英記茶莊
YING KEE TEA HOUSE

YING KEE TEA HOUSE GROUP LIMITED
英記茶莊集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 8241)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2022

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investor should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the "**Directors**") of Ying Kee Tea House Group Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

FINANCIAL HIGHLIGHTS

- The consolidated revenue of the Group (as defined below) for the financial year ended 31 March 2022 (the "**Reporting Year**") amounted to approximately HK$36.1 million (2021: HK$36.1 million).

- The gross profit for the year amounted to approximately HK$27.9 million (2021: HK$27.8 million), increasing of 0.4% year on year. Gross profit margin was 77.3% (2021: 77.0%) higher than that of last year.

- Net loss attributable to the owners of the Company for the Reporting Year was approximately HK$7.8 million (2021: net loss of HK$9.1 million). The loss for the Reporting Year was mainly due to the depreciation of the right-of-use assets and write-off the ERP and POS project. Had impairment loss of property, plant and equipment of HK$0.4 million, not been included in the consolidated statement of profit or loss, the net loss for the Reporting Year would have been HK$7.4 million (2021: HK$8.6 million).

- Basic and diluted loss per share attributable to equity holders of the Company was HK2.15 cents (2021: loss per share of HK2.54 cents) for the Reporting Year.

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

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2022

	Notes	**2022** *HK$'000*	2021 *HK$'000*
Revenue	4	**36,058**	36,092
Cost of sales		**(8,121)**	(8,291)
Gross profit		**27,937**	27,801
Other income	5.1	**343**	3,712
Loss on early repayment of promissory notes	5.2	**–**	(912)
Selling and distribution costs		**(1,563)**	(1,566)
Administrative expenses		**(31,249)**	(34,560)
Finance costs	6	**(3,184)**	(3,605)
Loss before income tax	7	**(7,716)**	(9,130)
Income tax expense	8	**(67)**	(12)
Loss for the year and total comprehensive expense for the year attributable to equity holders of the Company		**(7,783)**	(9,142)
Loss per share attributable to equity holders of the Company *(expressed in HK cents per share)*			
Basic and diluted loss per share	11	**(2.15)**	(2.54)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	**106,116**	110,856
Rental deposits	14	**357**	357
		106,473	111,213
Current assets			
Inventories	13	**6,881**	6,616
Trade and other receivables	14	**2,263**	4,407
Cash and bank balances		**1,871**	3,911
		11,015	14,934
Current liabilities			
Trade and other payables	15	**1,012**	1,267
Bank borrowings	16	**10,092**	10,250
Lease liabilities	18	**6,196**	5,893
Tax payable		**94**	27
		17,394	17,437
Net current liabilities		**(6,379)**	(2,503)
Total assets less current liabilities		**100,094**	108,710

	Notes	**2022**	2021
		HK$'000	*HK$'000*
Non-current liabilities			
Provision for long service payment		**428**	428
Provision for reinstatement cost		**854**	854
Bank borrowings	16	**38,250**	40,500
Promissory notes	17	**38,910**	37,358
Lease liabilities	18	**1,262**	1,672
		79,704	80,812
Net assets		**20,390**	27,898
EQUITY			
Share capital	19	**42,260**	41,879
Reserves	20	**(21,870)**	(13,981)
Total equity		**20,390**	27,898

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

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 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. 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**").

The financial information relating to the years ended 31 March 2021 to 2022 included in preliminary annual results announcement does not constitute the statutory annual consolidated financial statements of the Company for those years, but is derived from those consolidated financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

- The Company has delivered the statutory annual consolidated financial statements for the year ended 31 March 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance, and will deliver the financial statements for the year ended 31 March 2022 to the Registrar of Companies within the prescribed time limit.

- The Company's independent auditor, Grant Thornton Hong Kong Limited has reported on those financial statements. The independent auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

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 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.

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$7,783,000 incurred for the year ended 31 March 2022 and, as at that date, the Group had net current liabilities of HK$6,379,000.

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

(i) the Group generated net cash inflows from operating activities of approximately HK$7,881,000 during the year ended 31 March 2022 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 2022, the Group had available unutilised banking facilities of HK$15,244,000;

(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 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.

Should the going concern assumption be inappropriate, adjustments may have to be made to write down the values of assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

3. ADOPTION OF NEW AND AMENDED HKFRSs

Amended HKFRSs that are effective for annual periods beginning on 1 April 2021

In the current year, the Group has applied for the first time the following 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 2021:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ("**Phase 2 Amendments**")

Except for those mentioned below, 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.

Amendment to HKFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021"

The amendment extends the availability of the practical expedient in paragraph 46A of HKFRS 16 so that it applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions as stated in paragraph 46B of HKFRS 16 for applying the practical expedient are met.

A lessee that chooses to apply this practical expedient would be required to apply it consistently to all lease contracts with similar characteristics and in similar circumstances, irrespective of whether the contract became eligible for the practical expedient as a result of the lessee applying this amendment or Amendment to HKFRS 16 "Covid-19-Related Rent Concessions". Additional disclosures are required if this practical expedient is used.

The Group has adopted the amendment during the current 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 2021. Total rent concessions recorded for the year ended 31 March 2022 amounted to HK$112,000 (2021: HK$105,000).

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform – Phase 2" ("Phase 2 Amendments")

The Phase 2 Amendments provide practical relief from certain requirements in HKFRSs. These reliefs relate to modifications of financial assets and financial liabilities (measured at amortised costs) and lease contracts or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark risk-free rate.

The Group initially applied Phase 2 Amendments on 1 April 2021 and applied the amendments retrospectively. However, in accordance with the exceptions permitted in Phase 2 Amendments, the Group has elected not to restate the prior period to reflect the application of these amendments, including not providing additional disclosures for the prior period. There is no impact on opening equity balances as a result of retrospective application.

Impact on measurement of financial assets and financial liabilities

For changes in the basis for determining the contractual cash flows of financial assets and financial liabilities which are measured at amortised cost as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes such that it will not derecognise the carrying amounts of financial assets and financial liabilities and recognise an immediate gain or loss for changes solely arose from the interest rate benchmark reform, but will instead revise the effective interest rates of the financial assets and financial liabilities. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- The change is necessary as a direct consequence of the interest rate benchmark reform; and

- The new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately before the change).

For other changes made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first applies the practical expedient to the changes required by interest rate benchmark reform by updating the effective interest rate. The Group then applies the applicable requirements in HKFRS 9 on modification of a financial asset or a financial liability to the additional changes to which the practical expedient does not apply.

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[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related to amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual improvements to HKFRS Standards 2018–2020[1]
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination[4]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 Effective date not yet determined
4 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

The directors anticipate that all of the new and amended HKFRSs will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the new and amended HKFRSs. 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 are not expected to have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current" and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide further guidance to clarify how to classify debt and other liabilities as current or non-current which are summarised as follows:

- It clarifies that a liability is non-current if an entity have a right (instead of unconditional right as stated before the amendments) to defer settlement of the liability for at least twelve months from the end of the reporting period. This right has to be existed at the end of the reporting period, regardless of whether the lender tests for compliance at the date or at a later date;

- Any expectations about events after the reporting period do not impact the assessment made at the end of the reporting period as to the classification of the liability; and

- "Settlements" are newly defined as a transfer to the counterparty that results in the extinguishment of the liability. The transfer could be of cash, other economic resources (e.g. goods or services), or entity's own equity instruments. Thus, if the counterparty conversion option is classified as liability under HKAS 32 "Financial Instruments: Presentation", the transfer of equity instruments by exercising the conversion option constitute settlement of liability for the purpose current or non-current classification of liabilities. One exception to the definition is that if the counterparty conversion option is classified as equity in accordance with HKAS 32, the transfer of equity instruments by exercising the conversion option does not constitute settlement of liability and would be disregarded when determining whether the liability is current or non-current.

Amendments to HKAS 1 is effective for annual reporting period beginning on or after 1 January 2023 and apply retrospectively. Earlier application is permitted. The directors of the Group expect that the amendments have no material impact on the consolidated financial statements.

Amendments to HKAS 1 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 2022, 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 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.

Amendments to HKAS 8 "Definition of Accounting Estimates"

The amendments clarify how entities should distinguish changes in accounting policies from changes in accounting estimates by introducing a definition for accounting estimates, which is now defined as "monetary amounts in the financial statements that are subject to measurement uncertainty".

Besides, the amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. Accounting estimates typically involve the use of judgements or assumptions based on latest available reliable information. A change in accounting estimate that results from new information or new development is not correction of an error. Therefore, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. In addition, two illustrative examples are added to illustrate how to apply the new definition of accounting estimates.

The amendments are effective for annual reporting period beginning on or after 1 January 2023 and are applied prospectively. Earlier application is permitted. The directors expect that the amendments have no material impact on the consolidated financial statements.

Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The amendments clarify that the initial recognition exemption of deferred tax in HKAS 12 "Income Taxes" does not apply to transactions that give rise to equal taxable and deductible temporary differences, such as lease contracts that give rise to the recognition of a lease liability and the corresponding right-of-use assets and contracts that give rise to the recognition of decommissioning obligations and corresponding amounts recognised as assets. Instead, entities are required to recognise the related deferred tax asset and liability on initial recognition, with the recognition of any deferred tax asset being subject to the recoverability criteria in HKAS 12 "Income Taxes".

The amendments are effective for annual reporting period beginning on or after 1 January 2023. Earlier application is permitted. As the Group did not have any deferred tax assets, the directors expect that the amendments have no other material impact on the consolidated financial statements.

4. REVENUE AND SEGMENT REPORTING

4.1 Revenue

	2022	2021
	HK$'000	*HK$'000*
Sales of tea products	**36,058**	35,528
Food and beverage retails	**–**	564
	36,058	36,092

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 customer and good:

	2022	2021
	HK$'000	*HK$'000*
Type of customer		
– Individuals	**34,337**	34,797
– Corporate	**1,721**	1,295
	36,058	36,092

	2022	2021
	HK$'000	*HK$'000*
Type of good		
– Tea leaves	**34,826**	33,407
– Tea wares	**1,030**	962
– Tea gift sets	**202**	1,159
– Food and beverage retails	**–**	564
	36,058	36,092

4.2 Segment information

The Group has determined the operating segments based on the information reported to the executive directors, the chief operating decision maker. During the year ended 31 March 2022, the chief operating decision maker regards the Group's sales of tea products 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 ceased the food and beverage retails business during the year ended 31 March 2021.

Geographical information

No separate analysis of segment information by geographical segment is presented as all of the Group's revenue are derived from Hong Kong based on the location of customers and all of the Group's non-current assets are located in Hong Kong.

Information about major customers

During the year, none of the Group's customers contributed over 10% of the Group's revenue.

5. OTHER INCOME AND OTHER GAIN OR LOSS

5.1 Other income

	2022	2021
	HK$'000	*HK$'000*
Bank interest income	**3**	57
Sundry income	**73**	17
Write-back of other payable	**155**	–
Rent concessions	**112**	105
Government subsidies *(note)*	**–**	3,533
	343	3,712

Note: The Group has received the government grants from Hong Kong Special Administrative Region ("**HKSAR**") Government under the "Anti-epidemic Fund" during the year ended 31 March 2021. 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. There was no government grant received during the year ended 31 March 2022.

5.2 Loss on early repayment of promissory notes

The Group had early repaid part of the promissory notes, resulting in a loss on early repayment of promissory note of HK$912,000 incurred during the year ended 31 March 2021. There was no repayment of promissory note during the year ended 31 March 2022.

6. FINANCE COSTS

	2022	2021
	HK$'000	*HK$'000*
Interest charges on bank loans and overdrafts	**1,464**	1,524
Imputed interest expenses from promissory notes	**1,552**	1,722
Finance charges on lease liabilities	**168**	359
	3,184	3,605

7. LOSS BEFORE INCOME TAX

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

	2022	2021
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**4,410**	4,720
Depreciation of right-of-use assets	**5,973**	5,592
Total depreciation	**10,383**	10,312
Amortisation of reinstatement cost	**47**	47
Amortisation of trademark	**–**	10
Total amortisation	**47**	57
Lease charges in respect of premises		
– short term leases	**221**	1,604
– variable lease payments	**1,674**	673
– COVID-19-related rent concessions received *(note)*	**(112)**	(105)
Total lease charges	**1,783**	2,172
Auditor's remuneration	**526**	484
Cost of inventories recognised as an expense	**6,870**	7,060
Loss on disposal of property, plant and equipment	**–**	574
Write-off of intangible asset	**–**	77
Loss on early repayment of promissory notes	**–**	912
Exchange losses, net	**1**	1
Share-based payment	**–**	528
Impairment loss of property, plant and equipment	**379**	475
Impairment loss of right-of-use assets	**–**	284

Note: The Group has adopted Amendment to HKFRS 16 "Covid-19-Related Rent Concessions" and Amendment to HKFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021", and applied the practical expedients introduced by the amendments to all eligible rent concessions received by the Group. During the years ended 31 March 2022 and 2021, the rent concessions received by the Group are in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to prevent the spread of COVID-19.

8. INCOME TAX EXPENSE

	2022	2021
	HK$'000	*HK$'000*
Current tax		
Hong Kong profits tax		
– Current year	**94**	27
– Over provision in respect of prior years	**(27)**	(15)
Income tax expense	**67**	12

The provision for Hong Kong profits tax for 2022 is calculated at 16.5% of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying entities are taxed at 8.25%, and the profits above HK$2 million are taxed at 16.5%.

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

	2022	2021
	HK$'000	*HK$'000*
Loss before income tax	**(7,716)**	(9,130)
Tax on loss before income tax at profits tax rate of 16.5% (2021: 16.5%)	**(1,273)**	(1,506)
Tax effect on two-tiered tax regime	**(37)**	(8)
Tax effect of non-deductible expenses	**1,614**	1,661
Tax effect of non-taxable income	**(85)**	(595)
Tax effect of temporary differences not recognised	**(24)**	106
Tax effect of unused tax losses not recognised	**–**	424
Utilisation of tax losses previously not recognised	**(101)**	(55)
Over provision in respect of prior years	**(27)**	(15)
Income tax expense	**67**	12

No deferred tax asset has been recognised in relation to unrecognised tax losses of approximately HK$5,955,000 (2021: HK$6,567,000) as at 31 March 2022 due to the unpredictability of future profit streams. Theses tax losses do not expire under current legislation.

9. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2022	2021
	HK$'000	*HK$'000*
Salaries, allowances and other benefits	**12,897**	14,046
Retirement scheme contributions *(note)*	**440**	510
Share-based payment	**–**	432
	13,337	14,988

Note: At 31 March 2022, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2021: HK$nil).

10. DIVIDENDS

No dividend has been paid or declared by the Group during the years ended 31 March 2022 and 2021, nor has any dividend been proposed since the end of the reporting period.

11. LOSS PER SHARE

The basic loss per share is calculated based on the loss attributable to equity holders of the Company and on the weighted average number of 361,251,000 ordinary shares (2021: 360,000,000 ordinary shares) for the year ended 31 March 2022.

	2022	2021
	HK$'000	*HK$'000*
Loss for the year attributable to equity holders of the Company for the purposes of basic loss per share	**(7,783)**	(9,142)

For the year ended 31 March 2022, diluted loss per share is the same as basic loss per share. The potential shares arising from the conversion of the Company's share options would decrease the loss per share attributable to equity holders of the Company and is not taken into account as they had anti-dilutive effects. 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 was lower than the exercise price of the options and therefore, diluted loss per share equals to basic loss per share for the year ended 31 March 2021.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings *HK$'000*	Machinery and equipment *HK$'000*	Leasehold improvement and furniture and fixtures *HK$'000*	Total *HK$'000*
At 1 April 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 ii)*	11,814	–	–	11,814
Disposals	–	(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 and 1 April 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
Year ended 31 March 2022				
Opening net book amount	**108,236**	**691**	**1,929**	**110,856**
Additions	**–**	**166**	**–**	**166**
Modification of lease term *(note ii)*	**5,903**	**–**	**–**	**5,903**
Depreciation/Amortisation	**(9,853)**	**(166)**	**(411)**	**(10,430)**
Impairment loss *(note i)*	**(379)**	**–**	**–**	**(379)**
Closing net book amount	**103,907**	**691**	**1,518**	**106,116**
At 31 March 2022				
Cost	**125,039**	**2,020**	**6,322**	**133,381**
Accumulated depreciation, amortisation and impairment loss	**(21,132)**	**(1,329)**	**(4,804)**	**(27,265)**
Net book amount	**103,907**	**691**	**1,518**	**106,116**

Notes:

(i) As at 31 March 2022 and 2021, the property, plant and equipment (including right-of-use assets) 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 both years and thus, the Group engaged the Valuer to conduct impairment assessments on these CGUs. The recoverable amounts of each CGU has been determined based on value in use or fair value less costs of disposal, whichever is higher.

The value in use calculations of the CGUs 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 13.44% (2021: 14.92%) and reflects specific risks relation to the relevant business.

The recoverable amounts of the two properties in the respective CGUs were determined by fair value less costs of disposal basing on valuations performed by the Valuer. The valuations were based on comparable market transactions and evidence and considered adjustments to reflect differences in transaction timing, location and tenure. The recoverable amounts of the two properties were level 2 fair value measurement.

Based on the above, the total recoverable amounts of the Group's CGUs was amounted approximately HK$141,181,000 (2021: HK$136,257,000) as at 31 March 2022 of which the recoverable amounts of the two properties in the respective CGUs that were subject to impairment loss were amounted approximately HK$96,600,000 (2021: HK$104,805,000). Accordingly, the Group has made provision for impairment on property, plant and equipment and right-of-use assets of HK$379,000 (2021: HK$475,000) and HK$nil (2021: HK$284,000), respectively, for the year ended 31 March 2022.

(ii) During the years ended 31 March 2022 and 2021, the Group entered into several modified contracts with lessors to revise the monthly rental and extend the lease terms of the leases. 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$5,903,000 (2021: HK$11,814,000) of right-of-use assets included in leasehold land and buildings and lease liabilities respectively.

As at 31 March 2022 and 2021, 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 2020	1,437
Modification of lease term	11,814
Depreciation for the year	(5,592)
Impairment for the year	(284)
At 31 March 2021 and 1 April 2021	7,375
Modification of lease term	5,903
Depreciation for the year	(5,973)
At 31 March 2022	**7,305**

As at 31 March 2022, leasehold land and buildings with a carrying amount of HK$96,600,000 (2021: HK$100,861,000) was pledged to secure general banking facilities granted to the Group. The details in relation to these leases are set out in note 18.

13. INVENTORIES

	2022	2021
	HK$'000	*HK$'000*
Tea leaves	**3,034**	3,228
Canned/Packed tea products for sale	**2,086**	2,178
Tea wares	**810**	398
Sundries and packaging materials	**951**	812
	6,881	6,616

14. TRADE AND OTHER RECEIVABLES

	2022	2021
	HK$'000	*HK$'000*
Trade receivables	**576**	982
Less: ECL allowance	**–**	–
	576	982
Deposits, prepayments and other receivables		
Rental and other deposits	**1,653**	3,004
Other receivables	**83**	–
Prepayments	**308**	778
Less: ECL allowance	**–**	–
	2,620	4,764
Less: non-current portion		
Rental deposits	**(357)**	(357)
	2,263	4,407

The directors of the Group consider that the fair values of trade and other receivables are not materially different from their carrying amounts and the ECL are considered as insignificant because these balances have short maturity periods on their inception.

The Group's sales to customers are mainly on cash basis. The Group also grants credit terms of 0 to 75 days (2021: 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:

	2022	2021
	HK$'000	*HK$'000*
0–30 days	**383**	862
31–60 days	**93**	88
61–90 days	**79**	27
Over 90 days	**21**	5
	576	982

15. TRADE AND OTHER PAYABLES

	2022	2021
	HK$'000	*HK$'000*
Trade payables	**357**	361
Accrued charges and other payables	**655**	906
	1,012	1,267

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

	2022	2021
	HK$'000	*HK$'000*
0–30 days	**357**	361

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.

16. BANK BORROWINGS

At 31 March 2022 and 2021, the Group's bank loans were repayable as follows:

	2022	2021
	HK$'000	*HK$'000*
Carrying amount repayable:		
Within one year	**10,092**	10,250
In the second year	**2,250**	2,250
In the third to fifth years	**36,000**	6,750
After the fifth year	**–**	31,500
	48,342	50,750
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)	**(7,842)**	(8,000)
Less: amounts shown under current liabilities	**(2,250)**	(2,250)
Amounts shown under non-current liabilities	**38,250**	40,500
Secured *(notes i & ii)*	**43,500**	45,750
Unsecured *(note iii)*	**4,842**	5,000
	48,342	50,750

Notes:

(i) At 31 March 2022 and 2021, the balances were secured by certain property, plant and equipment as set out in note 12.

(ii) At 31 March 2022, the amount of HK$3,000,000 (2021: HK$3,000,000) included in the secured borrowings were guaranteed by certain subsidiaries of the Company.

(iii) At 31 March 2022, the amount of HK$4,842,000 (2021: HK$5,000,000) included in the unsecured borrowings were guaranteed by HKSAR government under SME Financing Guarantee Scheme and cross 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 2.31% to 3% (2021: 2.13% to 3%) per annum.

17. PROMISSORY NOTES

	2022 ***HK$'000***	2021 *HK$'000*
At beginning of year	**37,358**	44,724
Imputed interest charged *(note 6)*	**1,552**	1,722
Loss on early repayment of promissory notes *(note 5.2)*	**–**	912
Repayment of promissory notes	**–**	(10,000)
At end of year	**38,910**	37,358

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 Limited ("**Chan Sing Hoi Enterprises**") as part of the consideration for the acquisition of the two properties used as retail shops for business operation. 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. At 31 March 2022, the management of the Group expected it will further extend the Maturity Date for another three years when the promissory notes mature and therefore, the outstanding balance is classified as non-current liabilities.

18. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2022	2021
	HK$'000	*HK$'000*
Total minimum lease payments:		
Due within one year	**6,336**	6,058
Due in the second to fifth years	**1,279**	1,719
	7,615	7,777
Future finance charges on lease liabilities	**(157)**	(212)
Present value of lease liabilities	**7,458**	7,565

	2022	2021
	HK$'000	*HK$'000*
Present value of minimum lease payments:		
Due within one year	**6,196**	5,893
Due in the second to fifth years	**1,262**	1,672
	7,458	7,565
Less: Portion due within one year included under current liabilities	**(6,196)**	(5,893)
Portion due after one year included under non-current liabilities	**1,262**	1,672

As at 31 March 2022 and 2021, lease liabilities amounted to HK$7,458,000 (2021: HK$7,565,000) 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 2022, the total cash outflows for the leases are HK$8,056,000 (2021: HK$8,231,000).

19. SHARE CAPITAL

	2022		2021	
	Number of shares	**Share capital**	Number of shares	Share capital
		HK$'000		*HK$'000*
Issued and fully paid:				
At 1 April	**360,000,000**	**41,879**	360,000,000	41,879
Employee share option scheme *(note)*	**1,450,000**	**381**	–	–
At 31 March	**361,450,000**	**42,260**	360,000,000	41,879

Note: On 20 April 2021, 3 May 2021, 20 May 2021 and 6 October 2021, the issued share capital of the Company was increased by HK$123,000, HK$76,000, HK$38,000 and HK$38,000 due to the exercise of 650,000, 400,000, 200,000 and 200,000 share options by the directors and senior management respectively. The total consideration received of HK$275,000 was credited to the share capital account. An amount of HK$106,000 has been transferred from the share option reserve to the share capital account.

20. 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 2020, details of which are set out in note 17. 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.

21. SHARE-BASED COMPENSATION

The Company has a share option scheme which was adopted on 14 March 2018 whereby the directors are authorised, at their discretion, to invite employees, consultants 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.

Movements of share options and weighted average exercise price for the year are as follows:

	2022		2021	
Directors and other employees	**Number**	**Exercise price per share**	Number	Exercise price per share
	'000	***HK$***	*'000*	*HK$*
Outstanding at 1 April	**25,400**	**0.189**	26,050	0.189
Lapsed	**(1,000)**	**0.189**	(650)	0.189
Exercised	**(800)**	**0.189**	–	0.189
Outstanding at 31 March	**23,600**	**0.189**	25,400	0.189

	2022		2021	
Consultants and advisers	**Number**	**Exercise price per share**	Number	Exercise price per share
	'000	***HK$***	*'000*	*HK$*
Outstanding at 1 April	**5,500**	**0.189**	5,500	0.189
Exercised	**(650)**	**0.189**	–	0.189
Outstanding at 31 March	**4,850**	**0.189**	5,500	0.189

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 value of the share options granted amounted to HK$2,361,000 at grant date.

The options were fully vested on 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 2022, 1,000,000 (2021: 650,000) share options were lapsed, resulting in a transfer of HK$73,000 (2021: HK$47,000) from share option reserve to accumulated losses.

There was no share-based compensation expense recognised in profit or loss for the year ended 31 March 2022 (2021: HK$528,000 and the corresponding amount of which has been credited to share option reserve). No liabilities were recognised due to share-based compensation transactions.

22. INTERESTS IN SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 March 2022 and 2021 are as follows:

Name of Company	Place of incorporation and business	Particulars of issued and paid up capital	Percentage of equity interest directly held by the Company		Principal activities
			2022	2021	
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%	Inactive (2021: Distribution of food and beverage products)
New Vantage (Hong Kong) Limited	Hong Kong	HK$1	**100%**	100%	Trademark holding
Sing Hoi Properties Limited	Hong Kong	HK$10,000	**100%**	100%	Property holding
Union Lucky Limited	Hong Kong	HK$1	**100%**	100%	Property holding

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operational Review

For the Reporting Year, the Group continued to experience a distressed retail environment with retail businesses reeling from tightened social distancing measures caused by the unprecedented spread of the Omicron and Delta variants of coronavirus disease 2019 ("**COVID-19**") in Hong Kong during the latter half of the year.

The outbreak of the COVID-19 pandemic since January 2020 and continuing through to the date of this annual report has continued to have a phenomenal impact on the contraction of retail turnover. In light of the drastic lockdown and disease prevention measures adopted by the Hong Kong Government throughout year, especially during the latter half thereof, our shops and concessionary counters had reduced their business hours, thereby leading to reduced sales activity.

With the gradual decline in COVID-19 cases and increased uptake of vaccination in Hong Kong and abroad, it is hoped that the economy would gradually recover. Nonetheless, it is difficult to predict the course of the COVID-19 pandemic and it may continue to have a negative impact on the global and local economy which may adversely affect the Group's business. As such, the Group remains cautiously optimistic about the prospects of the industry and the overall retail environment in Hong Kong.

Financial Review

Revenue, gross profit and net loss

The consolidated revenue of the Group for the Reporting Year reached approximately HK$36.1 million (2021: HK$36.1 million). The gross profit for the year amounted to approximately HK$27.9 million (2021: HK$27.8 million), increasing by 0.4% year-on-year. Gross profit margin was 77.3% (2021: 77.0%), which is higher than that of last year. Net loss for the Reporting Year was approximately HK$7.8 million (2021: Net loss of HK$9.1 million). The loss for the Reporting Year was mainly due to the depreciation of the right-of-use assets and write-off the ERP and POS project. Had impairment loss of property, plant and equipment of HK$0.4 million, not been included in the consolidated statement of profit or loss, the net loss for the Reporting Year would have been HK$7.4 million (2021: HK$8.6 million). Basic and diluted loss per share attributable to equity holders of the Company was HK2.15 cents (2021: loss per share of HK2.54 cents) for the Reporting Year.

Segmental information

For the Reporting Year, tea leaves were still the predominant products sold with a percentage of 96.5% of total revenue (2021: 92.6%). Tea wares, tea gift sets and beverage recorded percentage of 2.9%, 0.6% and 0% respectively of total revenue (2021: 2.7%, 3.2% and 1.5% 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 popular product, followed by oolong tea and fragrant tea. Their percentages of sales relative to total sales were 40.8% (2021: 40.1%), 24.5% (2021: 24.4%) and 11.4% (2021: 10.6%) respectively.

Other income

Bank interest income decreased from approximately HK$57,000 for the year ended 31 March 2021 to approximately HK$3,000 for the Reporting Year, primarily due to the termination of the Company's time deposits in the previous year.

Selling and distribution costs

For the Reporting Year, the costs of selling and distribution amounted to approximately HK$1.6 million (2021: HK$1.6 million), remaining constant as compared to that of the year ended 31 March 2021.

Administrative expenses

The following expenses increased or decreased for the Reporting Year relative to those for the year ended 31 March 2021, due to the following:

1. Depreciation of property, plant and equipment decreased by 6.4% from approximately HK$4.7 million to approximately HK$4.4 million;

2. The accounting standards HKFRS 16 on Leases included depreciation on the right of use of leased assets, which increased by 7.1% from approximately HK$5.6 million to approximately HK$6.0 million;

3. Staff benefits decreased by 20.0% from approximately HK$0.5 million to approximately HK$0.4 million due to decrease in headcount;

4. Staff salaries decreased by 10.9% from approximately HK$11.0 million to approximately HK$9.8 million due to salary freeze and decrease in headcount;

5. Rent on shops and booths decreased by 40.6% from approximately HK$3.2 million to approximately HK$1.9 million because of the accounting standard HKFRS 16 on Leases;

6. Share option expenses decreased by 100.0% from approximately HK$0.5 million to HK$Nil; and

7. Impairment loss decreased to approximately HK$0.4 million (2021: HK$0.5 million) on property, plant and equipment and HK$Nil (2021: HK$0.3 million) on right-of-use assets.

Finance costs

For the Reporting Year, 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$3.2 million (2021: HK$3.6 million). The reason for the decrease of 11.1% was due to the reduction of principal of secured mortgage loans. The properties acquired were collateralised to the lending bank with some restrictive covenants.

Carrying value of acquired properties at the end of the Reporting Year	HK$96.6 million
Bank borrowings secured by the properties at the end of the Reporting Year	HK$43.5 million

Inventory control

The net carrying value of the Group's inventories was approximately HK$6.9 million (2021: HK$6.6 million) as at the end of the Reporting Year.

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

The Board closely monitored the inventory level and movements during the year to ensure that 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 were responsible for procurement and warehouse staff were responsible for stocktaking to ensure that a sufficient stock of vintage pu-erh tea was available for sale.

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

- 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 the physical stocktake by shop manager and warehouse staff every quarter; and

- Warehouse staff regularly checked for inventory damage and spoilage for proper provision at the end of each quarter.

Trade and other receivables

At the end of the Reporting Year, trade and other receivables decreased to approximately HK$2.3 million from approximately HK$4.4 million for the year ended 31 March 2021, representing a decrease by approximately HK$2.1 million or 47.7%. The reduction was primarily due to the decrease in credit sales and the termination of the contract with former software provider. At the end of the Reporting Year, rental and other deposits decreased by approximately HK$1.3 million or 43.3% to approximately HK$1.7 million from approximately HK$3.0 million as at 31 March 2021.

Liquidity and Cash Flow Management

The Group has adopted a prudent financial policy in order to maintain a healthy financial position and steady growth. The Group has funded the liquidity and capital requirements principally from cash generated from operations and proceeds from the share offer.

At the end of the Reporting Year, the Group's net current liabilities amounted to approximately HK$6.4 million (2021: HK$2.5 million), which was an increase of approximately HK$3.9 million or 156.0% compared to the previous year, due to decrease in cash and bank balances. Cash and bank balances amounted to approximately HK$1.9 million (2021: HK$3.9 million), representing a decrease of approximately HK$2.0 million or 51.3%, compared with that at 31 March 2021.

There were no time deposits as at 31 March 2022, which is consistent with the previous year.

Trade and other payables

At the end of the Reporting Year, trade and other payables decreased from approximately HK1.3 million for the year ended 31 March 2021 to approximately HK$1.0 million, being a decrease of approximately HK$0.3 million or 23.1%. This was primarily due to the settlement of the severance payment and the write-back of other payables.

Charge on 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 the 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 Reporting Year.

Significant Investment

There was no significant investment during the Reporting Year and as at the end of the Reporting Year, there was no significant investment held by the Group.

Material Acquisitions and Disposals of Subsidiary, Associates and Joint Ventures

There were no material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Year.

Capital Structure

The shares of the Company (the "**Shares**") were listed on GEM of the Stock Exchange on 16 April 2018. There has been no change in the capital structure of the Group since then and share capital of the Group only comprises of ordinary Shares. At the end of the Reporting Year, the Company had 361,450,000 ordinary Shares in issue.

Equity

Equity attributable to owners of the Company amounted to approximately HK$20.4 million at the end of the Reporting Year (2021: HK$27.9 million), representing a decrease of approximately HK$7.5 million or 26.9%.

Treasury Policy

The Directors will continue to follow a prudent policy in managing the Group's cash balances to maintain strong and healthy liquidity and 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 RMB181,000 (2021: RMB2,000). For payment of purchases in Renminbi or US dollars, the Directors considered that the foreign exchange exposure was fairly covered as purchases in Renminbi represented 4.8% (2021: 14.3%) of the total purchases, and there were no purchases in US dollars (2021: Nil).

Employees and Remuneration Policies

At the end of the Reporting Year, the Group had 52 employees (2021: 56 employees) working in Hong Kong. Employees are remunerated based on their qualifications, position and performance. The remuneration offered to employees generally includes salaries, allowances and discretionary bonus. Various training was provided to the employees. The total staff costs including remuneration of the Directors, mandatory provident fund contributions and provision for long service payment for the Reporting Year amounted to approximately HK$13.3 million (2021: HK$14.6 million). The Group has also adopted a share option scheme whereby qualified participants may be granted options to acquire Shares. During the Reporting Year, share options granted to the Directors and employees amounted to Nil (2021: Nil).

Defined Contribution Plan

The Group operates a defined contribution retirement benefit plan (the "**MPF Scheme**") for all of its employees in Hong Kong in accordance with the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). All employees in Hong Kong are required to join the MPF Scheme and the employees and their employer are each required to contribute 5% of their gross earnings with a current ceiling of HK$1,500 per month to the MPF Scheme. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme. The contributions charged to the consolidated statement of profit or loss and other comprehensive income represents the contributions payable to the funds by the Group. The Group does not forfeit any contributions on behalf of its employees who leave the scheme prior to full vesting. Accordingly, there is no forfeited contribution available for the Group to reduce the existing level of contributions.

Contingent Liabilities

The Group did not have any material contingent liabilities at the end of the Reporting Year (2021: Nil).

Commitments

The contract commitments mainly involve rental payable by the Group in respect of certain shops, concessionary counters, office and warehouse premises under operating leases arrangements. At the end of the Reporting Year, the Group's operating lease commitments were approximately HK$0.2 million (2021: HK$0.2 million). Other contractual commitments at the end of the Reporting Year amounted to approximately HK$0.1 million (2021: HK$0.1 million).

Dividends

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

During the Reporting Year, the Group did not declare any interim dividend (2021: Nil) to shareholders.

Gearing Ratio

The debt to equity ratio is calculated by dividing bank borrowings by total equity.

At the end of the Reporting Year, the debt to equity ratio of the Group stood at 237.1% (2021: 182.0%). The increase was mainly due to decrease in equity.

Capital Expenditure

For the Reporting Year, the Group's capital expenditure amounted to approximately HK$0.2 million (2021: approximately HK$0.3 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 prevailing economic uncertainty, the Group has decided not to open any shop or concessionary counter until the 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$24.7 million had been utilised and approximately HK$0.5 remained unutilised at the end of the Reporting Year.

During the year ended 31 March 2021, the Board resolved to change the use of the net proceeds and allocated additional unutilised net proceeds as general working capital to enable the Group to have more flexibility in responding to the uncertainty in the retail market caused by the COVID-19 pandemic. For details of the change in use of proceeds, please refer to the annual report of the Company for the year ended 31 March 2021 and the announcement of the Company dated 22 July 2020.

At the end of the Reporting Year, the Group's planned application and actual utilisation of the net proceeds are set out below:

Use of Proceeds	**Planned applications before change of use in proceeds in July 2020**	**Planned applications after change of use of proceeds in July 2020**	**Actual usage up to the end of the Reporting Year**	**Unutilised net proceeds at the end of the Reporting Year**	**Expected timeline for full utilisation of the unutilised net proceeds**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*(Note)*
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	2,884	493	On or before 31 March 2023
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	24,710	493	

Note: The expected timeline for utilising the unutilised net proceeds is based on the best estimation of the present and future business market conditions made by the Group, and is subject to change based on the future development of the market conditions.

Comparison of Business Objectives with Actual Business Progress

An analysis comparing the business objectives of the Group as set out in the Prospectus with the Group's actual business progress for the Reporting Year is set out below:

Business objectives	Actual Business Progress
Open new retail points in Hong Kong	
• Locate and renovate premises for tea leaves retail shop and payment of rental related expenses	The Company opened one beverage shop in Tsim Sha Tsui ("**Shop 13**") during the year ended 31 March 2020.
• Recruit sales staff for new shop and payment of salary	The Company did not use the net proceeds for (i) location and renovation for Shop 13 and payment of rental related expenses, and (ii) recruitment of sales staff for Shop 13 and payment of salary. At the end of the Reporting Year, 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 utilised.
Enhance management capability and efficiency through improvement of information system	
• Engage third party to enhance the existing information system in the areas of accounting, procurement, customer relationship management, inventory and human resources	The Company engaged service providers to enhance the existing information system in the areas of accounting, procurement, customer relationship management, inventory and human resources. At the end of the Reporting Year, HK$2.9 million of the fund available has been utilised.

Business objectives	Actual Business Progress
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 at the end of the Reporting Year.
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 unutilised portion has been reallocated to general working capital, of which approximately HK$1.0 million has been utilised at the end of the Reporting Year.

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 bank borrowings. However, the interest rate risk was low, as the interest rate fluctuations during the Reporting Year were small due to the weak global economy.

Liquidity risk

The Group monitors its risk to a shortage of funds using monthly cash flow forecast. The Group's objective is to maintain a balance between continuity of funding and flexibility through cash from funds generated from operations.

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 Reporting Year, there was no material or significant dispute between the Group and its suppliers, customers and/other stakeholders.

Events after the Reporting Year

The Directors are not aware of any significant event taking place after 31 March 2022 and up to the date of this announcement which requires disclosure.

OTHER INFORMATION

Corporate Governance Practices and Compliance

The Group is committed to maintaining a high standard of corporate governance. The Company has applied the code provisions in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules as applicable during the Reporting Year. During the Reporting Year (i.e., from 1 April 2021 to 31 March 2022), the Company has complied, to the extent applicable and permissible, with the code provisions as set out in the CG Code.

The Board is responsible for the leadership, control, and promoting the success of the Group. To this end, the Board has set corporate strategic objectives and policies, and monitors and evaluates the operating activities and financial performance of the Group.

Securities Transactions of Directors

The Group has adopted a code of conduct regarding securities transactions by the Directors (the "**Code of Conduct**") on terms no less exacting than the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Upon specific enquiry from the Group, all of the Directors have confirmed that they have complied with the Code of Conduct during the Reporting Year.

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

The Shares were listed on GEM on 16 April 2018. During the Reporting Year, neither the Company nor any of its subsidiary has purchased, sold or redeemed any of the Company's listed securities.

Final Dividend

The Board does not recommend the payment of final dividend for the Reporting Year (31 March 2021: Nil).

Audit Committee and Review of Preliminary Announcement

The audit committee of the Board (the "**Audit Committee**") was established on 14 March 2018 with written terms of reference in compliance with the requirements as set out in Rule 5.28 of the GEM Listing Rules and the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control systems of the Group. The Audit Committee currently comprises of 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 Reporting Year at a meeting held on 27 June 2022, and is of the view that the consolidated financial statements complied with applicable accounting standards and legal requirements, and that adequate disclosures have been made.

Scope of Work of Grant Thornton Hong Kong Limited

The figures in respect of the preliminary announcement of the Group's results for the Reporting Year have been agreed by the Company's auditor, Grant Thornton Hong Kong Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Grant Thornton Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accounts and consequently no assurance has been expressed by Grant Thornton Hong Kong Limited on the preliminary announcement.

Annual General Meeting

The annual general meeting of the Company (the "**AGM**") will be held on 26 August 2022. For details of the AGM, please refer to the Notice of AGM which is expected to be published on 27 June 2022.

Closure of Register of Members

The register of members of the Company will be closed from 22 August 2022 to 26 August 2022 (both dates inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the AGM, all share transfer documents must be lodged with the Company's share registrar 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 19 August 2022.

Publication of Annual Results and Dispatch of Annual Report

This announcement is published on the Company's website (http://www.yingkeetea.com) and the website of the Stock Exchange (http://www.hkex.com.hk). The annual report for the Reporting Year containing the information required by the GEM Listing Rules will be despatched to shareholders and published on the websites of the Company and the Stock Exchange in due course.

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

Hong Kong, 27 June 2022

As at the date of this announcement, the Board comprises Mr. Chan Kwong Yuen, Mr. Chan Kun Yuen and Mr. Chan Shu Yuen as executive Directors; and Mr. Wong Chee Chung, Mr. Siu Chi Ming and Mr. Lee Wai Ho as independent non-executive Directors.

This announcement will remain on the website of the Stock Exchange at www.hkexnews.hk on the "Latest Listed Company Announcements" page for at least 7 days from the date of its posting and on the website of the Company at www.yingkeetea.com.