the risk management and internal control systems of the Group. Nevertheless, the Board will continue to review at least annually the need for an internal audit department.

AUDITOR'S REMUNERATION

The Group's auditor is Grant Thornton Hong Kong Limited. The Audit Committee is mandated to ensure continuing auditor's objectivity and safeguarding independence of the auditor. The remuneration paid or payable by the Group to Grant Thornton Hong Kong Limited in respect of the audit and other non-audit services for the year ended 31 March 2021 were as follows:

Nature of services	**2021** **HK$'000**	2020 HK$'000
Audit service	**338**	380
Agreed-upon procedures regarding to turnover statements	**0**	5
Review of interim result and quarterly reports	**146**	146
Agreed-upon procedures regarding to very substantial acquisition	**0**	80
Total	**484**	611

DIRECTORS AND SENIOR MANAGEMENT EMOLUMENTS

The remuneration of the senior management (comprising Directors) of the Company for the year ended 31 March 2021, by band is set out below:

Remuneration Band	**Number of individual**
Nil	–
HK$1 to HK$1,000,000	7
HK$1,000,001 – HK$1,500,000	1
HK$1,500,001 – HK$2,000,000	–
HK$2,000,001 – HK$2,500,000	–

COMPANY SECRETARY

The duties of the Company Secretary can be summarised as follows:

Core Duties

The daily duties of the Company Secretary are generally wide in scope and may range from administrative duties such as personnel management and the maintenance of company accounts and registers, to duties as diverse as ensuring that the Company complies with regulations or advising the Directors on good corporate governance practices.

Typical Duties Include:

- Coordinating the production, publication and distribution of company accounts and reports;
- Communicating with shareholders, regulatory bodies and the Stock Exchange on behalf of the Company;
- Ensuring that the Company complies with relevant laws and regulations;
- Organising and facilitating meetings of Directors and general meetings of shareholders; and
- Reviewing current developments in good corporate governance practices in order to advise the Directors.

The Company has appointed Mr. So Stephen Hon Cheung ("**Mr. So**") as the Company Secretary.

During the year ended 31 March 2021, Mr. So had complied with the relevant training requirement under Rule 5.15 of the GEM Listing Rules. The biographical details of Mr. So are set out in the section headed "Directors and Senior Management Profile" of this annual report.

CORPORATE COMMUNICATION WITH STAKEHOLDERS AND INVESTOR RELATIONS

The Group acknowledges its responsibilities under the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong and the GEM Listing Rules and the overriding principle that inside information should be announced promptly when it is a subject of a decision. The Group has in place an effective corporate communication system which provides transparent, regular and timely public disclosures to its stakeholders, including, inter alia, the general public, analysts, and the institutional and individual shareholders. The main features of the system are that:

- the Group maintains a website on which comprehensive information about itself, its products, financial reports and public announcements are disclosed;
- the Group establishes and maintains different communication channels with its stakeholders through the publication of annual, interim and quarterly reports, announcements and press releases. To promote effective communication, the shareholders can receive corporate communication electronically via the Group's corporate website;
- the Group conducts its affairs with close regard to the disclosure requirement under the GEM Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;
- the Group has strictly prohibited unauthorised use of confidential or inside information; and
- annual general meetings of the Company provide a useful forum for the shareholders to exchange views with the Board. The Chairman as well as chairman of the Audit Committee, the Nomination Committee and the Remuneration Committee, or in their absence, members of the committees will be available to answer questions which may be raised by the shareholders.

SHAREHOLDERS' RIGHTS

- separate resolutions are proposed at general meetings for each substantial issue, including the election of individual Directors;
- details of the poll voting procedures and the rights of shareholders to demand a poll are included in a circular to the shareholders dispatched 21 days prior to the date of the relevant general meeting; and
- the poll results are published on the websites of the Stock Exchange (www.hkexnews.hk) and on the Group's corporate website (www.yingkeetea.com).

General meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Company shall, in respect of each financial year of the Company, hold a general meeting as its annual general meeting in addition to any other meetings in that year.

According to the articles of association of the Company, general meetings may be convened by the Directors on the requisition of shareholders pursuant to the provisions of the Companies Ordinance. Such requisition must state the general nature of the business to be dealt with. Directors required to call a general meeting must call a meeting within 21 days after they become subject to the requirement and if they fail to do so, the shareholders who requested the meeting may themselves call a general meeting.

Shareholders may also put forward proposals at general meeting or send any enquiries or requests in respect of their rights to the Company's principal place of business.

DIVIDEND POLICY

Principles and Guidelines

The Board has adopted a dividend policy that, in recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future business growth.

The Board has discretion to declare and distribute dividends to the shareholders of the Company, subject to the articles of association of the Company and all applicable laws and regulations and the factors set out below.

The Board shall also take into account the following factors of the Group when considering the declaration and payment of dividends:

a. financial results;
b. cash flow situation;
c. business conditions and strategies;
d. future operations and earnings;
e. capital requirements and expenditure plans;
f. interests of shareholders;
g. any restrictions on payment of dividends; and
h. any other factors that the Board may consider relevant.

Depending on the financial conditions of the Group and the conditions and factors as set out above, dividends may be proposed and/or declared by the Board for a financial year or period as:

1. interim dividend;
2. final dividend;
3. special dividend; and
4. any distribution of net profits that the Board may deem appropriate.

Any final dividend for a financial year will be subject to shareholders' approval.

The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate.

Any dividend unclaimed shall be forfeited and shall revert to the Company in accordance with the articles of association of the Company.

REVIEW OF THE DIVIDEND POLICY

The Board shall review the dividend policy as appropriate from time to time.

CONSTITUTIONAL DOCUMENTS

There has been no change in the articles of association of the Company during the year ended 31 March 2021 and up to date version of the articles of association of the Company is available on the websites of the Stock Exchange and the Company.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Chan Kwong Yuen, aged 64, became an executive Director in October 2017. Mr. Chan Kwong Yuen is also the Chairman, a member of the Remuneration Committee and the Nomination Committee and one of the controlling shareholders of the Company (the "**Controlling Shareholders**"). He also holds directorships in all subsidiaries of the Company. Mr. Chan Kwong Yuen is responsible for overseeing the finance and investment aspects of the Group, and formulating the Group's strategy and evaluating and negotiation leasing terms and conditions with landlords. Mr. Chan Kwong Yuen is the brother of Mr. Chan Shu Yuen and cousin of Mr. Chan Kun Yuen. He is also a director of Profit Ocean Enterprises Limited and Coastal Lion Limited, both companies have disclosable interests in the shares of the Company under the provisions in Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("**SFO**").

Mr. Chan Kwong Yuen has over 25 years of experience in the tea retail industry in Hong Kong. He first joined Ying Kee Tea Company Limited ("**Ying Kee**"), subsidiary of the Company, in January 1993 as financial manager, responsible for overseeing the finance and investment aspects, and has became a director of Ying Kee since September 2010. Prior to that, Mr. Chan Kwong Yuen served as the General Manager of the Enamelware Division of Universal Steels Limited in Nigeria from January 1983 to December 1992. Mr. Chan Kwong Yuen received a Bachelor of Commerce with Honours from the University of British Columbia, Canada, in May 1999.

Mr. Chan Kun Yuen, aged 61, became an executive Director in October 2017. He is the CEO, a member of the Remuneration Committee and the Nomination Committee and one of the Controlling Shareholders. He also holds directorships in all subsidiaries of the Company. Mr. Chan Kun Yuen is responsible for overseeing the Group's business development, marketing, and corporate strategy formulation and execution. Mr. Chan Kun Yuen is the cousin of both Mr. Chan Kwong Yuen and Mr. Chan Shu Yuen. He is also a director of Profit Ocean Enterprises Limited and Wealth City Global Limited, both companies have disclosable interests in the shares of the Company under the provisions in Divisions 2 and 3 of Part XV of the SFO.

Mr. Chan Kun Yuen has over 18 years of experience in the tea retail industry in Hong Kong. He formally joined Ying Kee, a subsidiary of the Company, in October 2000 as general manager working full-time, responsible for business development, marketing, and corporate strategy formulation and execution, and has become a director of Ying Kee since September 2010. Prior to that, Mr. Chan Kun Yuen served as a clerk with the shipping department of The East Asiatic Company Limited from September 1981 to June 1982. He also served as a clerk in the export department of Gibb, Livingston & Co. in June 1982 and was transferred to Gilman & Co., Ltd. in January 1983 and served until August 1986. From September 1986 to September 2000, Mr. Chan Kun Yuen was working part-time for Ying Kee as a marketing associate, responsible for formulating marketing proposals and strategies for Ying Kee. Mr. Chan Kun Yuen completed a one-year business course in office studies at Rosaryhill School in July 1981 after graduating from Hong Kong Chan Wai Chow Memorial College in November 1980.

Mr. Chan Shu Yuen, aged 60, became an executive Director in October 2017. He is one of the Controlling Shareholders. He also holds directorships in all subsidiaries of the Company. Mr. Chan Shu Yuen is responsible for finding, selecting and negotiating with potential suppliers and also building and maintaining relationships with them, overseeing the technical aspects of processing, monitoring quality control of final products in the warehouse, and resolving electrical and mechanical problems in processing. Mr. Chan Shu Yuen is the brother of Mr. Chan Kwong Yuen and cousin of Mr. Chan Kun Yuen. He is also a director of Profit Ocean Enterprises Limited and Sky King Global Limited, both companies have disclosable interests in the shares of the Company under the provisions in Divisions 2 and 3 of Part XV of the SFO.

Mr. Chan Shu Yuen formally joined Ying Kee, a subsidiary of the Company, in September 1990 as a full-time marketing manager, responsible for building and managing business relationship with business partners and overseeing the technical aspects of the business, and has became a director of Ying Kee since September 2010. From August 1979 to August 1990, Mr. Chan Shu Yuen was working part-time for Ying Kee as a purchaser, responsible for exploring new suppliers, purchasing and maintaining relationship with the suppliers. Mr. Chan Shu Yuen attended a one-year course in electrical craft at the Morrison Hill Technical Institute of the Hong Kong Education Department in July 1979 and received a certificate for a three-year part-time evening craft course for motor vehicle mechanics from Lee Wai Lee Technical Institute awarded by Vocational Training Council in June 1988.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Siu Chi Ming ("**Mr. Siu**"), aged 40, joined the Board as an independent non-executive Director in March 2018. He is also the chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee. Mr. Siu is primarily responsible for providing independent advices to the Board.

Mr. Siu holds a Bachelor of Business Administration (Accounting) from Hong Kong Baptist University. He is a fellow member of the Association of Chartered Certified Accountants and an associate of Hong Kong Institute of Chartered Secretaries as well as the Institute of Chartered Secretaries and Administrators. Mr. Siu has extensive experience in the accounting, company secretarial and corporate finance sectors. He is currently serving as an executive director and company secretary of Jiu Rong Holdings Limited (Stock Code: 2358) and an independent non-executive director of China Water Affairs Group Limited (Stock Code: 855), both companies are listed on the Main Board of the Stock Exchange.

Mr. Lee Wai Ho ("**Mr. Lee**"), aged 45, joined the Board as an independent non-executive Director in March 2018. He is also the chairman of the Nomination Committee and a member of the Remuneration Committee and Audit Committee. Mr. Lee is primarily responsible for providing independent advices to the Board.

Mr. Lee has been serving as a director of Capital Partners CPA Limited since 2004, specializing in advisory, audit and assurance services. He has more than 20 years of accounting and finance experience.

Mr. Lee received a Bachelor of Business Administration from The Chinese University of Hong Kong in December 1998. He is a practising certified public accountant of the Hong Kong Institute of Certified Public Accountants.

Mr. Wong Chee Chung ("**Mr. Wong**"), aged 45, joined the Board as an independent non-executive director in March 2018. He is also the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee. Mr. Wong is primarily responsible for providing independent advice to the Board.

Mr. Wong had been working in PricewaterhouseCoopers (now known as PwC) in its Hong Kong office for about nine years and in its London office for about two years. He is currently serving as an executive director at each of Agenda Corp Limited which engaged in the business of providing corporate services and Double U Limited which engaged in the business of providing corporate services such as accounting and other related services. He is also an audit director at a CPA firm called Willy Wong & Co.

Mr. Wong received a Bachelor of Business Administration in Accounting and Finance from the University of Hong Kong in December 1998 and a Master of Science in Financial Analysis from the Hong Kong University of Science and Technology in June 2015. He has been a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, since July 2014 and October 2009, respectively.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

SENIOR MANAGEMENT

Mr. So Stephen Hon Cheung ("**Mr. So**"), aged 65, joined as the chief financial officer and company secretary of Ying Kee, a subsidiary of the Company, in June 2017 and was appointed as the Chief Financial Officer and Company Secretary of the Company in October 2017. He is primarily responsible for financial reporting, accounting, corporate governance, statutory filings and legal compliance matters of the Group.

Mr. So has over 15 years' experience in the manufacturing, wholesale and trading in the commercial sector. He is a director of the accounting firm T.M. Ho, So & Leung CPA Limited, and is a fellow member of the Hong Kong Institute of Certified Public Accountants (Practising), a member of the Chartered Professional Accountants of Canada and a member of the Society of Certified Management Accountants of Canada. He holds a bachelor degree in commerce from the University of British Columbia, Canada. Mr. So is an independent non-executive director of PINE Technology Holdings Limited (Stock Code: 1079) since September 2002, Pinestone Capital Limited (Stock Code: 804) since May 2015, and both YGM Trading Limited (stock code: 375) and Yangtzekiang Garment Limited (stock code: 294) since September 2017, the shares of those companies are listed on the Main Board of the Stock Exchange. Mr. So was an independent non-executive director of Milan Station Holdings Limited (stock code: 1150) and Skyworth Digital Holdings Limited (stock code: 751) from April 2011 to February 2017 and March 2000 to December 2014 and Teamway International Group Holdings Limited (stock code: 1239) from August 2017 to June 2019 respectively, the shares of the companies are listed on the Main Board of the Stock Exchange.

Ms. Man Choi Ho ("**Ms. Man**"), aged 58, joined Ying Kee in June 1994. She was an administration clerk of Ying Kee until April 2005 when she was promoted to the position of administration manager. Ms. Man was appointed as the human resources and administration manager of the Company in October 2017.

The Directors have pleasure in presenting their annual report and audited consolidated financial statements of the Group for the year ended 31 March 2021.

PRINCIPAL ACTIVITIES

The Company is an investment company incorporated in Hong Kong. Details of the principal activities of the subsidiaries of the Company are set out in note 31 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group during the year and the discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis", the description of the principal risks and uncertainties facing the Group are set out in the section headed "Management Discussion and Analysis", the details of key performance indicators are set out in the sections headed "Management Discussion and Analysis" and "Financial Summary", the Group's environmental policies and performance are set out in the paragraph headed "Environmental Policies and Performance" below and the section headed "Environmental, Social and Governance Report", the Group's compliance with the relevant laws and regulations are set out in the paragraph headed "Compliance with Relevant Laws and Regulations" below and the section headed "Environmental, Social and Governance Report", and the Group's key relationships with employees, customers and suppliers are set out in the sections headed "Management Discussion and Analysis" and "Environmental, Social and Governance Report". The financial risk management objectives and policies of the Group are set out in note 28 to the consolidated financial statements. The above discussions form part of this Directors' Report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 56 of this annual report.

No interim dividend (2020: Nil) was paid to the shareholders during the year. The Directors do not recommend the payment of a final dividend to the shareholders.

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 forthcoming annual general meeting to be held on 27 August 2021 (the "**2021 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.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the year ended 31 March 2021, together with the financial results and of the assets and liabilities of the Group for the four years ended 31 March 2020, is set out on page 115 of this annual report. This summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate revenue attributable to the Group's five largest customers was 2.4% (2020: 2.3%) of the Group's total revenue. The aggregate purchase attributable to the Group's five largest suppliers accounted to 77.0% (2020: 69.6%) of the Group's total purchase. The largest supplier accounted for approximately 28.0% (2020: 18.7%) of the Group's total purchase.

None of the Directors, their associates or any shareholders (who to the knowledge of the Directors owns more than 5.0% of the Company's total number of issued shares) has any interest in any of the Group's five largest customers or suppliers.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group has acquired plant and equipment in the sum of approximately HK$0.3 million (2020: HK$108.5 million). Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

As at 31 March 2021, the number of issued ordinary shares of the Company was 360,000,000.

Details of movements in the share capital of the Group during the year are set out in note 22 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity and note 23 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE GROUP

There is no Group's reserves available for distribution to shareholders as at 31 March 2021 (2020: Nil).

CONTINUING CONNECTED TRANSACTIONS

For the year ended 31 March 2021, the Group had the following continuing connected transactions that are subject to the annual review requirements under Chapter 20 of GEM Listing Rules:

1. Tenancy Agreements entered into between Ying Kee and Golden Ocean International Holdings Limited ("Golden Ocean")

On 30 March 2020, Ying Kee entered into three tenancy agreements with Golden Ocean ("**2020 Golden Ocean Tenancy Agreements**"), pursuant to which Golden Ocean agreed to lease, and Ying Kee agreed to rent, the following premises owned by Golden Ocean for a term of one year commencing from 1 April 2020 to 31 March 2021 at a monthly rental (excluding rates and building management fees) of HK$88,000, HK$121,000 and HK$162,000, respectively:

Shop 5

Shop M1 on G/F., Hanyee Building, Nos. 19–21 Hankow Road, Tsim Sha Tsui, Kowloon, Hong Kong (with 379 square feet)

Shop 6

Shop D on G/F., Silver Commercial Building, No. 719 Nathan Road, Mong Kok, Kowloon, Hong Kong (with 484 square feet)

Siu Sai Wan Premises

8/F., Wah Shing Centre, 5 Fung Yip Street, Siu Sai Wan, Hong Kong (with 15,812 square feet)

The monthly rentals payable to Golden Ocean were comparable to the market rental charge in the local property market for adjacent properties within the accessible distance and determined with reference to the valuation conducted by an independent qualified valuer.

Golden Ocean is an entity controlled by Mr. Chan Kun Yuen, Mr. Chan Kwong Yuen, Mr. Chan Shu Yuen and Mr. Chan Tat Yuen (the "**four Chans**"). As the four Chans are the controlling shareholders of the Company, Golden Ocean is an associate of the four Chans, and is therefore a connected person of the Company under Chapter 20 of GEM Listing Rules.

The annual cap on the rentals payable to Golden Ocean for Shop 5, Shop 6 and Siu Sai Wan Premises for the year ended 31 March 2021 is HK$1,056,000, HK$1,452,000 and HK$1,944,000, respectively.

For the year ended 31 March 2021, the actual rentals paid to Golden Ocean for Shop 5, Shop 6 and Siu Sai Wan Premises amounted to HK$1,056,000, HK$1,452,000 and HK$1,944,000, respectively.

On 20 April 2021, Ying Kee renewed three tenancy agreements with Golden Ocean for Shop 5, Shop 6 and Siu Sai Wan Premises for a term of 1 year up to and including 31 March 2022 at a monthly rental (excluding rates and building management fees as follows:

Shop 5

Period	Monthly Rental
1 April 2021 to 30 April 2021 (1 month)	Rent-free
1 May 2021 to 31 March 2022 (11 months)	HK$74,000

Shop 6

Period	Monthly Rental
1 April 2021 to 30 April 2021 (1 month)	Rent-free
1 May 2021 to 31 March 2022 (11 months)	HK$118,000

Siu Sai Wan Premises

Period	Monthly Rental
1 April 2021 to 30 April 2021 (1 month)	Rent-free
1 May 2021 to 31 March 2022 (11 months)	HK$178,000

The terms of the renewed tenancy agreements are substantially the same as those set out in the 2020 Golden Ocean Tenancy Agreements.

2. Tenancy Agreement entered into between iTea. Ying Kee Limited ("iTea. Ying Kee") and Golden Ocean

On 30 March 2020, iTea. Ying Kee, a wholly-owned subsidiary of the Company, entered into the tenancy agreement ("**iTea Tenancy Agreement**") with Golden Ocean, pursuant to which Golden Ocean agreed to lease, and iTea. Ying Kee agreed to rent, the following premise owned by Golden Ocean for a term of one year from 1 April 2020 to 31 March 2021 at a monthly rental (excluding rates and building management fees) as follows:

Period	Monthly Rental
1 April 2020 to 30 April 2020 (1 month)	Rent-free
1 May 2020 to 30 June 2020 (2 months)	HK$65,000
1 July 2020 to 31 March 2021 (9 months)	HK$93,000

iTea Shop

Shop D at 19, 19A & 21 Cameron Road, Tsim Sha Tsui, Kowloon (with 611 square feet)

The monthly rentals payable to Golden Ocean were comparable to the market rental charge in the local property market for adjacent properties within the accessible distance and determined with reference to the valuation conducted by an independent qualified valuer.

The cap on the rental payable to Golden Ocean for iTea Shop for the year ended 31 March 2021 is HK$967,000.

For the year ended 31 March 2021, the actual rentals paid to Golden Ocean for iTea Shop amounted to HK$967,000.

The INEDs have reviewed the above non-exempt continuing connected transactions and confirmed that the transactions:

(i) have been entered into in the ordinary and usual course of the Group's business;

(ii) are on normal commercial terms or better; and

(iii) have been carried out in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The auditor of the Company have reviewed the above continuing connected transactions and provided a letter to the Company confirming that in respect of the above continuing connected transactions:

(1) nothing has come to the auditor's attention that causes it to believe that the transaction has not been approved by the Board;

(2) nothing has come to the auditor's attention that causes it to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(3) nothing has come to the auditor's attention that causes it to believe that the transactions have exceeded the annual cap.

The Directors confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules during the year ended 31 March 2021.

RELATED PARTY TRANSACTIONS

Save as the transactions disclosed in the paragraph headed "**Continuing Connected Transactions**" above, during the year ended 31 March 2021, the Group had entered into certain related party transactions but these transactions were not regarded as connected transactions or continuing connected transactions under the GEM Listing Rules or were exempt from reporting, announcement and shareholders' approval requirements under the GEM Listing Rules. Details of these related party transactions are disclosed in note 26 to the consolidated financial statements.

DONATIONS

During the year, the Group made charitable donations amounting to HK$5,000 (2020: HK$28,800).

DIRECTORS

The Directors of all subsidiaries during the year ended 31 March 2021 and up to the date of this annual report are:

Mr. Chan Kwong Yuen
Mr. Chan Kun Yuen
Mr. Chan Shu Yuen
Mr. Chan Tat Yuen

The Directors of the Company during the year ended 31 March 2021 and up to the date of this annual report are:

Executive Directors

Mr. Chan Kwong Yuen *(Chairman)*
Mr. Chan Kun Yuen *(CEO)*
Mr. Chan Shu Yuen

Independent Non-executive Directors

Mr. Siu Chi Ming
Mr. Lee Wai Ho
Mr. Wong Chee Chung

Pursuant to Article 119(b) of the Company's articles of association and Code Provision A.4.2 of Appendix 15 of the GEM Listing Rules (Corporate Governance Code and Corporate Governance Report), Mr. Chan Kwong Yuen, Mr. Chan Kun Yuen and Mr. Chan Shu Yuen will retire and offer themselves for re-election at the 2021 AGM.

Pursuant to Article 120(a) of the Company's articles of association, Mr. Wong Chee Chung will retire and, being eligible, offers himself for re-election at the 2021 AGM.

Pursuant to the article 120(e) of the Company's articles of association, any Director who holds the position as an ED shall not be subject to the retirement-rotation requirement of the Company's articles of association, but for the avoidance of doubt, the provisions of the Company's articles of association shall not prejudice the power of shareholders in general meeting to remove any such Director. However, they are still subject to retirement by rotation at least once every three years in accordance with the CG Code.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received the annual confirmation of independence from each of the INEDs pursuant to Rule 5.09 of the GEM Listing Rules. The Board has assessed their independence and concluded that all INEDs are independent.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management of the Group are set out on pages 34 to 36 of the annual report.

DIRECTORS SERVICE CONTRACTS AND APPOINTMENT LETTERS

Each of the EDs has entered into a service contract with the Company for a fixed term of three years commencing from 16 April 2018, being the listing date, renewable automatically for successive terms of one year each upon expiration of the initial term, which can be terminated before the expiration of the term by not less than three months' written notice served by either party on the other.

Each of the INEDs has signed an appointment letter with the Company for a term of two years with effect from 16 April 2018, being the listing date, renewable automatically for successive terms of one year each upon expiration of the initial term, which can be terminated by not less than two months' written notice served by either party on the other. Their appointments are subject to the provisions of retirement and rotation of Directors under the Company's articles of association.

Each of Mr. Chan Kwong Yuen, Mr. Chan Kun Yuen, Mr. Chan Shu Yuen and Mr. Wong Chee Chung, the Directors being proposed for re-election at the 2021 AGM does not have a service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

EMOLUMENT POLICY AND FIVE HIGHEST PAID INDIVIDUALS

The emoluments of the Directors are reviewed by the Remuneration Committee from time to time with reference to the qualifications, responsibilities, experience and performance of the individual Directors, and the operating results of the Group. Details of the policy are set out in the "Corporate Governance Report" on page 27 of this annual report.

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in notes 10.2 and 10.3 to the consolidated financial statements.

SHARE OPTION SCHEME

The purpose of the share option scheme (the "**Share Option Scheme**") is to enable the Company to grant options to selected participants 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 has 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.

Pursuant to the Share Option Scheme, each option gives the holder the right to subscribe for one ordinary share in the Company. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than three years after it has been granted. No option may be granted more than 10 years after the date of adoption of the Share Option Scheme. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option plans of the Company at any time shall not exceed 30% of the shares in issue from time to time. The total number of Shares issued and to be issued upon exercise of the options granted to each eligible participant (including exercised, cancelled and outstanding options) in any 12 month period shall not exceed 1% of the number of Shares in issue as at the date of grant ("**Individual Limit**"). Any further grant of options to an eligible participant which would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such eligible participant (Including exercised, cancelled and outstanding options) in the 12 month period up to and including the date of grant of such further options exceeding the Individual Limit shall be subject to shareholders' approval in advance with such eligible participant and his close associates (such term shall have the meaning ascribed to the definition of "associate" under Rule 1.01 of the GEM Listing Rules in relation to any director, chief executive or substantial shareholder (being an individual)) (or his associates if such eligible participant is a connected person) abstaining from voting. The exercise price for a share in respect of any particular option granted under the Share Option Scheme (which shall be payable upon exercise of the option) shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of (i) the official closing price of the shares as stated in the daily quotation sheets of the Stock Exchange on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

On 9 September 2019, the Company granted to certain participants entitled under the Share Option Scheme, subject to their acceptance, a maximum of share options to subscribe for a total of 32,300,000 ordinary shares of the Company under the Share Option Scheme. Details of movements of the share options granted under the Share Option Scheme for the year ended 31 March 2021 are as follows:

Name or category of participants	Date of grant of share options	Exercisable period	Exercise price of share options (HKD)	Outstanding at 1 April 2019	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding at 31 March 2021
Directors									
Mr. Chan Kwong Yuen	9 September 2019	1 June 2020 to 31 May 2023	0.189	—	3,200,000	—	—	—	3,200,000
Mr. Chan Kun Yuen	9 September 2019	1 June 2020 to 31 May 2023	0.189	—	3,200,000	—	—	—	3,200,000
Mr. Chan Shu Yuen	9 September 2019	1 June 2020 to 31 May 2023	0.189	—	3,200,000	—	—	—	3,200,000
Mr. Siu Chi Ming	9 September 2019	1 June 2020 to 31 May 2023	0.189	—	200,000	—	—	—	200,000
Mr. Lee Wai Ho	9 September 2019	1 June 2020 to 31 May 2023	0.189	—	200,000	—	—	—	200,000
Mr. Wong Chee Chung	9 September 2019	1 June 2020 to 31 May 2023	0.189	—	200,000	—	—	—	200,000
Sub-total				—	10,200,000	—	—	—	10,200,000
Substantial Shareholder									
Mr. Chan Tat Yuen	9 September 2019	1 June 2020 to 31 May 2023	0.189	—	3,200,000	—	—	—	3,200,000
Other Employees, consultants and advisers	9 September 2019	1 June 2020 to 31 May 2023	0.189	—	18,900,000	—	(650,000)	(750,000)	17,500,000
Total					32,300,000	—	(650,000)	(750,000)	30,900,000

After the reporting period and as at the date of approval of this annual report, (i) 1,250,000 share options were exercised by eligible employees other than the directors of the Company and (ii) 50,000 and 150,000 share options granted under the Share Option Scheme were cancelled and lapsed respectively. There were 29,450,000 outstanding share options granted under the Share Option Scheme, representing approximately 8.15% of the issued share capital of the Company.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as those disclosed under "Continuing Connected Transactions" above, none of the Director or a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of its subsidiary was a party during the year.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) when the Directors' Report prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance.

MANAGEMENT CONTRACTS

As at 31 March 2021, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of the Company's subsidiary a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

So far as the Directors are aware, as at 31 March 2021, the interests and short positions of the Directors and chief executive 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 SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in ordinary shares and underlying shares of the Company

Name of Director/ Chief Executive	Capacity/Nature of interest	Number of shares/ underlying shares held/ interested	Approximate percentage of shareholding
Chan Kwong Yuen	Interested in a controlled corporation	270,000,000 (Note 1)	75%
	Beneficial owner	3,200,000 (Note 2)	0.89%
Chan Kun Yuen	Interested in a controlled corporation	270,000,000 (Note 1)	75%
	Beneficial owner	3,200,000 (Note 2)	0.89%
Chan Shu Yuen	Interested in a controlled corporation	270,000,000 (Note 1)	75%
	Beneficial owner	3,200,000 (Note 2)	0.89%
Siu Chi Ming	Beneficial owner	200,000 (Note 2)	0.06%
Lee Wai Ho	Beneficial owner	200,000 (Note 2)	0.06%
Wong Chee Chung	Beneficial owner	200,000 (Note 2)	0.06%

Notes:

1. 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.

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 in	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 and chief executive 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 March 2021.

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 CEO, as at 31 March 2021, the following persons/entities (other than the Directors and chief executive of the Company) who had or were deemed to have an interest or a short position in the shares or the underlying shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Long positions in ordinary shares and underlying shares of the Company

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

Notes:

1. The total issued capital of Profit Ocean is owned by Tri-Luck, Wealth City, Sky King and Coastal Lion in equal shares, i.e. 25%, while the total issued share capital of each of Tri-Luck, Wealth City, Sky King and Coastal Lion is wholly owned by Mr. Chan Tat Yuen, Mr. Chan Kun Yuen, Mr. Chan Shu Yuen and Mr. Chan Kwong Yuen, respectively.

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

2. These 3,200,000 shares are derived from the interests in share options granted by the Company pursuant to the share option scheme adopted by the Company on 14 March 2018.

3. Ms. Chu Min is the spouse of Mr. Chan Tat Yuen. For purposes of the SFO, Ms. Chu Min is deemed to be interested in (i) the shares held by Mr. Chan Tat Yuen; and (ii) share options granted to Mr. Chan Tat Yuen by the Company pursuant to the share option scheme adopted by the Company on 14 March 2018.

4. Ms. Chan King Chi is the spouse of Mr. Chan Kun Yuen. For purposes of the SFO, Ms. Chan King Chi is deemed to be interested in (i) the shares held by Mr. Chan Kun Yuen; and (ii) share options granted to Mr. Chan Kun Yuen by the Company pursuant to the share option scheme adopted by the Company on 14 March 2018.

5. Ms. Po Miu Kuen Tammy is the spouse of Mr. Chan Shu Yuen. For purposes of the SFO, Ms. Po Miu Kuen Tammy is deemed to be interested in (i) the shares held by Mr. Chan Shu Yuen; and (ii) share options granted to Mr. Chan Shu Yuen by the Company pursuant to the share option scheme adopted by the Company on 14 March 2018.

6. Ms. Ng Wai Lam Lana Zoe is the spouse of Mr. Chan Kwong Yuen. For purposes of the SFO, Ms. Ng Wai Lam Lana Zoe is deemed to be interested in (i) the shares held by Mr. Chan Kwong Yuen; and (ii) share options granted to Mr. Chan Kwong Yuen by the Company pursuant to the share option scheme adopted by the Company on 14 March 2018.

Save as disclosed above, as at 31 March 2021, no person, other than the Directors of the Company whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying shares and Debenture 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 March 2021, 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.

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 (the "**Compliance Adviser**") as its compliance adviser, which provides advices and guidance to the Company in respect of compliance with the GEM Listing Rules commencing from 1 April 2020 to 30 June 2021. Save for the compliance adviser's agreements entered into between the Company and the Compliance Adviser 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 annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The shares of the Company were successfully listed on GEM on 16 April 2018. Neither the Company nor any of its subsidiary has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2021.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors, the Controlling Shareholders or substantial shareholders of the Company or any of its respective close associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with Group during the year ended 31 March 2021.

DEED OF NON-COMPETITION

In order to avoid any possible future competition between the Group and the Controlling Shareholders, Mr. Chan Tat Yuen, Mr. Chan Kwong Yuen, Mr. Chan Kun Yuen, Mr. Chan Shu Yuen, Tri-Luck, Wealth City, Sky King, and Coastal Lion (each a "**Covenantor**" and collectively the "**Covenantors**") have entered into the deed of non-competition with the Company (for itself and for the benefit of each other member of the Group) on 5 December 2017 ("**Deed of Non-competition**"). Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and as trustee for its subsidiary) that, during the period that the Deed of Non-competition remains effective, he shall not, and shall procure that his close associates (other than any member of the Group) not to develop, acquire, invest in, participate in, carry on or be engaged, concerned or interested or otherwise be involved, whether directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group.

Each of the Covenantors further undertakes that if any of he or his close associates other than any member of the Group is offered or becomes aware of any business opportunity which may compete with the business of the Group, he shall (and he shall procure his close associates to) notify the Group in writing and the Group shall have a right of first refusal to take up such business opportunity. The Group shall, within 6 months after receipt of the written notice (or such longer period if the Group is required to complete any approval procedures as set out under the GEM Listing Rules from time to time), notify the Covenantor(s) (and his close associates, if applicable) whether the Group will exercise the right of first refusal or not.

The Group shall only exercise the right of first refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal.

Each of the Covenantors also gave certain non-competition undertakings under the Deed of Non-Competition as set out in the paragraph headed "Relationship with our controlling shareholders — Non-competition undertaking" in the Prospectus.

The Company has received an annual written confirmation from each of the Covenantors in respect of their respective compliance with the terms of the Deed of Non-competition during the year ended 31 March 2021.

The independent non-executive Directors have also reviewed and were satisfied that each of the Controlling Shareholders had complied the terms of the Deed of Non-competition during the year ended 31 March 2021.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Environmental considerations are always an integral part of the Group's decision-making process and by focusing on reducing resource consumption during its operations and engaging the community in its work, the Group can act as one of the catalysts for a sustainable future. To help conserve the environment, the Group implements green practices such as reusing and recycling papers, separating paper waste from other waste for easier collection, recycling paper waste instead of disposing them directly, reducing energy consumption by replacing the majority of the lighting system with LED lights and switching off air conditioning and electrical appliances when not used. The Group's operations have complied in all material respects with currently applicable local environmental protection laws and regulations in Hong Kong during the year.

A report on environmental, social and governance matters was set out on pages 13 to 20 of the annual report.

CORPORATE GOVERNANCE

Details of the Group's corporate governance practices are set out in the Corporate Governance Report on pages 21 to 33 of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied with the relevant laws and regulations that may cause a significant impact on the business and operation of the Group in the event of a material breach or non-compliance. During the year ended 31 March 2021, there was no material breach or non-compliance with the applicable laws and regulations by the Group.

EQUITY-LINKED AGREEMENTS

Save as the Share Option Scheme disclosed above, there was no equity-linked agreement entered into by the Company during the year ended 31 March 2021.

DIRECTORS' REPORT

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company maintained the public float as required under the GEM Listing Rules throughout the year ended 31 March 2021 and has continued to maintain such float as at the date of this annual report.

AUDIT COMMITTEE

The Company established the Audit Committee on 14 March 2018 with written terms of reference in compliance with the requirements as set out in Rule 5.28 of GEM Listing Rules and the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control systems of the Group. The Audit Committee currently comprises three members, being all of the independent non-executive Directors, namely Mr. Lee Wai Ho, Mr. Siu Chi Ming and Mr. Wong Chee Chung. The chairman of the Audit Committee is Mr. Siu Chi Ming. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2021 at a meeting held on 29 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.

AUDITOR

There has been no change in auditor since 16 April 2018, being the listing date. The financial statements for the year ended 31 March 2021 have been audited by Grant Thornton Hong Kong Limited, who will retire, being eligible, offer themselves for re-appointment at the 2021 AGM. A resolution will be proposed at the 2021 AGM to re-appoint Grant Thornton Hong Kong Limited as auditors of the Company.

ON BEHALF OF THE BOARD

Chan Kwong Yuen
Chairman

Hong Kong, 29 June 2021

Grant Thornton
致同

To the members of Ying Kee Tea House Group Limited
(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Ying Kee Tea House Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 56 to 114, which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Refer to notes 2.14 and 5 to the consolidated financial statements

The Key Audit Matter	How the matter was addressed in our audit
The revenue is the primary financial key performance indicator of the Group. Therefore, we identified revenue recognition as a significant risk.	Our audit procedures in relation to the revenue recognition included: — understanding the revenue system of the Group; — determining whether revenue is recorded in the accounting system consistent with the accounting policy and considering the appropriateness of that policy; — testing the samples of sales transactions to ensure the record and postings of sales transactions were correct and properly made; — performing sales cut-off test to ensure the record and postings of sales transactions were made in proper accounting period; — performing analytical review on the gross profit to identify the trends and variances comparing with our understanding of the financial performance of the Group; and — performing analytical review on sales trends by location, by product type and by month to identify trends and variances that would require further substantive testing.

KEY AUDIT MATTERS (CONTINUED)

Valuation of inventories

Refer to notes 2.9, 4.1 and 15 to the consolidated financial statements

The Key Audit Matter	How the matter was addressed in our audit
The Group has significant inventories as at 31 March 2021 amounted to HK$6,616,000. The balance is mainly comprised of tea leaves as raw materials. Inventories are valued at the lower of costs and net realisable values. We identified the valuation of inventories as a key audit matter because of the significant judgment and estimation by the management are involved in identifying inventories with net realisable values that are lower than their costs, and obsolescence, with reference to the condition of the inventories, historical and current sales information, as well as the ageing of inventories to identify slow-moving items to ascertain the amount of allowance for inventories. No provision was provided by the management based on the nature and quality of the inventories for the year ended 31 March 2021.	Our audit procedures in relation to the valuation of inventories included: — obtaining an understanding of: (i) how the Group accounts for the inventory costs; and (ii) how the Group identifies and assess inventory write downs; — evaluating of the appropriateness of the methodologies applied in determining the provision; — attending inventory counts, performing physical inspection and reconciling the count results to the inventory listings to test the completeness; — reviewing the ageing of the inventories; and — on a sampling basis, we have independently reviewed the net realisable values of inventories with reference to selling prices achieved and cost to sell after the financial year end.

KEY AUDIT MATTERS (CONTINUED)

Assessment of the Group's ability to continue as a going concern

Refer to notes 2.1 and 4.2 to the consolidated financial statements

The Key Audit Matter	How the matter was addressed in our audit
The Group had incurred net loss of HK$9,142,000 for the year ended 31 March 2021 and, as at that date, the Group had net current liabilities of HK$2,503,000. Note 2.1 to the consolidated financial statements explains how the directors have formed a judgement that the going concern basis is appropriate in preparing the consolidated financial statements of the Group. The directors evaluated the Group's ability to continue as a going concern based upon an assessment of the Group's cash position, a cash flow forecast, and its availability to obtain financing facilities and obtain financial support from a related company to finance its continuing operations. This required the exercise of significant management judgement, particularly in forecasting the Group's future revenue, gross profit, operating expenses and capital expenditure and in assessing the Group's ability to renew the existing banking facilities. Based on their assessment, the directors concluded 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. We identified the assessment of the Group's ability to continue as a going concern as a key audit matter because the assessment is dependent upon certain management assumptions and judgements, in particular in relation to future revenue and the ability of the Group to obtain external financing, which may be inherently uncertain and could be subject to management bias.	Our audit procedures to assess whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern included: — evaluating the key assumptions in the cash flow forecasts (including future revenue, gross profit, operating expense and capital expenditure) with reference to historical sales information, current performance, internal management plans and market and other external available information; — assessing the availability of banking and other financing facilities and arrangements by inspecting underlying documentation, which included banking facility agreements signed before and after the year end, and assessing the impact of any covenants and other restrictive terms therein; — assessing the Group's ability to renew or refinance existing banking and other financing facilities upon maturity by performing a retrospective review of past renewal or roll-over history of banking and other banking facilities in prior years; — inspecting letter of financial support from the related company and assessing the ability of the related company to provide such financial support by inspecting available financial information; and — evaluating the disclosures in the consolidated financial statements in respect of the going concern assumption with reference to the requirements of the prevailing accounting standards.

KEY AUDIT MATTERS (CONTINUED)

Impairment of property, plant and equipment and right-of-use assets

Refer to notes 2.16, 4.1 and 13 to the consolidated financial statements

The Key Audit Matter	How the matter was addressed in our audit
The Group had significant property, plant and equipment (including the right-of-use assets) as at 31 March 2021 amounted to HK$111,615,000 before current year impairment. These assets were allocated to the retail shops as individual cash generating units ("**CGUs**") from which the sales of tea products business arose. The Group had reported losses in certain CGUs in the current year which indicates the carrying amount of property, plant and equipment to the corresponding CGUs may be impaired. The Group has performed an impairment assessment on these assets as at 31 March 2021 to determine the recoverable amount of each of the CGU to which the assets belongs, using value in use calculation based on the valuations performed by an independent qualified professional valuer (the "**Valuer**"). Based on the results of the assessment, it is concluded that there was impairment in respect of property, plant and equipment (including the right-of-use assets) amounted to HK$759,000 for the year ended 31 March 2021. We identified the impairment assessment as a key audit matter because of the significance of the carrying values of the property, plant and equipment (including the right-of-use assets) amounted to HK$110,856,000 (representing 88% of total assets) and the significant judgements and estimations involved in the assessment of their recoverable amounts.	Our audit procedures in relation to the impairment assessments of the carrying values of property, plant and equipment and right-of-use assets included: — discussing with management and understanding management's impairment assessment process; — evaluating management's identification of CGUs and reasonableness of the allocation of property, plant and equipment (including the right-of-use assets) to the corresponding CGUs; — assessing the competence, capabilities and objectivity of the Valuer, and checking the qualifications of the Valuer; — assessing the arithmetic accuracy of the value-in-use calculation of the cash flow forecast and the impairment loss calculation; and — obtaining an understanding from the Valuer about the methodologies used, the inputs and assumptions adopted, such as revenue growth rates, terminal growth rate, the discount rates and the assumptions in particular in relation to gross profit, operating expenses and capital expenditure, adopted in the valuation model and, with the assistance of our valuation experts, assessing the appropriateness of these methodologies, inputs and assumptions based on other available market data taking into account the historical performance of the Group.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2021 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

29 June 2021

Chiu Wing Ning
Practising Certificate No.: P04920

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	5	**36,092**	37,148
Cost of sales		**(8,291)**	(8,756)
Gross profit		**27,801**	28,392
Other income	6.1	**3,712**	721
Loss on early repayment of promissory notes	6.2	**(912)**	—
Selling and distribution costs		**(1,566)**	(1,641)
Administrative expenses		**(34,560)**	(39,594)
Finance costs	7	**(3,605)**	(182)
Loss before income tax	8	**(9,130)**	(12,304)
Income tax expense	9	**(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	12	**(2.54)**	(3.42)

The notes on pages 62 to 114 are an integral part of these consolidated financial statements.

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	13	**110,856**	110,439
Intangible asset	14	**—**	87
Deposit paid for acquisition of intangible asset	16	**—**	1,000
Rental deposits	16	**357**	—
		111,213	111,526
Current assets			
Inventories	15	**6,616**	7,360
Trade and other receivables	16	**4,407**	3,641
Tax refundable		**—**	869
Time deposits	17	**—**	11,007
Cash and bank balances		**3,911**	5,798
		14,934	28,675
Current liabilities			
Trade and other payables	18	**1,267**	1,052
Bank borrowings	19	**10,250**	12,250
Lease liabilities	21	**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
Non-current liabilities			
Provision for long service payment		**428**	608
Provision for reinstatement cost		**854**	854
Bank borrowings	19	**40,500**	42,750
Promissory notes	20	**37,358**	44,724
Lease liabilities	21	**1,672**	940
		80,812	89,876
Net assets		**27,898**	36,512

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2021

	Notes	**2021** **HK$'000**	2020 HK$'000
Equity			
Share capital	22	**41,879**	41,879
Reserves		**(13,981)**	(5,367)
Total equity		**27,898**	36,512

Chan Kun Yuen
Director

Chan Shu Yuen
Director

The notes on pages 62 to 114 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2021

	Share capital HK$'000 (note 22)	Capital reserve HK$'000 (note 23)	Share option reserve HK$'000	Contribution reserve HK$'000 (note 23)	Accumulated losses HK$'000	Total equity HK$'000
As at 1 April 2019	41,879	990	—	—	(1,637)	41,232
Equity settled share-based payment (note 24)	—	—	1,778	—	—	1,778
Contribution from shareholders (note 23b)	—	—	—	5,806	—	5,806
Loss for the year and total comprehensive expense for the year	—	—	—	—	(12,304)	(12,304)
As at 31 March 2020 and 1 April 2020	**41,879**	**990**	**1,778**	**5,806**	**(13,941)**	**36,512**
Equity settled share-based payment (note 24)	**—**	**—**	**528**	**—**	**—**	**528**
Lapse of share options (note 24)	**—**	**—**	**(47)**	**—**	**47**	**—**
Loss for the year and total comprehensive expense for the year	**—**	**—**	**—**	**—**	**(9,142)**	**(9,142)**
At 31 March 2021	**41,879**	**990**	**2,259**	**5,806**	**(23,036)**	**27,898**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2021

	2021 HK$'000	2020 HK$'000
Cash flows from operating activities		
Loss before income tax	**(9,130)**	(12,304)
Adjustments for:		
Depreciation on property, plant and equipment	**4,720**	1,021
Depreciation on right-of-use assets	**5,592**	1,344
Amortisation of reinstatement cost	**47**	414
Amortisation of intangible asset	**10**	103
Interest income	**(57)**	(315)
Interest expenses	**3,605**	182
Loss on early repayment of promissory notes	**912**	—
Loss on disposal/write-off of property, plant and equipment	**574**	566
Loss on disposal of intangible asset	**77**	—
Impairment loss of intangible asset	**—**	837
Impairment loss of property, plant and equipment	**475**	284
Impairment loss of right-of-use assets	**284**	—
Reversal of over-provision for reinstatement cost	**—**	(219)
Gain on termination of lease	**—**	(12)
Share options expenses	**528**	1,778
Rent concessions	**(105)**	(72)
Operating profit/(loss) before working capital changes	**7,532**	(6,393)
Changes in working capital:		
Inventories	**744**	23
Trade and other receivables	**(123)**	112
Trade and other payables	**215**	(434)
Provision for reinstatement cost	**—**	(196)
Provision for long service payment	**(180)**	132
Cash generated from/(used in) operations	**8,188**	(6,756)
Income taxes refund	**884**	30
Net cash generating from/(used in) operating activities	**9,072**	(6,726)
Cash flows from investing activities		
Interest received	**57**	315
Withdrawal of time deposits	**(8,000)**	(22,059)
Placement of time deposits	**19,007**	27,052
Purchase of property, plant and equipment	**(295)**	(56,558)
Net cash generating from/(used in) investing activities	**10,769**	(51,250)

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2021

	2021 HK$'000	2020 HK$'000
Cash flows from financing activities		
Interest paid	**(1,883)**	(152)
Proceeds from new bank borrowings	**8,000**	55,000
Payment of lease liabilities	**(5,595)**	(1,246)
Repayment of bank borrowings	**(12,250)**	—
Repayment of promissory notes	**(10,000)**	—
Net cash (used in)/generated from financing activities	**(21,728)**	53,602
Net decrease in cash and cash equivalents	**(1,887)**	(4,374)
Cash and cash equivalents at beginning of the year	**5,798**	10,172
Cash and cash equivalents at end of the year, represented by cash and bank balances	**3,911**	5,798

The notes on pages 62 to 114 are an integral part of these consolidated financial statements.

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**").

These consolidated financial statements for the year ended 31 March 2021 were approved for issue by the board of directors on 29 June 2021.

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 3.

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 4.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

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 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

Subsidiaries are an entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of its subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (Continued)

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost also includes direct attributable costs of investment.

The results of subsidiary are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.3 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

2.4 Foreign currency translation

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair values were determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rates at the transaction date).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost (other than cost of right-of-use assets as described in note 2.11) includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Depreciation is recognised so as to write off the cost less their residual values (if any) over their estimated useful lives, using the reducing balance method, at the following rates per annum, except for reinstatement cost and leasehold land and buildings which are amortised over the shorter of its estimated useful life or lease term using the straight-line method:

Machinery and equipment	20%
Leasehold improvement and furniture and fixtures	20%
Leasehold land and buildings	Over the shorter of its estimated useful life or unexpired period of the lease of land

Accounting policy for depreciation of right-of-use assets is set out in note 2.11.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Intangible asset (other than goodwill)

Acquired intangible asset are recognised initially at cost. After initial recognition, intangible asset with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible asset with finite useful lives is provided on straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use. The following useful lives are applied:

Trademark	10 years

The asset' amortisation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Intangible asset, with finite useful lives, are tested for impairment as described below in note 2.16.

2.7 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets

Classification and initial measurement of financial assets

Trade receivables that do not contain a significant financing component are measured at the transaction price in accordance with HKFRS 15.

Financial assets are classified into amortised cost.

The classification is determined by both:

— the entity's business model for managing the financial asset; and

— the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs or other income, except for expected credit losses ("**ECL**") of trade and other receivables which is presented within administrative expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial instruments (Continued)

Financial assets (Continued)

Subsequent measurement of financial assets

Debt investments

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions:

— they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and

— the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in other income in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and bank balances, time deposits and trade and other receivables fall into this category of financial instruments.

Financial liabilities

Classification and measurement of financial liabilities

The Group's financial liabilities include bank borrowings, lease liabilities, trade and other payables and promissory notes.

Financial liabilities other than lease liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs.

Subsequently, financial liabilities other than lease liabilities are measured at amortised cost using the effective interest method.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or other income.

Accounting policy for lease liabilities are set out in note 2.11.

Bank borrowings

Bank borrowings are recognised initially at fair values, net of transaction costs incurred. Bank borrowings are subsequently stated at amortised costs; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Bank borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial instruments (Continued)

Financial liabilities (Continued)

Other financial liabilities

Both trade and other payables and promissory notes are recognised initially at their fair values and subsequently measured at amortised costs, using the effective interest method.

2.8 Impairment of financial assets

HKFRS 9's impairment requirements use forward-looking information to recognise ECL — the "ECL model". Instruments within the scope included financial assets measured at amortised cost.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

— financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("**Stage 1**") and

— financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("**Stage 2**").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month ECL" are recognised for the Stage 1 category while "lifetime ECL" are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade receivables

For trade receivables, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of financial assets (Continued)

Other financial assets measured at amortised cost

The Group measures the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at the reporting date with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

— an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

— significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

— existing or forecast adverse changes in regulatory, business, financial, economic conditions, or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and

— an actual or expected significant deterioration in the operating results of the debtor.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of financial assets (Continued)

Other financial assets measured at amortised cost (Continued)

For internal credit risk management, the Group considers an event of default occurs when (i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group); or (ii) the financial asset is 90 days past due.

Detailed analysis of the ECL assessment of trade receivables and other financial assets measured at amortised cost are set out in note 28.4.

2.9 Inventories

Inventories are carried at the lower of costs and net realisable values. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses. Cost is determined using the weighted average basis. It excludes borrowing costs.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2.11 Leases

Definition of a lease and the Group as a lessee

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

Measurement and recognition of leases as a lessee

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

For contracts that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Leases (Continued)

Definition of a lease and the Group as a lessee (Continued)

Measurement and recognition of leases as a lessee (Continued)

At lease commencement date, the Group recognises a right-of-use assets and a lease liability on the consolidated statement of financial position. The right-of-use assets is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use assets for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

For lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification. The only exception is any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 "Leases". In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use assets, or profit and loss if the right-of-use assets is already reduced to zero.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Leases (Continued)

Definition of a lease and the Group as a lessee (Continued)

Measurement and recognition of leases as a lessee (Continued)

The Group has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use assets and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less.

On the consolidated statement of financial position, right-of-use assets have been included in "property, plant and equipment", the same line as it presents the underlying assets of the same nature that it owns.

Refundable rental deposits paid are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

2.12 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.13 Share capital

Ordinary shares are classified as equity. Share capital is recognised at the amount of consideration of shares issued, after deducting any transaction costs associated with the issuing of shares (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Revenue recognition

Revenue arises mainly from sales of tea products and food and beverage retails.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Sales of goods is recognised when or as the Group transfers control of the tea products and beverage to the customer. Invoices for goods transferred are due upon receipt by the customer.

Interest income is recognised on a time proportion basis using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount.

2.15 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate.

Government grants relating to income are presented in gross under other income in the consolidated statement of profit or loss and other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Impairment of non-financial assets

The Group's property, plant and equipment (including right-of-use assets), intangible asset and the Company's interests in subsidiaries are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit ("**CGU**")). As a result, some assets are tested individually for impairment and some are tested at CGU level. Corporate assets are allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Impairment loss is charged pro rata to the other assets in the CGU, except that the carrying amount of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.17 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution retirement benefit plan under the Mandatory Provident Fund ("**MPF**") Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligation under these plans are limited to the fixed percentage contributions payable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Employee benefits (CONTINUED)

Long service payment

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payment under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payment in the event that such a termination of employment meets the circumstances specified in the Hong Kong Employment Ordinance.

The long service payment liabilities are the present value of long service payment obligation less the entitlements accrued under the Group's defined contribution retirement benefit plans that is attributable to contributions made by the Group.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

Share-based compensation

The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the equity instruments awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in the "share option reserve" in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share capital. After vesting date, when the vested share options are later forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

2.18 Borrowing costs

Borrowing costs are recognised in profit or loss in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of income tax expenses in the profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable income of the periods in which the temporary differences are expected to reverse.

The determination of the average tax rates requires an estimation of (i) when the existing temporary differences will reverse and (ii) the amount of future taxable profit in those years. The estimate of future taxable profit includes:

— income or loss excluding reversals of temporary differences; and

— reversals of existing temporary differences.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Accounting for income taxes (Continued)

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.20 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors, the chief operating decision maker, for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and if that person:

- (i) has control or joint control over of the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) the party is an entity and if any of the following conditions applies:

- (i) the entity and the Group are members of the same group.
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) the entity and the Group are joint ventures of the same third party.
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) the entity is controlled or jointly controlled by a person identified in (a).
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. ADOPTION OF NEW AND AMENDED HKFRSs

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).

3. ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)

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

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.

3. ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)

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

Issued but not yet effective HKFRSs (Continued)

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.

4. 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.

4.1 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 15.

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 as set out in note 2.8. The carrying amounts of trade and other receivables at each reporting date are disclosed in note 16.

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 13.

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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.1 Estimation uncertainty (Continued)

Impairment of non-financial assets (Continued)

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 13.

During the year ended 31 March 2021, the Group has 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.

4.2 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.2 Critical accounting judgements (Continued)

Determination of the lease term in lease contracts and discount rate (Continued)

During the years ended 31 March 2021 and 2020, the extension options in leases of concession counters have 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 13, 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.

5. REVENUE AND SEGMENT REPORTING

5.1 Revenue

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

5. REVENUE AND SEGMENT REPORTING (CONTINUED)

5.2 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.

6. OTHER INCOME AND OTHER GAIN OR LOSS

6.1 Other income

	2021 HK$'000	2020 HK$'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.

6.2 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.

7. FINANCE COSTS

	2021 HK$'000	2020 HK$'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

8. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	2021 HK$'000	2020 HK$'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

9. 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 has 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.

10. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

10.1 Employee benefit expenses

	2021 HK$'000	2020 HK$'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

10.2 Directors' emoluments

	Year ended 31 March 2021				
	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Retirement Scheme contributions HK$'000	Share-based payment HK$'000	Total HK$'000
Executive directors					
Chan Kwong Yuen (note)	200	—	10	55	265
Chan Kun Yuen (note)	200	—	10	55	265
Chan Shu Yuen	200	—	10	55	265
	600	—	30	165	795
Independent non-executive directors					
Siu Chi Ming	180	—	—	3	183
Lee Wai Ho	120	—	—	3	123
Wong Chee Chung	120	—	—	3	123
	420	—	—	9	429

10. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (CONTINUED)

10.2 Directors' emoluments (Continued)

	Year ended 31 March 2020				
	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Retirement Scheme contributions HK$'000	Share-based payment HK$'000	Total HK$'000
Executive directors					
Chan Kwong Yuen (note)	200	—	10	180	390
Chan Kun Yuen (note)	200	—	10	180	390
Chan Shu Yuen	200	—	10	180	390
	600	—	30	540	1,170
Independent non-executive directors					
Siu Chi Ming	180	—	—	11	191
Lee Wai Ho	120	—	—	11	131
Wong Chee Chung	120	—	—	11	131
	420	—	—	33	453

Note: Chan Kwong Yuen and Chan Kun Yuen are also the Group's chairman of the board of directors and chief executive officer respectively.

The emoluments above represent emoluments received from the Group by these directors in their capacity as employees of the Group and/or in their capacity as directors now comprising the Group during the year.

10.3 Five highest paid individuals' emoluments

The five individuals whose emoluments were the highest in the Group for the year do not include the directors during the year ended 31 March 2021 and 2020, whose emoluments are disclosed in note 10.2. The aggregate of the emoluments payable to the five (2020: five) individuals are as follows:

	2021 HK$'000	2020 HK$'000
Salaries, allowances and other benefits	**2,246**	2,241
Discretionary bonuses	**145**	235
Retirement scheme contributions	**78**	84
Share-based payment	**126**	417
	2,595	2,977

10. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (CONTINUED)

10.3 Five highest paid individuals' emoluments (Continued)

The above individuals' emoluments are within the following bands:

	2021	2020
Nil to HK$1,000,000	**4**	4
HK$1,000,001 to HK$1,500,000	**1**	—
HK$1,500,001 to HK$2,000,000	**—**	1

During the years ended 31 March 2021 and 2020, no emolument was paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. No directors or five highest paid individuals has waived or agreed to waive any emoluments during the years ended 31 March 2021 and 2020.

11. DIVIDENDS

No dividend has 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.

12. 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 **HK$'000**	2020 HK$'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.

13. 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.

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes (Continued):

(i) 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 19.

14. INTANGIBLE ASSET

	Trademark Total HK$'000
Cost	
At 31 March 2019 and 2020	**1,027**
Write-off (note i)	**(1,027)**
At 31 March 2021	**—**
Amortisation and impairment losses	
At 1 April 2019	—
Charge for the year	103
Impairment for the year (note ii)	837
At 31 March 2020	940
Charge for the year	10
Write-off (note i)	(950)
At 31 March 2021	**—**
Carrying values	
At 31 March 2021	**—**
At 31 March 2020	**87**

Notes:

(i) During the year ended 31 March 2021, the Group has ceased the food and beverage retails business and write-off the intangible asset of approximately HK$77,000.

(ii) During the year ended 31 March 2020 the Group's Food and Beverage Retails CGU performed below budget, management of the Group has conducted an impairment assessment on this CGU. The intangible asset included in this CGU is assessed individually. The recoverable amount has been determined on a value in use calculation based on the cash flow projections by using the latest financial budgets approved by the Company's management. The pre-tax discount rate used for the calculation was 11.73%. The recoverable amount of the intangible asset was approximately HK$87,000 as at 31 March 2020, accordingly, the management of the Group determined that an impairment loss on intangible asset of approximately HK$837,000 was recognised in profit or loss.

15. INVENTORIES

	2021 HK$'000	2020 HK$'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

16. TRADE AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'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.

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

17. 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.

18. TRADE AND OTHER PAYABLES

	2021 HK$'000	2020 HK$'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 HK$'000	2020 HK$'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.

19. BANK BORROWINGS

	2021 HK$'000	2020 HK$'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 13.

(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.

20. PROMISSORY NOTES

	2021 HK$'000	2020 HK$'000
At beginning of year	**44,724**	—
Fair value of promissory notes issued at the inception date	**—**	44,694
Imputed interest charged (note 7)	**1,722**	30
Loss on early repayment of promissory notes (note 6.2)	**912**	—
Repayment of promissory notes	**(10,000)**	—
At end of year	**37,358**	44,724

20. PROMISSORY NOTES (CONTINUED)

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 13). 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.

21. LEASE LIABILITIES

	2021 **HK$'000**	2020 HK$'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 **HK$'000**	2020 HK$'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

21. LEASE LIABILITIES (CONTINUED)

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).

As at 31 March 2021 and 2020, the Group has entered into leases for office premise, car park and retails shops as follows:

Types of right-of-use assets	Financial statements items of right-of-use assets included in	Number of leases	Range of remaining lease term	Particulars
Retails shops	Leasehold land and buildings in "property, plant and equipment"	7 (2020: 2)	0.9 to 2.5 years (2020: 0.5 to 3.4 years)	Some of the contracts contain additional variable lease payments depends on the turnover rent during the contract period
Office premise	Leasehold land and buildings in "property, plant and equipment	1 (2020: Nil)	1 years (2020: Nil)	Only subject to monthly fixed rental payment
Carpark	Leasehold land and buildings in "property, plant and equipment	1 (2020: Nil)	1.8 years (2020: Nil)	Only subject to monthly fixed rental payment

22. SHARE CAPITAL

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

23. 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 20. 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.

24. 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 '000	**Exercise price per share HK$**	Number '000	Exercise price per share HK$
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	
	Number '000	**Exercise price per share HK$**	Number '000	Exercise price per share HK$
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

24. SHARE-BASED COMPENSATION (CONTINUED)

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.

The fair values of options granted were determined using the Binomial Option Pricing model ("**Binomial model**") that takes into account factors specific to the share option scheme. The following key assumptions were used in the valuation:

	2020
Share price at date of grant	HK$0.189
Expected volatility	56.13%
Expected option life	3.73 years
Dividend yield	0.00%
Risk-free interest rate	1.31%
Fair value at grant date	HK$2,361,000
Exercise price at date of grant	HK$0.189

(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.

The underlying expected volatility was determined by reference to historical data, calculated based on expected life of share options. No special features pertinent to the options granted were incorporated into measurement of fair value.

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.

25. COMMITMENTS

(a) Capital commitments

Capital commitments of the Group outstanding at 31 March 2021 and 2020 not provided for are as follows:

	2021 HK$'000	2020 HK$'000
Contracted but not provided for:		
— Machinery and equipment	107	411

(b) Lease commitments

As lessee

At the reporting date, the lease commitments for short-term leases are as follows:

	2021 HK$'000	2020 HK$'000
Within one year	166	1,347
In the second to fifth years inclusive	—	23
	166	1,370

In addition to the above, variable payments are charged on certain retail shops and concession counters based on pre-determined percentages of realised sales, but generally with a basic or minimum lease payments as agreed of the respective leases.

26. RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in these consolidated financial statements, the Group entered into the following material related party transactions during the year:

26.1 Names and relationship

Name of related party	Relationship with the Group
Chan Kwong Yuen	Director of the Company
Chan Kun Yuen	Director of the Company
Chan Sing Hoi Enterprises	An entity controlled by substantial shareholders of the Company
Golden Ocean	An entity controlled by substantial shareholders of the Company

26. RELATED PARTY TRANSACTIONS (CONTINUED)

26.2 Related party transactions

	2021 HK$'000	2020 HK$'000
Rental payment:		
Chan Sing Hoi Enterprises	—	2,856
Golden Ocean	—	6,072
Lease payment:		
Golden Ocean	**4,452**	—
Finance charges on lease liabilities:		
Golden Ocean	**174**	—
Sales of goods to:		
Chan Kun Yuen	**5**	10
Chan Kwong Yuen	**1**	8
Imputed interest expense:		
Chan Sing Hoi Enterprises	**1,722**	30
Acquisition of the Properties from:		
Chan Sing Hoi Enterprises	—	95,500

The related party transactions in respect of rental expenses above constitute connected transactions or continuing connected transactions as defined in Chapter 20 of the GEM Listing Rules. The disclosures required by Chapter 20 of the GEM Listing Rules are provided in the directors' report. Rental expenses paid to related parties were negotiated on an arm's length basis with reference to the market rentals.

Sales of goods to directors were made in the normal course of business and according to the prices and terms similar to those made to other parties.

The imputed interest would be amortised to interest expenses over the three years term of the promissory notes.

Acquisition of the Properties from Chan Sing Hoi Enterprises was negotiated on an arm's length basis with reference to the market value assessed by an independent professional valuer.

As at 31 March 2021 and 2020, no personal and corporate guarantees to the banks for banking facilities granted to the Group.

As at 31 March 2021, the controlling shareholders of the Group, Chan Shu Yuen, Chan Kwong Yuen, Chan Kun Yuen and Chan Tat Yuen, have provided personal guarantees to the bank for banking facilities granted to the Group as set out in note 19. As at 31 March 2021 and 2020, no corporate guarantees to the banks for banking facilities granted to the Group.

26. RELATED PARTY TRANSACTIONS (CONTINUED)

26.2 Related party transactions (Continued)

Outstanding balances arising from leasing of retails shops and the office premise included in leases liabilities are as follows:

	2021 HK$'000	2020 HK$'000
Payable to a related party — Golden Ocean	**4,005**	—

26.3 Key management personnel remunerations

Key management personnel remunerations in the Group including amounts paid to the Company's directors during the year were as follows:

	2021 HK$'000	2020 HK$'000
Salaries, allowances and other benefits	**3,592**	3,701
Discretionary bonuses	**205**	199
Retirement scheme contributions	**124**	130
Share-based payment	**355**	1,170
	4,276	5,200

27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities for the years ended 31 March 2020 and 2021, including both cash and non-cash changes.

	Promissory notes HK$'000	**Bank borrowings** HK$'000	**Leases liabilities** HK$'000	**Total** HK$'000
At 1 April 2020	—	—	1,896	1,896
Cash-flows:				
Interest element of lease rentals paid	—	—	(73)	(73)
Capital element of lease rentals paid	—	—	(1,246)	(1,246)
Proceeds from bank borrowings	—	55,000	—	55,000
Non-cash:				
Issuance of promissory notes	50,500	—	—	50,500
Entering into new leases	—	—	1,412	1,412
COVID-19 related rent concessions received (note)	—	—	(72)	(72)
Interest expenses recognised (note 7)	—	—	73	73
Imputed interest expenses recognised (note 7)	30	—	—	30
Imputed interest income recognised in equity	(5,806)	—	—	(5,806)
Termination of lease	—	—	(539)	(539)

27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

	Promissory notes HK$'000	Bank borrowings HK$'000	Leases liabilities HK$'000	Total HK$'000
At 31 March 2020 and 1 April 2020	44,724	55,000	1,451	101,175
Cash-flows:				
Interest element of lease rentals paid	—	—	(359)	(359)
Capital element of lease rentals paid	—	—	(5,595)	(5,595)
Proceeds from bank borrowings	—	8,000	—	8,000
Repayments of bank borrowings	—	(12,250)	—	(12,250)
Repayments of promissory note	(10,000)	—	—	(10,000)
Non-cash:				
Modification of lease term	—	—	11,814	11,814
COVID-19 related rent concessions received (note)	—	—	(105)	(105)
Interest expenses recognised (note 7)	—	—	359	359
Imputed interest expenses recognised (note 7)	1,722	—	—	1,722
Loss on early repayment of promissory note (note 6.2)	912	—	—	912
At 31 March 2021	**37,358**	**50,750**	**7,565**	**95,673**

28. FINANCIAL RISK MANAGEMENT

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Group's overall financial risk management policies focuses on the unpredictability and volatility at financial markets and seeks to minimise potential adverse effects on the financial position, financial performance and cash flows of the Group. No derivative financial instruments are used to hedge any risk exposures.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

28.1 Categories of financial assets and financial liabilities

	2021 HK$'000	2020 HK$'000
Financial Assets		
Financial assets at amortised cost		
— Trade and other receivables	**3,986**	4,264
— Time deposits	**—**	11,007
— Cash and bank balances	**3,911**	5,798
	7,897	21,069
Financial Liabilities		
Financial liabilities measured at amortised cost		
— Trade and other payables	**1,267**	1,052
— Bank borrowings	**50,750**	55,000
— Promissory notes	**37,358**	44,724
— Lease liabilities	**7,565**	1,451
	96,940	102,227

28.2 Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposures to foreign currency risk mainly arise from the Group's financial assets denominated in Renminbi ("**RMB**"). This is not the functional currency of the group entities to which these transactions relate.

Foreign currency denominated financial assets and liabilities, translated into HK$ at the closing rates, were as follows:

	2021 HK$'000	2020 HK$'000
Cash and bank balances	**3**	361

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.2 Foreign currency risk (Continued)

The following table illustrates the sensitivity of the Group's loss after income tax for the year and equity as at the reporting date in regard to an appreciation in the functional currency of respective group entities against RMB. These sensitivity rate represents management's best assessment of the possible change in RMB.

	Sensitivity rate	Increase in loss for the year HK$'000	Decrease in equity HK$'000
As at 31 March 2021	**8%**	**—***	**—***
As at 31 March 2020	7%	21	21

* The amount is less than HK$1,000.

The same percentage depreciation in the functional currency of respective group entities against RMB would have the same magnitude on the Group's loss after income tax for the year.

28.3 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from bank balances and bank borrowings bearing variable rates which expose the Group to cash flow interest rate risk. The Group's lease liabilities and time deposits mainly bear fixed interest rates.

The following table illustrates the sensitivity of the Group's loss after income tax for the year and equity as at reporting date to a possible change in interest rates.

	2021		2020	
	Increase in loss for the year HK$'000	**Decrease in equity HK$'000**	Increase in loss for the year HK$'000	Decrease in equity HK$'000
Interest rate:				
Increase by 50 basis points	**196**	**196**	205	205

A decrease in 50 basis points in interest rate would have the same magnitude on the Group's loss after income tax for the year and equity as at reporting date but of opposite effect.

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate over the next twelve month period.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.4 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers and related parties in the ordinary course of its operations and from its investing activities.

The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position at 31 March 2021 and 2020 is the carrying amount as disclosed in note 28.1.

For trade and other receivables, the exposures to credit risk are monitored such that any outstanding debtors are reviewed and followed up on an ongoing basis. As at 31 March 2021, 37% (2020: 23%) was due from the largest debtor and 84% (2020: 69%) was due from the five largest debtors of the Group. The Group does not hold any collateral from its debtors.

The credit risk for cash at banks and time deposits is considered negligible as the counterparties are reputable banks.

i. Trade receivables

The Group's policy is to deal only with credit worthy counterparties. Credit terms are granted to new customers after a credit worthiness assessment by the credit control department. When considered appropriate, customers may be requested to provide proof as to their financial position. Where available at reasonable cost, external credit ratings and/or reports on customers are obtained and used. Customers who are not considered creditworthy are required to pay in advance or on delivery of goods. Payment record of customers is closely monitored. It is not the Group's policy to request collateral from its customers.

In addition, as set out in note 2.8, the Group assesses ECL under HKFRS 9 on trade receivables based on provision matrix, the expected loss rates are based on the payment profile for sales in the past 12 months as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forward-looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. At each reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed. However given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.4 Credit risk (Continued)

i. Trade receivables (Continued)

The following table provides information about the Group's exposure to credit risk and ECL for trade receivables as at 31 March 2021 and 2020 was determined as follows:

31 March 2021	**Current and within 3 months HK$'000**	**More than 3 months but less than 12 months past due HK$'000**	**Over 1 year but less than 2 years past due HK$'000**	**Over 2 years but less than 3 years past due HK$'000**	**Over 3 years past due HK$'000**	**Total HK$'000**
ECL rate	**1.4%**	**1.8%**	**21.3%**	**53.0%**	**100%**	
Gross carrying amount — trade receivables	**977**	**5**	**—**	**—**	**—**	**982**

31 March 2020	Current and within 3 months HK$'000	More than 3 months but less than 12 months past due HK$'000	Over 1 year but less than 2 years past due HK$'000	Over 2 years but less than 3 years past due HK$'000	Over 3 years past due HK$'000	Total HK$'000
ECL rate	1.3%	1.7%	21.2%	51.2%	100%	
Gross carrying amount — trade receivables	483	16	—	—	—	499

No ECL have been recognised as a result of the total ECL of trade receivables is immaterial.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.4 Credit risk (Continued)

ii. Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables, time deposits and cash and bank balances. In order to minimise the credit risk of other receivables, the management of the Group has designated a team responsible for determination of credit limits and credit approvals. The management would make periodic collective and individual assessment on the recoverability of other receivables based on historical settlement records and past experience as well as current external information and adjusted to reflect probability-weighted forward-looking information, including the default rate where the relevant debtors operates. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In these regards, the credit risk of other receivables are considered to be low.

Besides, the management is of opinion that there is no significant increase in credit risk on these other receivables since initial recognition as the risk of default is low after considering the factors as set out in note 2.8 and, thus, ECL recognised is based on 12-month ECL. No ECL have been recognised as a result of the total ECL of other receivables is immaterial.

The credit risks for bank balances and pledged bank deposits are considered negligible as the counterparties are reputable international banks with high quality external credit ratings.

28.5 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of its payables and financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

Analysed below is the Group's remaining contractual maturities for its financial liabilities at the reporting date. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

28.5 Liquidity risk (Continued)

The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities.

	Weighted average interest rate %	Within 1 year on demand HK$'000	Over 1 year but within 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Discount HK$'000	Carrying amount HK$'000
At 31 March 2021							
Non-interest bearing:							
Trade and other payables	**N/A**	**1,267**	**—**	**—**	**1,267**	**—**	**1,267**
Promissory notes	**N/A**	**—**	**40,500**	**—**	**40,500**	**3,142**	**37,358**
Interest bearing:							
Bank borrowings (note a)	**2.96%**	**12,045**	**13,331**	**32,422**	**57,798**	**7,048**	**50,750**
Lease liabilities	**3.35%**	**6,058**	**1,719**	**—**	**7,777**	**212**	**7,565**
		19,370	**55,550**	**32,422**	**107,342**	**10,402**	**96,940**
At 31 March 2020							
Non-interest bearing:							
Trade and other payables	N/A	1,052	—	—	1,052	—	1,052
Promissory notes	N/A	—	50,500	—	50,500	5,776	44,724
Interest bearing:							
Bank borrowings (note a)	3.18%	13,971	13,601	35,653	63,225	8,225	55,000
Lease liabilities	3.94%	558	988	—	1,546	95	1,451
		15,581	65,089	35,653	116,323	14,096	102,227

Note a: Borrowings repayable on demand are included in the "Within 1 year on demand" time band in the above maturity analysis. As at 31 March 2021, the aggregate carrying amounts of these borrowings amounted to HK$8,000,000 (2020: HK$10,000,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such borrowings will be repaid after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

	Within 1 year on demand HK$'000	Over 1 year but within 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Discount HK$'000	Carrying amount HK$'000
At 31 March 2021	**3,258**	**5,286**	**—**	**8,544**	**544**	**8,000**
At 31 Match 2020	10,402	—	—	10,402	402	10,000

29. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods and services commensurately with the level of risk.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the net debt to equity ratio. For this purpose, net debt is defined as bank borrowings, lease liabilities and promissory note less cash and bank balances and time deposits. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, raise new debt financing or sell assets to reduce debt.

The net debt to equity ratio at the reporting date was:

	2021 **HK$'000**	2020 HK$'000
Bank borrowings	**50,750**	55,000
Lease liabilities	**7,565**	1,451
Promissory notes	**37,358**	44,724
Cash and bank balances	**(3,911)**	(5,798)
Time deposits	**—**	(11,007)
Net debt	**91,762**	84,370
Total equity	**27,898**	36,512
Net debt to equity ratio	**329%**	231%

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 HK$'000	2020 HK$'000
ASSETS AND LIABILITIES		
Non-current asset		
Interests in subsidiaries	20	20
Current assets		
Prepayments	86	86
Amount due from subsidiaries	68,172	81,248
Cash and bank balances	148	95
	68,406	81,429
Current liability		
Other payables	169	307
Net current assets	68,237	81,122
Total assets less current liability	68,257	81,142
Non-current liability		
Promissory notes	37,358	44,724
Net assets	30,899	36,418
EQUITY		
Share capital	41,879	41,879
Reserve (note)	(10,980)	(5,461)
Total equity	30,899	36,418

Approved and authorised for issue by the board of directors on 29 June 2021.

Chan Kun Yuen
Director

Chan Shu Yuen
Director

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note: The movements of the reserve of the Company were as follows:

	Share option reserve HK$'000	Contribution reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 April 2019	—	—	(6,592)	(6,592)
Equity settled share-based payment	1,778	—	—	1,778
Contribution from shareholders	—	5,806	—	5,806
Loss for the year and total comprehensive expense for the year	—	—	(6,453)	(6,453)
As at 31 March 2020 and 1 April 2020	1,778	5,806	(13,045)	(5,461)
Lapse of share option	(47)	—	47	—
Equity settled share-based payment	528	—	—	528
Loss for the year and total comprehensive expense for the year	—	—	(6,047)	(6,047)
At 31 March 2021	2,259	5,806	(19,045)	(10,980)

31. INTERESTS IN SUBSIDIARIES

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

Company name	Place of incorporation	Issued and paid up capital	Percentage of equity interest directly held by the Company 2021	2020	Principal activities
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

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RESULTS

	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
Revenue	**36,092**	37,148	44,915	45,399	44,540
Cost of sales	**(8,291)**	(8,756)	(9,900)	(9,320)	(8,991)
Gross profit	**27,801**	28,392	35,015	36,079	35,549
Other income	**3,712**	721	608	32	207
Loss on early repayment of promissory notes	**(912)**	—	—	—	—
Selling and distribution costs	**(1,566)**	(1,641)	(2,055)	(3,136)	(2,584)
Administrative expenses	**(34,560)**	(39,594)	(35,422)	(33,857)	(18,197)
Finance costs	**(3,605)**	(182)	(46)	(282)	(175)
(Loss)/Profit before income tax	**(9,130)**	(12,304)	(1,900)	(1,164)	14,800
Income tax expense	**(12)**	—	(852)	(2,011)	(2,505)
(Loss)/Profit for the year and total comprehensive (expense)/income for the year	**(9,142)**	(12,304)	(2,752)	(3,175)	12,295
(Loss)/Earnings per share attributable to equity holders of the Company (expressed in HK cents per share)	**(2.54)**	(3.42)	(0.77)	(1.18)	4.55

ASSETS AND LIABILITIES

	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
Total consolidated assets	**126,147**	140,201	44,463	18,203	17,376
Total consolidated liabilities	**(98,249)**	(103,689)	(3,231)	(16,088)	(10,086)
Net assets	**27,898**	36,512	41,232	2,115	7,290
Equity attributable to equity holders of the Company	**27,898**	36,512	41,232	2,115	7,290

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	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
OPERATING RESULTS					
Revenue	**36,092**	37,148	44,915	45,399	44,540
Operating (loss)/profit (EBIT)	**(5,525)**	(12,122)	(1,854)	(882)	14,975
(Loss)/Profit attributable to equity holders of the Company	**(9,142)**	(12,304)	(2,752)	(3,175)	12,295
KEY STATISTICS					
Equity attributable to equity holders of the Company	**27,898**	36,512	41,232	2,115	7,290
Working capital	**(2,503)**	14,862	37,721	686	6,241
Cash position*	**3,911**	16,805	26,172	3,533	2,750
Bank loans	**50,750**	55,000	—	10,000	5,000
Trade and other receivable	**4,407**	3,641	4,753	5,145	1,548
Inventories	**6,616**	7,360	7,383	6,323	6,982
Capital expenditure**	**295**	108,470	2,399	1,418	89
Depreciation and amortisation	**10,359**	2,882	1,151	599	496
KEY RATIOS					
Return on equity holders of the Company (ROE)(%)	**(33%)**	(34%)	(7%)	(150%)	169%
Return on total assets (ROA)(%)	**(7%)**	(9%)	(6%)	(17%)	71%
Debt to equity***	**182%**	231%	0%	473%	69%
Current ratio (times)	**0.86**	2.08	26.38	1.05	1.70
Trade receivable turnover period (days)	**7**	9	8	4	5
Inventories turnover period (days)****	**308**	307	253	261	285
Gross margin (%)	**77%**	76%	78%	79%	80%
Earnings before interest, taxation, depreciation and amortization (EBITDA) margin (%)	**13%**	(25%)	(3%)	(1%)	35%
Earnings before interest and taxation (EBIT) margin (%)	**(15%)**	(33%)	(5%)	(2%)	34%
Profits margin (%)	**(25%)**	(33%)	(6%)	(7%)	28%

* Cash position refers to bank balances and cash and structured bank deposits

** Capital expenditure represented the additions to property, plant and equipment

*** Calculation based on bank loans/equity attributable to equity holders of the Company at year end

**** Calculation based on average inventory/cost of sales