



# 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

INTERIM REPORT  
2018



## CHARACTERISTICS OF GEM

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*This report, for which the directors (the “**Directors**”) of Ying Kee Tea House Group Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) 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 report 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 report misleading.*



# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Highlights

	For the 6 months ended 30 September	
	2018 HK\$	2017 HK\$
Revenue	17,022,000	16,039,000
Gross Profit	13,271,000	12,613,000
Loss before taxation	5,211,000	3,842,000
Taxation	8,000	352,000
Loss attributable to shareholders	5,219,000	4,194,000
Loss per share	HK1.47 cents	HK1.55 cents

## Business Review

Ying Kee Tea House Group Limited (the “**Company**”) is an investment company incorporated in Hong Kong. The principal activity of Ying Kee Tea Company Limited (the “**Subsidiary**”) is the sale of tea leaves, tea wares and tea gift sets through twelve retail shops and concessionary counters.

## Financial Review

### Revenue, gross profit and net profit

The consolidated revenue of the Group for the six months ended 30 September 2018 (the “**Reporting Period**”) reached approximately HK\$17.0 million (six months ended 30 September 2017: approximately HK\$16.0 million), representing an increase by approximately 6.1%. The gross profit for the period amounted to approximately HK\$13.3 million, (six months ended 30 September 2017: approximately HK\$12.6 million), increasing by approximately 5.2%. Gross profit margin was approximately 78.0% (six months ended 30 September 2017: approximately 78.6%), a slight decrease compared with that of the last corresponding period. Net loss for the Reporting Period was approximately HK\$5.2 million (six months ended 30 September 2017: Net loss of approximately HK\$4.2 million). The substantial loss for the Reporting Period was mainly due to the non-recurring listing expenses of approximately HK\$4.0 million recognized (six months ended 30 September 2017: approximately HK\$6.1 million). The net loss would have been approximately HK\$1.2 million if listing expenses were excluded (six months ended 30 September 2017: net profit of approximately HK\$1.9 million). The reason of the turnaround is mainly because of the increase in administrative expenses mentioned below.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Selling and distribution costs

Selling and distribution costs reduced by approximately 38.9% to approximately HK\$0.7 million (six months ended 30 September 2017: approximately HK\$1.2 million) primarily because of the reduction of advertising for the six months ended 30 September 2018.

## Administrative expenses

The following expenses were substantially increased for the six months ended 30 September 2018 relative to those for the six months ended 30 September 2017 because of the followings:

1. Staff salaries increased for the recruitment of CFO, Financial Manager and shop staffs, in addition to the newly adopted salary computation to absorb commissions and part of the benefits for all staff;
2. Listing maintenance expenses was newly incurred after listing in April 2018;
3. Directorship fees increased because of the appointment of directors;
4. Rent increased as a result of the addition of one shop and one concessionary counter.

The increase in administrative expenses was countered by a reduction in listing expenses for the six months ended 30 September 2018 compared with that of the corresponding period in 2017.

## Outlook and Prospect

With the one already opened shop and one concessionary counter actively commencing business and a further opening of a concessionary counter in Shatin at the end of October, business is expected to grow at a moderate and steady pace. The present crisis of US-China Trade War bears very little impact on the sales of our products as most of our customers are based in Hong Kong. The Group is expecting a healthy growth for the rest of 2018.

Up to the date of the report, all proceeds derived from the Initial Public Offer and Share Placement, at a total of HK\$25.0 million after deducting commission and relative expenses, were partly utilized in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The Group opened two new concession counters in department stores in Kwun Tong and Shatin respectively, completed the renovation of office and warehouse, engaged a service provider to enhance our information system, recruited new staff and repaid the bank loan of HK\$3.8 million. There is no material difference between the disclosure in the listing document and actual business progress.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Liquidity and Cash Flow Management

The Group has funded the liquidity and capital requirements principally from cash generated from operations and proceeds from listing.

As at 30 September 2018, the Group's net current assets amounted to approximately HK\$36.5 million (31 March 2018: approximately HK\$0.7 million) which increased by approximately HK\$35.8 million or 5,114.3% due to receipt of proceeds from listing. Cash and bank balances amounted to approximately HK\$4.1 million (31 March 2018: approximately HK\$2.9 million), an increase of approximately HK\$1.2 million or 41.4%. Time deposits amounted to approximately HK\$21.6 million (31 March 2018: HK\$0.6 million), a substantial increase by approximately HK\$21.0 million or 3,500.0%. All are consequence of receipt of proceeds from listing. As at 30 September 2018, current assets amounted to approximately HK\$37.7 million (31 March 2018: approximately HK\$15.6 million) and current liabilities amounted to approximately HK\$1.1 million (31 March 2018: approximately HK\$14.9 million). Current ratio was approximately 32.8 as at 30 September 2018 (31 March 2018: approximately 1.0).

## Gearing Ratio

Gearing ratio is calculated as total debts divided by the total equity as at the respective reporting date.

The gearing ratio as at 30 September 2018 was approximately 6.4% (31 March 2018: approximately 760.7%) because of the full settlement of bank borrowings and issue of share capital due to listing.

## Capital Expenditure

For the six months ended 30 September 2018, the Group's capital expenditure amounted to approximately HK\$1.2 million (six months ended 30 September 2017: approximately HK\$0.1 million), mainly for furniture and fixtures of the newly opened concessionary counters.

## Foreign Exchange Exposure

Since all of the assets and liabilities are situated in Hong Kong and denominated in Hong Kong dollars; and almost all of the revenue is generated from Hong Kong, the functional and reporting currency is Hong Kong dollar. There was no hedging instrument for payment of purchases in Renminbi as the Directors considered the payments in Renminbi were minor portion of total purchases and settlement within 60 days would not cause material foreign exchange risk.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Principal Risks and Uncertainties

### Credit risk

The Group trades only with recognized and creditworthy third parties. It is the Group's policy that only well-established customers will be considered for open account terms and the approval of credit terms is subject to stringent credit check procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

### Interest rate risk

As at 30 September 2018, the Group had no bank borrowings and interest rate risk is not present.

### 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 time deposits and funds generated from operations.

## Employees and Remuneration Policies

As at 30 September 2018, the Group had 57 employees (30 September 2017: 47) working in Hong Kong. Employees are remunerated based on their qualifications, position and performance. The remuneration offered to employees generally includes salaries, allowances and discretionally bonus. Various training was provided to the employees. The total staff costs (including remuneration of Directors and mandatory provident funds contributions) for the six months ended 30 September 2018 amounted to approximately HK\$6.7 million (six months ended 30 September 2017: approximately HK\$4.4 million).

## Dividends

The Board does not recommend the payment of dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: Nil).

## Contingent Liabilities

The Group had no significant contingent liabilities as at 30 September 2018.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Charge on the Group's Assets

As at 30 September 2018, the Group has no charges on the Group's assets.

## Events After the Reporting Period

There were no material events after the reporting period that would affect the result of the Group for the six months ended 30 September 2018.

## Corporate Governance Practices and Compliance

Ying Kee Tea House Group Limited (the "**Company**"), together with its subsidiaries (the "**Group**"), commenced listing on 16 April 2018 on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). During the six months ended 30 September 2018, the Group was committed to maintain a high standard of corporate governance, and to comply to the extent practicable with the Code of Corporate Governance Practices. The Company has applied the code provisions and recommended best practices in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 of the Rules Governing the Listing of securities on GEM of the Stock Exchange (the "**GEM Listing Rules**"). During the date from the date of listing to 30 September 2018, the Company has complied with the CG Code. The board of directors of the Company (the "**Directors**") is responsible for the leadership and control of, and promoting the success of the Group. This is achieved by the setting up of corporate strategic objectives and policies, and the monitoring and evaluations of operating activities and financial performance of the Group.

## Securities Transactions of Directors

The Group has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquires of all Directors, all Directors confirmed that they have complied with the required standard of dealings and its code of conduct regarding directors' securities transactions during the period from the date of listing to 30 September 2018.

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

The shares of the Company were successfully listed on GEM of the Stock Exchange on 16 April 2018. Save for the reorganization as disclosed in the prospectus, neither the Company nor any of its subsidiary has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2018.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares or Debentures of the Company

So far as the Directors are aware, as at 30 September 2018, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of 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 held/ interested	Approximate percentage of shareholding
Chan Kwong Yuen <sup>(Note 1)</sup>	Interested in a controlled corporation	270,000,000	75%
Chan Kun Yuen <sup>(Note 1)</sup>	Interested in a controlled corporation	270,000,000	75%
Chan Shu Yuen <sup>(Note 1)</sup>	Interested in a controlled corporation	270,000,000	75%

Note:

- The Total Issued Share Capital of Profit Ocean Enterprises Limited ("**Profit Ocean**", Incorporated in the BVI) is Owned by Tri-Luck Investment Limited ("**Tri Luck**", Incorporated in the BVI and Fully Owned by Mr. Chan Tat Yuen), Wealth City Global Limited ("**Wealth City**", Incorporated in the BVI and Fully Owned by Mr. Chan Kun Yuen), Sky King Global Limited ("**Sky King**", Incorporated in the BVI and Fully Owned by Mr. Chan Shu Yuen) and Coastal Lion Limited ("**Coastal Lion**", Incorporated in the BVI and Fully Owned by Mr. Chan Kwong Yuen) in Equal Shares. by Virtue of the Acting in Concert Arrangement Between the Parties, Each of Tri-Luck, Wealth City, Sky King and Coastal Lion, as Well as 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.

Save as disclosed above, as at 30 September 2018, none of the Directors or chief executive had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares of the Company

So far as known to the Directors or chief executive of the Company, as at 30 September 2018, the following persons/entities (other than the Directors and chief executives of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares 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 10% 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	Name of corporation	Nature of interest and capacity	Number of Shares held or interested	Approximate percentage of the total issued shares
Profit Ocean	Our Company	Beneficial owner	270,000,000	75%
Tri-Luck <sup>(Note 1)</sup>	Our Company	Interest in a controlled corporation	270,000,000	75%
Wealth City <sup>(Note 1)</sup>	Our Company	Interest in a controlled corporation	270,000,000	75%
Sky King <sup>(Note 1)</sup>	Our Company	Interest in a controlled corporation	270,000,000	75%
Coastal Lion <sup>(Note 1)</sup>	Our Company	Interest in a controlled corporation	270,000,000	75%
Mr. Chan Tat Yuen <sup>(Note 2)</sup>	Our Company	Interest in a controlled corporation	270,000,000	75%
Ms. Chu Min <sup>(Note 3)</sup>	Our Company	Interest of spouse	270,000,000	75%
Ms. Chan King Chi <sup>(Note 4)</sup>	Our Company	Interest of spouse	270,000,000	75%
Ms. Po Miu Kuen Tammy <sup>(Note 5)</sup>	Our Company	Interest of spouse	270,000,000	75%
Ms. Ng Wai Lam Lana Zoe <sup>(Note 6)</sup>	Our Company	Interest of spouse	270,000,000	75%

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 are Fully Owned by Mr. Chan Tat Yuen, Mr. Chan Kun Yuen, Mr. Chan Shu Yuen and Mr. Chan Kwong Yuen, Respectively. by Virtue of the Acting in Concert Arrangement Between the Parties, Each of Tri-Luck, Wealth City, Sky King and Coastal Lion, as Well as 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. The Total Issued Share Capital of Tri-Luck is Owned by Mr. Chan Tat Yuen. Mr. Chan Tat Yuen is Therefore deemed to be Interested in All the Shares Held by Profit Ocean for Purposes of the SFO.
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 the Shares Held by Mr. Chan Tat Yuen.
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 the Shares Held by Mr. Chan Kun Yuen.
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 the Shares Held by Mr. Chan Shu Yuen.
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 the Shares Held by Mr. Chan Kwong Yuen.

Save as disclosed above, as at 30 September 2018, 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 registered 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 30 September 2018, the controlling shareholders did not pledge any of the shares to any party. There were no covenants restricting any specific performance leading to breach of loan agreement.

## Connected Transactions

For the six months ended 30 September 2018, the Company has transactions with the wholly-owned subsidiary which are exempted under rule 20.99.

There has been no financial assistance and guarantee granted to any controlling shareholders during the six months ended 30 September 2018.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Audit Committee and Review of Preliminary Announcement

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 interim results of the Group for the six months ended 30 September 2018 at a meeting held on 8 November 2018, which is of the view that the unaudited condensed consolidated financial statements complied with applicable accounting standards and legal requirements, and that adequate disclosures have been made.

## Interests of Compliance Adviser

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed KGI Capital Asia Limited as its compliance adviser (the "**Compliance Adviser**"). As confirmed by the Compliance Adviser as of 30 September 2018, none of the Compliance Adviser or its directors, employees or close associates had any interests in the share capital of the Company or any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at the date of this report.

By order of the Board

**Ying Kee Tea House Group Limited**

**Chan Kwong Yuen**

*Chairman*

Hong Kong, 8 November 2018



# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	Notes	Three months ended 30 September		Six months ended 30 September	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (audited)
<b>Revenue</b>	4	<b>7,937</b>	7,739	<b>17,022</b>	16,039
Cost of sales		<b>(1,844)</b>	(1,686)	<b>(3,751)</b>	(3,426)
<b>Gross profit</b>		<b>6,093</b>	6,053	<b>13,271</b>	12,613
Other income	5	<b>122</b>	—	<b>344</b>	—
Selling and distribution costs		<b>(178)</b>	(746)	<b>(734)</b>	(1,201)
Administrative expenses		<b>(6,962)</b>	(8,377)	<b>(18,046)</b>	(15,148)
Finance costs	6	<b>—</b>	(69)	<b>(46)</b>	(106)
<b>Loss before income tax</b>	7	<b>(925)</b>	(3,139)	<b>(5,211)</b>	(3,842)
Income tax expenses	8	<b>—</b>	(66)	<b>(8)</b>	(352)
<b>Loss for the period and total comprehensive expense for the period</b>		<b>(925)</b>	(3,205)	<b>(5,219)</b>	(4,194)
<b>Loss per share for loss attributable to owners of the Company</b>					
Basic and diluted (HK cents)	10	<b>(0.26)</b>	(1.19)	<b>(1.47)</b>	(1.55)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2018

	Notes	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	3,574	2,634
<b>Current assets</b>			
Inventories		8,439	6,323
Trade and other receivables	12	2,965	5,145
Tax refundable		560	568
Time deposits		21,639	639
Cash and bank balances		4,084	2,894
		<b>37,687</b>	15,569
<b>Current liabilities</b>			
Trade and other payables	13	1,148	4,883
Bank borrowings	14	—	10,000
		<b>1,148</b>	14,883
<b>Net current assets</b>		<b>36,539</b>	686
<b>Total assets less current liabilities</b>		<b>40,113</b>	3,320
<b>Non-current liabilities</b>			
Provision for long service payment		476	476
Provision for reinstatement cost		872	729
		<b>1,348</b>	1,205
<b>Net assets</b>		<b>38,765</b>	2,115
<b>EQUITY</b>			
Share capital	15	36,000	10
Reserves		2,765	2,105
<b>Total equity</b>		<b>38,765</b>	2,115

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Retained profits/ (Accumulated losses) HK\$'000	Total equity HK\$'000
<b>As at 1 April 2018 (audited)</b>	10	—	990	1,115	2,115
Transactions with equity holders of the Company					
— Issue of ordinary shares pursuant to the bonus issue	26,990	(26,990)	—	—	—
— Issue of ordinary shares pursuant to the placing	9,000	39,600	—	—	48,600
— Expenses incurred in connection with the issue of ordinary shares	—	(6,731)	—	—	(6,731)
Loss for the period and total comprehensive expense for the period	—	—	—	(5,219)	(5,219)
<b>At 30 September 2018 (unaudited)</b>	<b>36,000</b>	<b>5,879</b>	<b>990</b>	<b>(4,104)</b>	<b>38,765</b>
As at 1 April 2017 (audited)	—	—	1,000	6,290	7,290
Transactions with equity holders of the Company					
— Issuance of share capital of the Company	10	—	—	—	10
Loss for the period and total comprehensive expenses for the period	—	—	—	(4,194)	(4,194)
<b>At 30 September 2017 (audited)</b>	<b>10</b>	<b>—</b>	<b>1,000</b>	<b>2,096</b>	<b>3,106</b>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (audited)
<b>Cash flows from operating activities</b>		
Loss before income tax	(5,211)	(3,842)
Adjustments for:		
— Depreciation	236	190
— Amortisation of reinstatement cost	173	28
— Interest income	(199)	—
— Interest expenses	46	106
— Reversal of provision for long service payment	—	(47)
Operating loss before working capital changes	(4,955)	(3,565)
Changes in working capital:		
— Inventories	(2,116)	(1,108)
— Trade and other receivables	2,180	(2,069)
— Trade and other payables	(3,735)	1,326
<i>Net cash used in operating activities</i>	(8,626)	(5,416)
<b>Cash flows from investing activities</b>		
Interest received	199	—
Purchases of property, plant and equipment	(1,206)	(68)
Net change in amounts due from related parties	—	4,186
Increase in time deposit maturing beyond three months	(21,000)	—
<i>Net cash (used in)/from investing activities</i>	(22,007)	4,118
<b>Cash flows from financing activities</b>		
Proceeds from issuance of share capital	48,600	10
Share issue expenses	(6,731)	—
Interest paid	(46)	(106)
Proceeds from new bank borrowings	—	6,000
Repayment of bank borrowings	(10,000)	(1,000)
Net change in amounts due to related parties	—	(2,699)
<i>Net cash from financing activities</i>	31,823	2,205
<b>Net increase in cash and cash equivalents</b>	1,190	907
<b>Cash and cash equivalents at the beginning of the period</b>	2,894	2,136
<b>Cash and cash equivalents at the end of the period, represented by cash and bank balances</b>	4,084	3,043

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

## 1. General Information

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

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

The Company is an investment holding company. The Company and its subsidiary (collectively referred to as the "**Group**") are principally engaged in the retail trading of tea products.

Pursuant to a group reorganisation (the "**Reorganisation**"), the Company became the holding company of the company now comprising the Group on 10 October 2017. Details of the major steps undertaken to effect the Reorganisation were published in the prospectus of the Group dated 23 March 2018.

As all the companies now comprising the Group that took part in the Reorganisation were under the common control of the Mr. Chan Tat Yuen, Mr. Chan Kun Yuen, Mr. Chan Shu Yuen and Mr. Chan Kwong Yuen (together, the "**Controlling Shareholders**") before and after the Reorganisation, there was a continuation of risk and benefits to the Controlling Shareholders and accordingly, the Reorganisation is considered to be a business combination of entities under common control. The comparative figures have been prepared by applying the merger basis of accounting as if the companies now comprising the Group have been combined at 1 April 2017, or since their respective dates of incorporation, whichever was shorter. The assets and liabilities of all the companies now comprising the Group are consolidated using the book values from the Controlling Shareholders' perspective.

The condensed consolidated statements of profit or loss and other comprehensive income, the condensed consolidated statements of changes in equity and the condensed consolidated statement of cash flows include the results, changes in equity and cash flows of all the companies now comprising the Group for the three months period ended 30 September 2017 and six months period ended 30 September 2017 (or where the companies were incorporated at a date later than 1 April 2017, for the period from date of incorporation to the reporting date) as if the current group structure had been in existence throughout the periods ended 30 September 2017.





# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

## 2. Basis of Preparation

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2018 ("**Interim Period**") have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM (the "**GEM Listing Rules**").

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

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements of the Group for the Interim Period are consistent with those used in the audited financial statements of the Group for the year ended 31 March 2018.

HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the Interim Period. There have been no significant changes to the accounting policies applied in these financial statements for the Interim Period presented as a result of these developments.

The unaudited condensed consolidated financial statements for the Interim Period have not been audited by the Company's independent auditor but have been reviewed by the Company's audit committee.

The preparation of the unaudited condensed consolidated financial statements of the Group for the Interim Period is in conformity with the HKFRSs requirements in the use of certain critical accounting estimates. The HKFRSs also require the management to exercise their judgements in the process of applying the Group's accounting policies.



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

## 3. Adoption of New and Amended HKFRSs

In the current period, the Group has applied for the first time the new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's unaudited condensed consolidated financial statements for the period beginning on 1 April 2018.

The adoption of these new and amended HKFRSs, except for HKFRS 9 and HKFRS 15, the details of which are explained below, had no material impact on how the results and financial positions for the current and prior periods have been prepared and presented.

The Group has not early adopted the new or revised standards and interpretations that have been issued but are not yet effective. The directors anticipate that the application of these new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

### HKFRS 9 Financial instruments

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group has performed a high-level assessment of the impact upon the adoption of HKFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The impacts arising from the adoption of HKFRS 9 are summarised as follows:

#### (a) Classification and measurement

The adoption of HKFRS 9 does not have a significant impact on the classification and measurement of the Group financial assets. It continues measuring all financial assets as loans and receivables. The carrying amounts for all financial assets and financial liabilities at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

#### (b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group applies the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

## 3. Adoption of New and Amended HKFRSs (Continued)

### HKFRS 9 Financial instruments (Continued)

#### (b) Impairment (Continued)

The Group established expected credit losses model based on historical settlement records, past experience and available forward-looking information. The Group has concluded that the impact of expected credit losses on these financial assets is insignificant as at 1 April 2018.

### HKFRS 15 Revenue from contracts with customers

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 superseded the revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related interpretations.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

The adoption of HKFRS 15 does not have a significant impact on how the Group recognises revenue and this change in accounting policy had no material impact on how the Group recognises its revenue.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

## 4. Revenue and Segment Reporting

### 4.1 Revenue

	Three months ended 30 September		Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (audited)
Sales of tea products	7,937	7,739	17,022	16,039

### 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 Interim Period, the chief operating decision maker regards the Group's sales of tea products business as a single operating segment and assesses the operating performance and allocates the resources of the Group as a whole. Accordingly, no segment information is presented.

#### Geographical information

No separate analysis of segment information by geographical segment is presented as all the Group's revenue are derived from Hong Kong based on the location of customers and the Group's property, plant and equipment are all located in Hong Kong.

#### Information about major customers

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



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

## 5. Other Income

	Three months ended 30 September		Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (audited)
Bank interest income	119	—	199	—
Exchange gains, net	—	—	2	—
Sundry income	3	—	143	—
	122	—	344	—

## 6. Finance Costs

	Three months ended 30 September		Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (audited)
Interest on bank borrowings	—	69	46	106

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

## 7. Loss Before Income Tax

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

	Three months ended 30 September		Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (audited)
Auditor's remuneration	23	—	143	—
Cost of inventories recognised as an expense	1,544	1,425	3,081	2,905
Depreciation of property, plant and equipment	118	100	236	190
Amortisation of reinstatement cost	86	19	173	28
Operating lease charges in respect of premises				
— minimum lease payments	2,261	2,020	4,329	3,895
— contingent rentals (note)	33	31	69	72
Exchange gains, net	—	—	(2)	—
Provision/(Reversal of provision) for long service payment	—	27	—	(47)
Listing expenses	—	3,393	4,000	6,053

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

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

## 8. Income Tax Expenses

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits for the six months ended 30 September 2018 (six months ended 30 September 2017: 16.5%).

	Three months ended 30 September		Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (audited)
<b>Current tax</b>				
Hong Kong profits tax				
— Current period	—	66	8	352

As at 31 March 2018 and 30 September 2018, the Group did not have significant unrecognised deferred tax assets and liabilities.

## 9. Dividend

The directors of the Company do not recommend the payment of any interim dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: nil).



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

## 10. Loss Per Share

The basic loss per share is calculated based on the followings:

	Three months ended 30 September		Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (audited)
<b>Loss</b>				
Loss for the period attributable to equity holders of the Company	(925)	(3,205)	(5,219)	(4,194)
<b>Number of shares</b>				
Weighted average number of ordinary shares (in thousands)	360,000	270,000	354,098	270,000

For the six months ended 30 September 2017, 270,000,000 ordinary shares which have been adjusted retrospectively on the assumption that the Group reorganisation and bonus issue had effective on 1 April 2017.

For the six months ended 30 September 2018, the weighted average number of ordinary shares used to calculate the basis loss per share include 90,000,000 new ordinary shares issued pursuant to the placing.

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

## 11. Property, Plant and Equipment

During the six months ended 30 September 2018, the Group acquired property, plant and equipment valued at approximately HK\$1,206,000 (six months ended 30 September 2017: HK\$68,000).



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

## 12. Trade and Other Receivables

	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
<b>Trade receivables</b>	676	631
<b>Less: Allowance for doubtful debts</b>	—	—
	<b>676</b>	631
<b>Deposits, prepayments and other receivables</b>		
Rental and other deposits	2,100	1,123
Prepayments	189	88
Prepaid listing expenses	—	3,303
	<b>2,289</b>	4,514
	<b>2,965</b>	5,145

The directors of the Group consider that the fair values of trade and other receivables are not materially different from their carrying amounts 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 to certain corporate customers. The ageing analysis of trade receivables based on the invoice dates was as follows:

	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
0–30 days	545	523
31–60 days	84	76
61–90 days	47	32
	<b>676</b>	631

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

## 13. Trade and Other Payables

	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
Trade payables	713	444
Accrued charges and other payables	435	4,439
	<b>1,148</b>	<b>4,883</b>

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

	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
0–30 days	713	444

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

## 14. Bank Borrowings

	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
Unsecured bank loans repayable within one year and contain a repayment on demand clause	—	10,000

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

## 14. Bank Borrowings (Continued)

Bank loans are fully settled as at 30 September 2018. As at 31 March 2018, the bank loans bear interest at variable rates of 2.30% to 3.13% per annum.

As at 31 March 2018, the bank loans are secured by (i) personal guarantee provided by the Controlling Shareholders and (ii) corporate guarantee provided by a related company, Chan Sing Hoi Enterprises Limited, an entity controlled by the Controlling Shareholders.

## 15. Share Capital

	(unaudited) As at 30 September 2018		(audited) As at 31 March 2018	
	Number of shares	HK\$'000	Number of shares	HK\$'000
<b>Issued and fully paid:</b>				
At the beginning of the period/year	10,000	10	—	—
Upon incorporation	—	—	10,000	10
Issue of ordinary shares pursuant to the bonus issue	26,990,000	26,990	—	—
Issue of ordinary shares pursuant to the placing	9,000,000	9,000	—	—
At the end of the period/year	36,000,000	36,000	10,000	10

The Company was incorporated in Hong Kong with limited liability on 14 September 2017. On the date of its incorporation, 10,000 shares totalling HK\$10,000 were allotted and issued to Profit Ocean Enterprises Limited, credited as fully paid.

Pursuant to the written resolutions of the shareholders passed on 14 March 2018, the directors were authorised to allot and issue a total of 269,990,000 shares credited as fully paid to Profit Ocean Enterprises Limited ("**Bonus Issue**"). The Bonus Issue was completed on 13 April 2018. The shares allotted and issued rank pari passu in all respects with the then existing issued shares.

Immediately thereafter, 90,000,000 shares credited as fully paid were allotted and issued to public shareholders in relation to the public offer. The shares allotted and issued rank pari passu in all respects with the then existing issued shares.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

## 16. Capital Reserve

Capital reserve as at 1 April 2018 and 30 September 2018 represented the excess of nominal value of shares of Ying Kee Tea Company Limited over the nominal value of shares allotted by the Company arising from Reorganisation.

Capital reserves as at 1 April 2017 and 30 September 2018 represented the share capital of Ying Kee Tea Company Limited.

## 17. Operating Lease Commitments

At 30 September 2018 and 31 March 2018, the total future minimum lease payments payable by the Group under non-cancellable operating leases were as follows:

	As at 30 September 2018 HK\$'000 (unaudited)	As at 31 March 2018 HK\$'000 (audited)
Within one year	2,438	2,365
In the second to fifth years	1,466	2,237
	<b>3,904</b>	4,602

The Group leases a number of premises which comprises office, warehouses, retail shops and concession counters under operating leases. The leases run for an initial period of one to three years and the Group may renegotiate the lease terms with the respective landlords/lessors upon or near expiry of the leases.

In addition to the above, contingent rentals 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 payment as agreed of the respective leases.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

## 18. Related Party Transactions

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

### 18.1 Names and relationship

Name of related party	Relationship with the Group
Chan Sing Hoi Enterprises Limited	An entity controlled by the Controlling Shareholders
Golden Ocean International Holdings Limited	An entity controlled by the Controlling Shareholders

### 18.2 Related party transactions

	Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (audited)
<b>Rental expense, management fee and rates paid:</b>		
Chan Sing Hoi Enterprises Limited	1,044	1,121
Golden Ocean International Holdings Limited	1,544	1,738
<b>Purchase of goods on behalf of the Group:</b>		
Golden Ocean International Holdings Limited	—	250

Rental expenses paid to related parties were negotiated on an arm's length basis with reference to the market rentals.

Purchase of goods made on behalf of the Group by Golden Ocean International Holdings Limited were sold to the Group at cost.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

## 18. Related Party Transactions (Continued)

### 18.3 Key management personnel remunerations

	Six months ended 30 September	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Salaries, allowances and other benefits	1,268	884
Bonuses	850	—
Retirement scheme contributions	46	35
	<b>2,164</b>	919