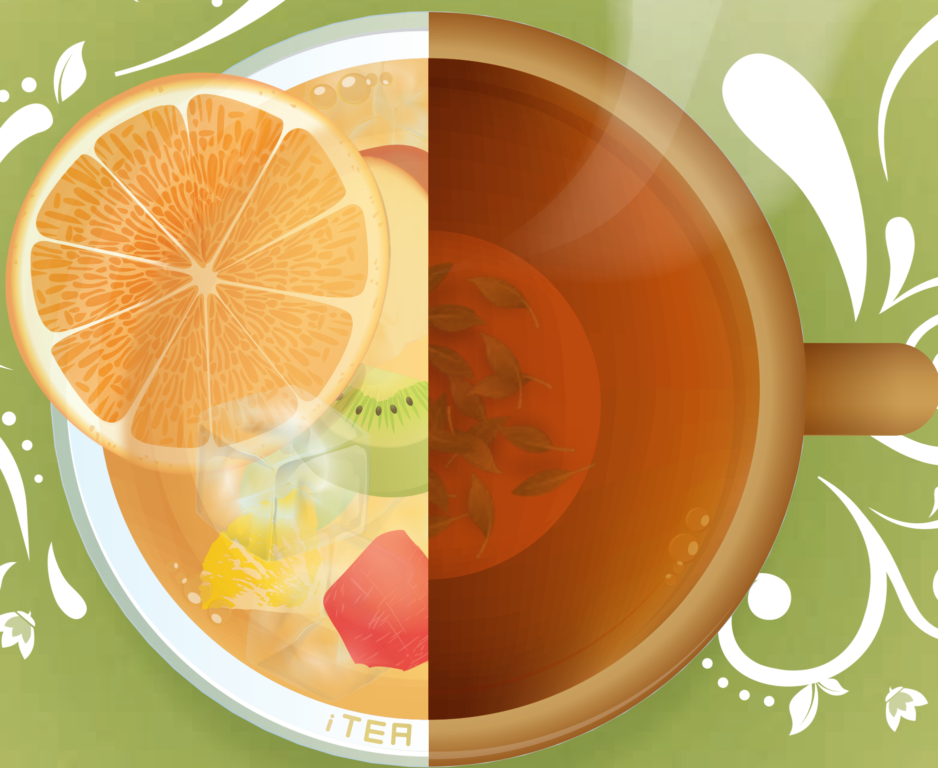

英記茶莊
YING KEE TEA HOUSE

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

(Incorporated in Hong Kong with limited liability)　Stock code : 8241

ANNUAL REPORT 2019

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 investors 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.

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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.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

COMPANY SECRETARY

Mr. So Stephen Hon Cheung

AUTHORISED REPRESENTATIVES

Mr. Chan Kun Yuen
Mr. So Stephen Hon Cheung

COMPLIANCE OFFICER

Mr. Chan Kun Yuen

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

REGISTERED OFFICE

Suites 1106–8, 11th Floor
The Chinese Bank Building
61–65 Des Voeux Road Central
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

COMPLIANCE ADVISER

KGI Capital Asia Limited
41/F., Central Plaza, 18 Harbour Road
Wanchai, Hong Kong

LEGAL ADVISER AS TO HONG KONG LAW

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

PRINCIPAL BANKERS

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

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

SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

INDEPENDENT AUDITOR

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

STOCK CODE

8241

WEBSITE OF THE COMPANY

www.yingkeetea.com

CHAIRMAN'S STATEMENT

Dear Stakeholders,

On behalf of the board of directors (the "Board") of Ying Kee Tea House Group Limited, I am pleased to present the annual report of the Group for the year ended 31 March 2019.

OVERVIEW

The ripples of the United States — China trade tug-of-war and the prolonged Brexit negotiation and arrangement finally affected the local economy in the first quarter of 2019. The growth of GDP for the month of February 2019 decreased by 0.3% over the previous month. The GDP growth rate for the last quarter of 2018 hardly accomplished 4.7% when the GDP growth rate for the last quarter of 2017 reached 6.3%. Even with minimal increase in interest rate in 2019, consumers' expectation of a stagnant economy to emerge in the near future exists. This in turn weakens the local consumers' buying power even for necessities.

To apply the proceeds according to the pledge in our prospectus, during the year ended 31 March 2019, the Group, through its subsidiary, Ying Kee Tea Company Limited, has 12 retail shops and concessionary counters selling more than 70 products. The Board is taking a cautious view in opening new shops and concessionary counters judging from the minor deterioration of economy, avoiding not to over-saturate the market. In fact, the management of the Group finds it difficult to locate premises which can provide safe buffer between our already present retail points with optimal benefit over cost.

The Board envisages the need for diversification of product retailing and expands the Group's business to food and beverage retail in Hong Kong and is opened in mid-April 2019. The new product line serves products such as Hong Kong style coffee, mixture of Chinese tea and coffee (Yuen Yeung), fruit and bubble tea made from Chinese tea leaves and cold brewed tea. The purpose of the new development is to capture the younger generation market with a non-classical taste of Chinese tea mixed with various ingredients. The new operation is contained in another subsidiary of the Company, iTea. Ying Kee Limited and is entirely separated from the operations of Ying Kee Tea Company Limited, which retails Chinese tea leaves, tea wares and tea gift sets.

CHAIRMAN'S STATEMENT

The Group's revenue decreased by 1.1% to approximately HK$44.9 million for year ended 31 March 2019 from approximately HK$45.4 million for the year ended 31 March 2018. A net loss attributable to the owners of the Group of approximately HK$2.8 million was recorded for the year ended 31 March 2019, as compared to a net loss of the previous year of approximately HK$3.2 million, predominantly with expenses comprising the recognition of non-recurring listing expenses. Excluding the listing expenses of approximately HK$4.0 million, the Group recorded a net profit for the year of approximately HK$1.2 million.

OUTLOOK

In April 2018, the Group raised net proceeds from the Share Offer of approximately HK$25.2 million after deducting corresponding fees, commission and expenses. For actual proceeds applied, a table set out in page 14 illustrates the proceeds for each purpose are utilized.

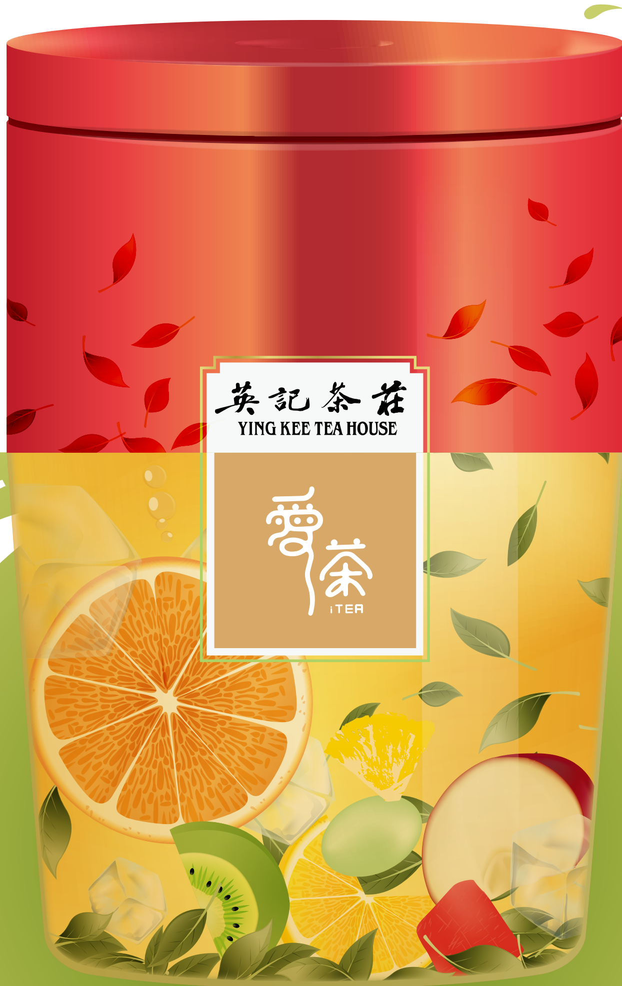
Management is keeping pace with the expansion plan of the Group and uses all available resources to keep the growth. The Board is prudent about the business prospects.

APPRECIATION

Finally, on behalf of the Board, I would like to offer my appreciation and gratitude to our shareholders, business associates, colleagues, customers and suppliers for their support and confidence in the Group, especially to our colleagues for their dedication and effort, which is crucial to our successful listing on GEM of the Stock Exchange. In the upcoming year, we will continue to work closely to create greater success for the Group and drive higher returns to the shareholders.

Yours sincerely,

Chan Kwong Yuen
Chairman of the Board
Hong Kong, 24 May 2019



MANAGEMENT
DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONAL REVIEW

For the year ended 31 March 2019, Ying Kee Tea House Group Limited (the "Company", together with its subsidiaries, the "Group") enjoyed a stable retail environment until the last quarter when the Group recorded a negative growth.

With the opening of two new concessionary counters, one at APM in Kwun Tong in April 2018 and another one at YATA supermarket in Shatin in October 2018, the Group encountered a slightly drop of growth of 1.1%, due primarily to the stagnant economy caused by the United States — China trade tug-of-war. The Directors were of the opinion that retail of tea leaves and tea-related products remained in a moderately grim situation for the financial year ending 31 March 2020.

FINANCIAL REVIEW

Revenue, gross profit and net loss

The consolidated revenue of the Group for the financial year ended 31 March 2019 (the "Reporting Year") reached approximately HK$44.9 million (2018: HK$45.4 million), representing a decrease by 1.1%. The gross profit for the year amounted to approximately HK$35.0 million (2018: HK$36.1 million), decreasing by 3.0% year-on-year. Gross profit margin was 78.0% (2018: 79.5%), slightly lower than that of last year. Net loss for the Reporting Year was approximately HK$2.8 million (2018: Net loss of HK$3.2 million). The loss for the Reporting Year was mainly due to the recognition of non-recurring listing expenses of approximately HK$4.0 million (2018: HK$12.7 million). The net profit would have been approximately HK$1.2 million if listing expenses were excluded (2018: HK$9.5 million). Basic and diluted loss per share attributable to equity holders of the Company were HK0.77 cents (2018: loss per share of HK1.18 cents) for the Reporting Year.

MANAGEMENT DISCUSSION AND ANALYSIS

Segmental information

For the Reporting Year, tea leaves were still the predominant products sold with a percentage of 94.4% of total revenue (2018: 94.8%). Tea wares and tea gift sets recorded percentage of 4.9% and 0.7% respectively of total revenue (2018: 4.7% and 0.5% respectively), representing a lower proportion of sales as compared with that of tea leaves. Pu-erh remained the most sellable products among the other items followed by oolong tea and fragrant tea. Their percentage of sales relative to total sales were 41.9% (2018: 45.2%), 21.8% (2018: 20.9%) and 12.7% (2018: 11.8%) respectively.

Other income

There is no gain (2018: Nil) on disposal of property, plant and equipment. Bank interest income increased from HK$32,000 for the year ended 31 March 2018 to HK$436,000 for the Reporting Year. The reason is mainly due to the increase in time deposit from receipt of net proceeds from the share offer during the Reporting Year.

Selling and distribution costs

For the Reporting year, the costs on selling and distribution decreased to approximately HK$2.1 million (2018: HK$3.1 million), representing a decrease of 32.3% as compared to that of the year ended 31 March 2018. This is a consequence of revision of employment terms upon renewal of contract to re-configure the sales commission to HK$0.3 million (2018: HK$1.4 million), a reduction by HK$1.1 million, or 78.6%.

Administrative expenses

The following expenses were substantially increased for the year ended 31 March 2019 relative to those for the year ended 31 March 2018 because of the followings:

1. Rent increased by approximately 14.9% from HK$8.7 million to HK$10.0 million;

2. Building management fees increased by approximately 11.0% from HK$546,000 to HK$606,000 with opening of new concessionary counters;

3. Consultancy fee increased by approximately 376.4% from HK$178,000 to HK$848,000 for engaging consultants to aid the development of the new iTea operation;

4. Inception of listing maintenance cost amounted to HK$1.6 million (2018: Nil);

5. Recruitment expenses increased by approximately 853.3% from HK$15,000 to HK$143,000 due to new recruitment of staff with opening of new concessionary counters and iTea shop;

6. Staff salaries increased by approximately 63.2% from approximately HK$6.8 million to approximately HK$11.1 million for the additional recruited staff and change of terms of employment contract after salary adjustment; and

7. Trademark expenses increased by 116.3% from HK$49,000 to HK$106,000 due to renewal of the U.S and Japan trademark.

8. Directorship fee increased to HK$1.2 million (2018: Nil) after listing.

Finance costs

For the year ended 31 March 2019, the finance costs, which were basically bank borrowing interest, were HK$46,000 as compared to that for the year ended 31 March 2018 of HK$282,000. The reason for the decrease of 83.7% was because of the settlement of the bank loans after obtaining proceeds from the share offer in April 2018.

Listing expenses

The listing cost of approximately HK$7.4 million for the Reporting Year (2018: HK$16.0 million) were paid as final settlement of fees to professional parties including but not limited to, reporting accountants, financial advisory service provider, corporate lawyers, sponsor, sponsor's lawyers, lawyers to issue legal opinions on conveyancing, intellectual properties, taxation in Japan and the People's Republic of China, rental property surveyor, market researcher, financial printer and public and investor relations agency.

Of the listing cost for the year ended 31 March 2019, approximately HK$7.4 million (2018: HK$16.0 million) which were non-recurring, in which approximately HK$4.0 million (2018: HK$12.7 million) were charged to profit and loss for the Reporting Year while approximately HK$3.4 million (2018: HK$3.3 million) were capital in nature and treated as prepaid listing expenses which will be deducted from equity after listing. Recurring listing expenses include but not limited to payments made to corporate lawyers, compliance adviser, share registrar, financial printer, company secretary agency, public and investor relations agency and dues to the Stock Exchange.

Inventory control

The net carrying value of the Group's inventories amounted to approximately HK$7.4 million (2018: HK$6.3 million) as at the end of the Reporting Year, representing an increase of approximately HK$1.1 million or 17.5% from that as at 31 March 2018. Main reason is the increase of minimum storage quantity when additional concessionary counters are operational.

The Board closely monitored the inventory level and movements during the year to ensure an optimal amount of stock was maintained and to avoid loss of sales due to under-stocking. As vintage pu-erh contributed the highest gross profit margin, the Directors are responsible for procurement and warehouse staff is responsible for stocktaking to ascertain an adequate quantity of vintage pu-erh is available for sale.

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

- Stocktake by shop and warehouse staff was carried out every month;
- Reconciliation of physical stock and amount in the accounting system was performed by the accountant every month;
- Office personnel observed physical stocktake by shop and warehouse staff every quarter;
- 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 from approximately HK$5.1 million for the year ended 31 March 2018 to approximately HK$4.8 million, decreased by approximately HK$0.3 million or 5.9%. The moderate reduction was due primarily to the normalization of operation without listing cost accruals. As at 31 March 2019, rental and other deposits rose by approximately HK$1.4 million or 127.3% to approximately HK$2.5 million from approximately HK$1.1 million as at 31 March 2018. This was the result of paying rental deposits for opening of a new shop of iTea in Tsim Sha Tsui and two concessionary counters at APM in Kwun Tong and at YATA in Shatin.

LIQUIDITY AND CASH FLOW MANAGEMENT

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

As at 31 March 2019, the Group's net current assets amounted to approximately HK$37.7 million (2018: HK$0.7 million) which increased by approximately HK$37.0 million or 5,285.7% due to substantial increase in time deposits, cash and bank balances and total repayment of bank loans. Cash and bank balances amounted to approximately HK$10.2 million (2018: HK$2.9 million), representing an increase of approximately HK$7.3 million or 251.7%, compared with that at 31 March 2018. Time deposits amounted to HK$16.0 million as at 31 March 2019, substantially increased by HK$15.4 million or 2,566.7%, as compared to HK$0.6 million as at 31 March 2018.

Trade and other payables

As at 31 March 2019, trade and other payables decreased from HK$4.9 million for the year ended 31 March 2018 to approximately HK$1.5 million, decreased by approximately HK$3.4 million or 69.4%. The decrease was primarily due to the final settlement of listing expenses accruals with balance of Nil (2018: HK$4.0 million).

CHARGE OF GROUP'S ASSETS

At the end of the Reporting Year, there was no charge on the Group's assets.

SIGNIFICANT INVESTMENT

There was no significant investment during the year ended 31 March 2019 and as at the end of the financial year, there was no significant investment held by the Group.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARY, ASSOCIATES AND JOINT VENTURES

There was no material acquisitions and disposals of subsidiary, associates and joint ventures during the year ended 31 March 2019.

CAPITAL STRUCTURE

The shares of the Company were listed on GEM of the Stock Exchange on 16 April 2018. There has been no change in the capital structure of the Group since then and share capital of the Group only comprises ordinary shares. As at 31 March 2019, the Company has 360,000,000 ordinary shares in issue.

Equity

Equity attributable to owners of the Company amounted to approximately HK$41.2 million (2018: HK$2.1 million) representing, a substantial increase of HK$39.1 million or 1,861.9%.

TREASURY POLICY

The Directors will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

FOREIGN EXCHANGE EXPOSURE

Since all of the assets and liabilities are situated in Hong Kong and almost all of the revenue is generated from Hong Kong, the functional and reporting currency is Hong Kong dollar. There were no hedging instruments except bank deposits and cash in hand of RMB698,000 (2018: RMB577,000). For payment of purchases in Renminbi or US Dollars, the Directors considered the foreign exchange exposure was fairly covered as purchases in Renminbi represented 18.6% (2018: 7.1%) of the total purchase whereas in US Dollars a mere 1.6% of the total purchase (2018: Nil). Directors are of the opinion that it would not cause material exchange rate risk.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2019, the Group had 60 employees (2018: 52 employees) working in Hong Kong. Employees are remunerated based on their qualifications, position and performance. The remuneration offered to employees generally includes salaries, allowances and discretionary bonus. Various training was provided to the employees. The total staff costs (including remuneration of Directors and mandatory provident funds contributions) for the year ended 31 March 2019 and 2018 amounted to approximately HK$14.9 million and HK$11.0 million respectively. The Group also adopted a share option scheme whereby qualified participants may be granted options to acquire shares of the Company.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 March 2019 (2018: 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. As at 31 March 2019, the Group's operating lease commitments were approximately HK$4.6 million (2018: HK$4.6 million). Capital commitments as at 31 March 2019 amounted to HK$0.9 million (2018: Nil).

DIVIDENDS

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

During the year ended 31 March 2019, the Group declared no interim dividend (2018: HK$2.0 million) to the shareholders.

GEARING RATIO

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

As at 31 March 2019, the gearing ratio of the Group stood at 7.8% (2018: 760.7%). The decrease was mainly due to the settlement of bank loans and increase in equity as a result of issuance of new shares and reserves from the share offer.

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").

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 ordinary 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.

During the Reporting Year, the Group opened two new concession counters in supermarket in APM Kwun Tong and Shatin, engaged service providers to enhance our information system, recruited new staff and repaid the bank loan.

As at 31 March 2019, the Group's planed application and actual utilization of the net proceeds is set out below:

Use of Proceeds	Percentage of total net proceeds	Planned applications	Actual usage up to 31 March 2019	Unutilized net proceeds as at 31 March 2019
Open new retail points in Hong Kong	49.8%	12,551,000	2,740,000	9,811,000
Enhance management capability and efficiency through improvement of information system	13.4%	3,377,000	925,000	2,452,000
Expand human resources	2.6%	655,000	328,000	327,000
Repay bank loan partially	15.0%	3,780,000	3,780,000	—
Renovation of office and warehouse	9.6%	2,420,000	1,371,000	1,049,000
General working capital	9.6%	2,420,000	1,210,000	1,210,000
Total	100%	25,203,000	10,354,000	14,849,000

For the unutilized net proceeds for the year ended 31 March 2019, the Company intends to use them in the same manner and proportions as described in the Prospectus. The completion time of the use of the net proceeds will be determined based on the future business development of the Company.

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 year ended 31 March 2019 is set out below:

Business objectives	Actual business progress
Open new retail points in Hong Kong	
• Locate and renovate premises for a concession counter in a department store in Kwun Tong ("Shop 11") and a retail shop in Causeway Bay ("Shop 12") and payment of rental related expenses • Recruit sales staff for each of Shop 11 and Shop 12 respectively and payment of salary • Rental and staff payment for a retail shop in Kowloon Bay ("Shop 8"), Shop 11 and Shop 12	The Company opened two retail points in Hong Kong during the year ended 31 March 2019, being Shop 11 and a concessionary counter in Shatin ("Shatin Shop"). The Company used the net proceeds for (i) location and renovation of premises for Shop 11 and Shatin Shop and payment of rental related expenses, (ii) recruit sales staff for Shop 11 and Shatin Shop and payment of salary; and (iii) rental and staff payment for Shop 8, Shop 11 and Shatin Shop.
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
Expand our human resources	
• Payment of salary for the accounting staff	Approximately HK$328,000, being approximately 50.1% of fund available for the expansion of human resources in an amount of approximately HK$655,000, has been used.
Repay bank loan partially	
• Repay outstanding loan under the banking facilities with a bank	100.0% of fund available has been used as intended.
Renovation of our office and warehouse	
• Payment for renovating our office and warehouse in Siu Sai Wan	The renovation is completed. Approximately HK$1,371,000, being approximately 56.7% of fund available for renovation of office and warehouse in an amount of approximately HK$2,420,000, has been used.

MANAGEMENT DISCUSSION AND ANALYSIS

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 time deposits. The time deposit rates were rather stable during the year ended 31 March 2019 and posed no material risks. The Group's policy is to manage its interest income to maximize the benefits and optimize cash flow status, which is regularly reviewed by senior management.

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 time deposits and funds generated from operations.

Please refer to note 25 to the consolidated financial statements for further details of financial risks facing by the Group.

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its suppliers, customers and other stakeholders in order to meet its immediate and long-term goals. During the year under review, there was no material or significant dispute between the Group and its suppliers, customers and/other stakeholders.

EVENTS AFTER THE REPORTING PERIOD

A new concept store was opened on 15 April 2019 in Tsim Sha Tsui to sell beverages of tea and coffee with Chinese tea leaves and Italian coffee beans, with additives such as fruits, cream and tapioca jelly. The rationale of this new concept is to open a whole new platform of marketing the present Chinese tea leaves to younger generation. This new development also aims at stimulating demand for Chinese tea by creating new elements to cater different customers' taste.

OBJECTIVES

The Board is pleased to present the Environmental, Social and Governance ("ESG") Report for the year ended 31 March 2019.

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

STRATEGY, MANAGEMENT APPROACH AND PRIORITIES

The Group is principally engaged in the retail trading of tea products, including Chinese tea leaves, tea wares and tea gifts set in Hong Kong. The Group is committed to the long-term sustainability of the employment and labour practices, operating practices and communities as part of its business strategy.

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

STAKEHOLDERS ENGAGEMENT

The Group recognises the expectation and feedback from their stakeholders are vital to sustainable development of the Group. An effective communication with key stakeholders has being maintained through daily business dealings, meetings, training and email, website information to promote and adjust the direction of sustainable development. Key stakeholders include shareholders and investors, governmental regulators, customers, suppliers, industries players, employees and communities etc,

A. ENVIRONMENTAL

A1. Emissions

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

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

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

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

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

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

	Emission & Intensity	
Description	**2019**	2018
Consumption of Purchased Electricity (A)	**170,640 kWh**	174,239 kWh
Carbon Dioxide (CO_2) Emission (B)	**119,262 kg**	122,840 kg*
Area of Office, Factory Premise and Retail Shops (C)	**14,337 sq. ft.**	14,086 sq. ft.
CO_2 Emission Intensity per Office and Factory Premises Area (D = B/C)	**8 kg/sq. ft.**	9 kg/sq. ft.

* Restated based on new data and calculation.

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

A2. Use of Resources

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

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

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

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

	Purchased Electricity		**Water**		**Paper**	
Description	**2019**	2018	**2019**	2018	**2019**	2018
Resources Consumption (A)	**170,640 kWh**	174,239 kWh	**496 m^3**	487 m^3	**33,000 piece**	59,410 piece
Area of Office & Factory Premise and Retail Shops (B)	**14,337 sq. ft.**	14,086 sq. ft.	**12,545 sq. ft.**	12,545 sq. ft.	**10,562 sq. ft.**	10,562 sq. ft.
Intensity (C = A/B)	**12 kWh/sq. ft.**	12 kWh/sq. ft.	**0.04 m^3/sq. ft.**	0.04 m^3/sq. ft.	**3 piece/sq. ft.**	6 piece/sq. ft.

With the promotion of paperless office and the completion of initial listing application, the paper consumption had been decreased for the Reporting Year. As the operation of the Group is based in Hong Kong, the management believes that there is no material issue in sourcing water for operation.

A control mechanism has been put in place to monitor the inventory levels and to minimise obsolete inventory, including the package materials.

The Group is engaged in the industry of packaged branded Chinese tea. A variety of tea products specifications requires different packaging. Due to the packing materials are light and in wide range, the consumption of packing materials in terms of weight is not available. The main types and usage unit of packing materials during the Reporting Year are as follows:

	Amount of Unit	
Types of Package Material	**2019**	2018
Paper	**171,594**	183,326
Plastic	**11,668**	12,392
Aluminium foil	**3,774**	4,473
Gift boxes	**6,522**	2,407

Higher consumption of gift boxes for the Reporting Year resulted from special package in promotion of particular festivals. Despite this, slight decrease in overall usage of package material was noted thanks to an effective monitoring by the Group.

A3. The Environment and Natural Resources

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

B. SOCIAL

(i) Employment and Labour Practices

B1. Employment

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

All employees are treated fairly in regards to recruitment, training and development, appraisal of work performance, promotion and transfers, remuneration and benefits. The Group aims to provide equal employment opportunity which is free from any form of discrimination or harassment, regardless of age, gender, race, religion, disability, political stance and marital status.

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

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

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

B2. Health and Safety

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

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

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

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

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

B3. Development and Training

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

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

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

B4. Labour Standards

The Group complies with the Employment Ordinance in Hong Kong, and does not engage in any forced or child labour.

During the process of recruitment, information of candidate is strictly verified. The human resources department checks identify proof and documents of candidate to prevent employment of child and forced labour.

(ii) Operating Practices

B5. Supply Chain Management

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

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

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

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

	Number of suppliers		**Portion**	
Region	**2019**	2018	**2019**	2018
Hong Kong	**19**	26	**73%**	79%
China	**4**	5	**15%**	15%
Taiwan	**3**	2	**12%**	6%
Total	**26**	33	**100%**	100%

For tea wares, the Group focused on few major suppliers which maintain stable quality of products, instead of multiple suppliers. As a result, a deduction on the number of tea wares' suppliers occurred for the Reporting Year.

B6. Product Responsibility

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

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

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

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

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

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

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

B7. Anti-Corruption

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

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

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

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

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

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

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

(iii) Community

B8. Community Investment

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

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

The Group contributed donation of approximately HK$113,000 in terms of fund and gifts to support the community services of non-profit organisations and the education of schools during the Reporting Year.

CORPORATE GOVERNANCE PRACTICE

The shares of the Company commenced listing on 16 April 2018 on GEM. During the period from 16 April 2018, being the listing date, to 31 March 2019 (the "Period Under Review"), 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 in the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules. During the Period Under Review, the Company has complied, to the extend applicable and permissible, with the code provisions set out in the CG Code.

The Board is responsible for the leadership and control, and promoting the success of the Group. This is achieved by the setting up of corporate strategic objectives and policies, and the monitoring and evaluations of operating activities and financial performance of the Group.

BOARD COMPOSITION

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

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

Executive Directors

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

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

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

Mr. Chan Kwong Yuen is the older brother of Mr. Chan Shu Yuen and also a cousin of Mr. Chan Kun Yuen. The biographical details of the Directors, including their respective interests in the Group and their respective relationships with other Directors of the Group, are set out on pages 44 to 46 and pages 56 to 59 of this annual report.

Independent Non-Executive Directors

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

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

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

BOARD DIVERSITY POLICY

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

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

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

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

All Directors have participated in continuous professional development and provided a record of training they received for the year ended 31 March 2019 to the Company. Training record of each Director received for the year ended 31 March 2019 is summarised below:

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

Notes:

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

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

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

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

ACCESS TO SUPPORTING

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

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

BOARD MEETINGS AND GENERAL MEETING

The Board held a total of seven meetings during the year ended 31 March 2019 and passed resolutions by way of written resolutions. Besides the four meetings held for, among other matters, approving the quarterly, interim and final results of the Group, three ad hoc meetings were held mainly for approving annual salary review, incorporation of subsidiaries of the Company and continuing connected transactions.

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

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

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

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

During the year ended 31 March 2019, 1 general meeting of the Company, being the 2018 annual general meeting held on 10 August 2018, was convened.

The attendance of individual members at Board meetings and general meeting held during the year ended 31 March 2019 is set out as follows:

Name of Director	Number of meetings attended	Number of general meeting attended
Executive Directors		
Mr. Chan Kwong Yuen	7/7	1/1
Mr. Chan Kun Yuen	7/7	1/1
Mr. Chan Shu Yuen	6/7	0/1
Independent Non-executive Directors		
Mr. Siu Chi Ming	7/7	1/1
Mr. Lee Wai Ho	6/7	1/1
Mr. Wong Chee Chung	7/7	1/1

SECURITIES TRANSACTIONS OF DIRECTORS

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

BOARD COMMITTEES

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

Executive Committee

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

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

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

The Executive Committee held quarterly meetings to review, discuss and evaluate the quarterly business performance and other business and operational matters within the Group.

The Executive Committee meetings was conducted more than four times a year and also sometimes on an ad hoc basis.

Nomination Committee

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

The duties of the Nomination Committee are summarised as follows:

- to review the structure, size, composition and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, the skills, knowledge and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; in identifying suitable individuals, the Committee shall consider individuals on merit and against the objective criteria, with due regard for the benefits of diversity on the Board;

- to assess the independence of independent non-executive directors;

- taking into account the Company's corporate strategy and the mix of skills, knowledge, experience and diversity required in the future, to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the chief executive;

- review the Company's nomination policy and board diversity policy on a regular basis, and make recommendations to the Board for consideration and approval as appropriate; and

- monitor the implementation of the Company's nomination policy and board diversity policy and report in the Corporate Governance Report annually.

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

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

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

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

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

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

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

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

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

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

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

The Nomination Committee holds at least one meeting every year. During the year ended 31 March 2019, the Nomination Committee held two meetings for, among other matters, the review of the Board's structure, size, composition and diversity, assessment of the independence of the INEDs, and making recommendation to the Board on the re-election of retiring Directors at the annual general meeting held on 10 August 2018. The attendance of members at the Nomination Committee meetings held during the year ended 31 March 2019 is set out as follows:

Name of Director	Number of Nomination Committee meetings attended
Executive Directors	
Mr. Chan Kwong Yuen	2/2
Mr. Chan Kun Yuen	2/2
Independent Non-executive Directors	
Mr. Siu Chi Ming	2/2
Mr. Lee Wai Ho	1/2
Mr. Wong Chee Chung *(Chairman of the Nomination Committee)*	2/2

Remuneration Committee

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

The duties of the Remuneration Committee are summarised as follows:

- make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

- to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

- to determine with delegated responsibility, the remuneration packages of individual executive Directors and senior management (which should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment);

- to make recommendations to the Board on the remuneration of non-executive Directors;

- to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

- to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive for the Company;

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

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

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

The Remuneration Committee holds at least one meeting every year. During the year ended 31 March 2019, the Remuneration Committee held two meetings for discussion and review the existing policy and structure of the remuneration for the Directors and senior management and approval of remuneration packages of senior management of the Company. The attendance of members at the Remuneration Committee meetings held during the year ended 31 March 2019 is set out as follows:

Name of Director	Number of Remuneration Committee meetings attended
Executive Directors	
Mr. Chan Kwong Yuen	2/2
Mr. Chan Kun Yuen	2/2
Independent Non-executive Directors	
Mr. Siu Chi Ming	2/2
Mr. Lee Wai Ho	1/2
Mr. Wong Chee Chung *(Chairman of the Remuneration Committee)*	2/2

Remuneration policy of the Group

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

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

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

Audit Committee

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

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

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

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

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

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

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

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

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

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

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

The Audit Committee holds meetings at least twice a year. During the year ended 31 March 2019, the Audit Committee held five meetings for, among other matters, review the quarterly, interim and annual financial statements and the related results announcement, documents and other matters or issues raised by the Company's auditor and made recommendation to the Board the re-appointment of the Company's auditor, discuss and confirm with the management the effectiveness of the Group's financial reporting process, risk management and internal control systems, and review the risk management and internal control systems and made recommendation to the Board. The attendance of members at the Audit Committee meetings held during the year ended 31 March 2019 is set out as follows:

Name of Director	Number of Audit Committee meetings attended
Independent Non-executive Directors	
Mr. Siu Chi Ming *(Chairman of Audit Committee)*	5/5
Mr. Lee Wai Ho	4/5
Mr. Wong Chee Chung	5/5

Accountability and Audit

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

Financial Reporting

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

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. In preparing the consolidated financial statements for the year ended 31 March 2019, the Directors have:

- approved the adoption of the applicable Hong Kong Financial Reporting Standards;
- selected suitable accounting policies and applied them consistently throughout the period covered by the consolidated financial statements;
- made judgements and estimates that are prudent and reasonable, and ensure the consolidated financial statements are prepared on a going concern basis; and

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

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

The statement of the auditor of the Company in respect of its reporting responsibilities on the Company's financial statements for the year ended 31 March 2019 is set out in the "Independent Auditor's Report" on pages 63 to 68 of this annual report.

Risk Management and Internal Controls

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

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

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

Internal control framework

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

1. *Distinct organisational structure*

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

   During the year ended 31 March 2019, the Group adopted a clear and distinct organisational structure and a precise authority matrix to improve operation flow. With the continuous focus on the chain of command, the Group anticipates to attain better controls and effectively monitors the management, operational and financial processes.

2. *Regular risk assessment*

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

3. *Regulated cash/treasury management*

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

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

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

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

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

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

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

   - The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.
   - Confidentiality agreements are in place when the Group enters into significant negotiations.

- The executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

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

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

INTERNAL AUDIT FUNCTION

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

AUDITOR'S REMUNERATION

The Group's auditor is Grant Thornton Hong Kong Limited. The Audit Committee is mandated to ensure continuing auditor's objectivity and safeguarding independence of the auditor. The remuneration paid or payable by the Group to Grant Thornton Hong Kong Limited in respect of the audit and other non-audit services for the year ended 31 March 2019 were as follows:

Nature of services	**2019** **HK$000**	2018 HK$000
Audit service	**380**	300
Special engagement in relation to the Listing	**–**	1,880
Agreed-upon procedures regarding to turnover statements	**5**	5
Review of interim result and quarterly report	**136**	–
Total	**521**	2,185

DIRECTORS AND SENIOR MANAGEMENT EMOLUMENTS

The remuneration of the senior management (comprising Directors) of the Company for the year ended 31 March 2019, by band is set out below:

Remuneration Band	Number of individual
Nil	–
HK$1 to HK$1,000,000	7
HK$1,000,001 – HK$1,500,000	–
HK$1,500,001 – HK$2,000,000	1
HK$2,000,001 – HK$2,500,000	–
	8

COMPANY SECRETARY

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

Core Duties

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

Typical Duties Include:

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

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

During the year ended 31 March 2019, Mr. So has complied with the relevant training requirement under Rule 5.15 of the GEM Listing Rules. The biographical details of Mr. So are set out in the section headed "Directors and Senior Management Profile" of this annual report.

CORPORATE COMMUNICATION WITH STAKEHOLDERS AND INVESTOR RELATIONS

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

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

SHAREHOLDERS' RIGHTS

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

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

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

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

DIVIDEND POLICY

Principles and Guidelines

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

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

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

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

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

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

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

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

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

REVIEW OF THE DIVIDEND POLICY

The Board shall review the Policy as appropriate from time to time.

CONSTITUTIONAL DOCUMENTS

There has been no change in the articles of association of the Company since 16 April 2018, being the date from which the shares of the Company are listed on GEM, and up to date version of the articles of association of the Company is available on the websites of the Stock Exchange and the Company.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Chan Kwong Yuen, aged 62, became an executive Director in October 2017. Mr. Chan Kwong Yuen is also the Chairman, a member of the Remuneration Committee and the Nomination Committee and one of the controlling shareholders of the Company (the "Controlling Shareholders"). He also holds directorships in all subsidiaries of the Company. Mr. Chan Kwong Yuen is responsible for overseeing the finance and investment aspects of the Group, and formulating the Group's strategy and evaluating and negotiation leasing terms and conditions with landlords. Mr. Chan Kwong Yuen is the brother of Mr. Chan Shu Yuen and cousin of Mr. Chan Kun Yuen. He is also a director of Profit Ocean Enterprises Limited and Coastal Lion Limited, both companies have disclosable interests in the shares of the Company under the provisions in Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO").

Mr. Chan Kwong Yuen has over 24 years of experience in the tea retail industry in Hong Kong. He first joined Ying Kee Tea Company Limited ("Ying Kee"), a subsidiary of the Company, in January 1993 as financial manager, responsible for overseeing the finance and investment aspects, and became a director of Ying Kee since September 2010. Prior to that, Mr. Chan Kwong Yuen served as the General Manager of the Enamelware Division of Universal Steels Limited in Nigeria from January 1983 to December 1992. Mr. Chan Kwong Yuen received a Bachelor of Commerce with Honours from the University of British Columbia, Canada, in May 1999.

Mr. Chan Kun Yuen, aged 59, became an executive Director in October 2017. He is the CEO, a member of the Remuneration Committee and the Nomination Committee and one of the Controlling Shareholders. He also holds directorships in all subsidiaries of the Company. Mr. Chan Kun Yuen is responsible for overseeing the Group's business development, marketing, and corporate strategy formulation and execution. Mr. Chan Kun Yuen is the cousin of both Mr. Chan Kwong Yuen and Mr. Chan Shu Yuen. He is also a director of Profit Ocean Enterprises Limited and Wealth City Global Limited, both companies have disclosable interests in the shares of the Company under the provisions in Divisions 2 and 3 of Part XV of the SFO.

Mr. Chan Kun Yuen has over 17 years of experience in the tea retail industry in Hong Kong. He formally joined Ying Kee, a subsidiary of the Company, in October 2000 as general manager working full-time, responsible for business development, marketing, and corporate strategy formulation and execution, and became a director of Ying Kee since September 2010. Prior to that, Mr. Chan Kun Yuen served as a clerk with the shipping department of The East Asiatic Company Limited from September 1981 to June 1982. He also served as a clerk in the export department of Gibb, Livingston & Co. in June 1982 and was transferred to Gilman & Co., Ltd. in January 1983 and served until August 1986. From September 1986 to September 2000, Mr. Chan Kun Yuen was working part-time for Ying Kee as a marketing associate, responsible for formulating marketing proposals and strategies for Ying Kee. Mr. Chan Kun Yuen completed a one-year business course in office studies at Rosaryhill School in July 1981 after graduating from Hong Kong Chan Wai Chow Memorial College in November 1980.

Mr. Chan Shu Yuen, aged 58, became an executive Director in October 2017. He is one of the Controlling Shareholders. He also holds directorships in all subsidiaries of the Company. Mr. Chan Shu Yuen is responsible for finding, selecting and negotiating with potential suppliers and also building and maintaining relationships with them, overseeing the technical aspects of processing, monitoring quality control of final products in the warehouse, and resolving electrical and mechanical problems in processing. Mr. Chan Shu Yuen is the brother of Mr. Chan Kwong Yuen and cousin of Mr. Chan Kun Yuen. He is also a director of Profit Ocean Enterprises Limited and Sky King Global Limited, both companies have disclosable interests in the shares of the Company under the provisions in Divisions 2 and 3 of Part XV of the SFO.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Siu Chi Ming ("Mr. Siu"), aged 38, joined the Board as an independent non-executive Director in March 2018. He is also the chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee. Mr. Siu is primarily responsible for providing independent advices to the Board.

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

Mr. Lee Wai Ho ("Mr. Lee"), aged 43, joined the Board as an independent non-executive Director in March 2018. He is also the chairman of the Nomination Committee and a member of the Remuneration Committee and Audit Committee. Mr. Lee is primarily responsible for providing independent advices to the Board.

Mr. Lee has been serving as a director of Capital Partners CPA Limited since 2004, specializing in advisory, audit and assurance services. He has 21 years of accounting and finance experience.

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

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. Wong Chee Chung ("Mr. Wong"), aged 43, joined the Board as an independent non-executive director in March 2018. He is also the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee. Mr. Wong is primarily responsible for providing independent advice to the Board.

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

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

SENIOR MANAGEMENT

Mr. So Stephen Hon Cheung ("Mr. So"), aged 63, joined as Chief Financial Officer and Company Secretary of Ying Kee, a subsidiary of the Company, in June 2017 and was appointed as the Chief Financial Officer and Company Secretary of the Company in October 2017. He is primarily responsible for financial reporting, accounting, corporate governance, statutory filings and legal compliance matters of the Group.

Mr. So has over 13 years' experience in the manufacturing, wholesale and trading in the commercial sector. He is a director of the accounting firm T.M. Ho, So & Leung CPA Limited, and is a fellow member of the Hong Kong Institute of Certified Public Accountants (Practising), a member of the Chartered Professional Accountants of Canada and a member of the Society of Certified Management Accountants of Canada. He holds a bachelor degree in commerce from the University of British Columbia, Canada. Mr. So is an independent non-executive director of PINE Technology Holdings Limited (Stock Code: 1079) since September 2002, Pinestone Capital Limited (Stock Code: 804) since May 2015, Teamway International Group Holdings Limited (stock code: 1239) since August 2017, and both YGM Trading Limited (stock code: 375) and Yangtzekiang Garment Limited (stock code: 294) since September 2017, the shares of those companies are listed on the Main Board of the Stock Exchange. Mr. So was an independent non-executive director of Milan Station Holdings Limited (stock code: 1150) and Skyworth Digital Holdings Limited (stock code: 751) from April 2011 to February 2017 and March 2000 to December 2014 respectively, the shares of both companies are listed on the Main Board of the Stock Exchange.

Ms. Man Choi Ho ("Ms. Man"), aged 56, joined Ying Kee in June 1994. She was an administration clerk of Ying Kee until April 2005 when she was promoted to the position of administration manager. Ms. Man was appointed as the human resources and administration manager of the Company in October 2017.

DIRECTORS' REPORT

The Directors have pleasure in presenting their annual report and audited consolidated financial statements of the Group for the year ended 31 March 2019.

PRINCIPAL ACTIVITIES

The Company is an investment company incorporated in Hong Kong. Details of the principal activities of the subsidiaries of the Company are set out in note 28 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group during the year and the discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis", the description of the principal risks and uncertainties facing the Group are set out in the section headed "Management Discussion and Analysis", the details of key performance indicators are set out in the sections headed "Management Discussion and Analysis" and "Financial Summary", the Group's environmental policies and performance are set out in the paragraph headed "Environmental Policies and Performance" below and the section headed "Environmental, Social and Governance Report", the Group's compliance with the relevant laws and regulations are set out in the paragraph headed "Compliance with Relevant Laws and Regulations" below and the section headed "Environmental, Social and Governance Report", and the Group's key relationships with employees, customers and suppliers are set out in the sections headed "Management Discussion and Analysis" and "Environmental, Social and Governance Report". The financial risk management objectives and policies of the Group are set out in note 25 to the consolidated financial statements. No important event affecting the Group has occurred subsequent to the year ended 31 March 2019 up to the date of this annual report. The above discussion form part of this Directors' Report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 69 of this annual report.

No interim dividend (2018: HK$200 per share) was paid to the shareholders during the year. The Directors do not recommend the payment of a final dividend to the shareholders.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 2 September 2019 to 6 September 2019 (both dates inclusive), during which period no share transfers will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting to be held on 6 September 2019 (the "2019 AGM"), all share transfers must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 30 August 2019.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the year ended 31 March 2019, together with the financial results and of the assets and liabilities of the Group for the three years ended 31 March 2018, is set out on page 119 of this annual report. This summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate revenue attributable to the Group's five largest customers was 2.5% (2018: 1.7%) of the Group's total revenue. The aggregate purchase attributable to the Group's five largest suppliers accounted to 71.3% (2018: 61.6%) of the Group's total purchase. The largest supplier accounted for approximately 18.9% (2018: 25.0%) of the Group's total purchase.

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

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group has acquired plant and equipment in the sum of approximately HK$2.9 million (2018: HK$1.4 million). Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

As at 31 March 2019, the number of issued ordinary shares of the Company was 360,000,000.

Details of movements in the share capital of the Group during the year are set out in note 20 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity and note 21 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE GROUP

There is no Group's reserves available for distribution to shareholders as at 31 March 2019 (2018: HK$2.1 million).

CONTINUING CONNECTED TRANSACTIONS

For the year ended 31 March 2019, the Group have the following continuing connected transactions that are subject to the annual review requirements under Chapter 20 of GEM Listing Rules:

1. Tenancy Agreements entered into between Ying Kee Tea Company Limited ("Ying Kee") and Chan Sing Hoi Enterprises Limited ("Chan Sing Hoi Enterprises")

In 2017, Ying Kee, a wholly-owned subsidiary of the Company, has entered into two tenancy agreements ("2017 Tenancy Agreements") with Chan Sing Hoi Enterprises, pursuant to which Chan Sing Hoi Enterprises agreed to lease, and Ying Kee agreed to rent, the following premises owned by Chan Sing Hoi Enterprises for a term of two years commencing from 1 April 2017 to 31 March 2019 at a monthly rental (excluding rates and building management fees) of HK$81,000 and HK$93,000 respectively:

Shop 1

Shop B on Ground Floor, Siu Ying Commercial Building, Nos. 151–155 Queen's Road Central, Hong Kong (with 409 square feet)

Shop 2

G/F., Mei Wah Building, No. 170 Johnston Road, Wanchai, Hong Kong (with 555 square feet)

The monthly rentals payable to Chan Sing Hoi Enterprises are determined on an arm's length basis with reference to the then rent per square feet for nearby completed rental transactions advised by the property agents. The leased premises under the 2017 Tenancy Agreements are retail shops currently operated by the Group for its business of selling tea products.

Mr. Chan Tat Yuen, Mr. Chan Shu Yuen, Mr. Chan Kun Yuen and Mr. Chan Kwong Yuen (the "four Chans") are Controlling Shareholders and directors of Ying Kee, and Mr. Chan Shu Yuen, Mr. Chan Kun Yuen and Mr. Chan Kwong Yuen are also executive Directors. Chan Sing Hoi Enterprises is an entity controlled by the four Chans. Chan Sing Hoi Enterprises is an associate of the four Chans, and is therefore a connected person of the Company.

The annual cap on the rentals payable to Chan Sing Hoi Enterprises for Shop 1 and Shop 2 for the year ended 31 March 2019 is HK$972,000 and HK$1,116,000 respectively.

For the year ended 31 March 2019, the actual rentals paid to Chan Sing Hoi Enterprises for Shop 1 and Shop 2 amounted to HK$972,000 and HK$1,116,000 respectively.

On 29 March 2019, Ying Kee renewed two tenancy agreements with Chan Sing Hoi Enterprises for Shop 1 and Shop 2 for a term of 1 year up to and including 31 March 2020 at a monthly rental (excluding rates and building management fees) of HK$106,000 and HK$132,000 respectively. The terms of the renewed tenancy agreements are substantially the same as those set out in the 2017 Tenancy Agreements.

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

In 2017, Ying Kee has entered into three tenancy agreements with Golden Ocean ("2017 Golden Ocean Tenancy Agreements"), pursuant to which Golden Ocean agreed to lease, and Ying Kee agreed to rent, the following premises owned by Golden Ocean for a term of two years commencing from 1 April 2017 to 31 March 2019 at a monthly rental (excluding rates and building management fees) of HK$69,000, HK$75,000 and HK$108,000 respectively:

Shop 5

Shop M1 on G/F., Hanyee Building, Nos. 19-21 Hankow Road, Tsim Sha Tsui, Kowloon, Hong Kong (with 369 square feet)

Shop 6

Shop D on G/F., Silver Commercial Building, No. 719 Nathan Road, Mong Kok, Kowloon, Hong Kong (with 519 square feet)

Siu Sai Wan Premises

8/F., Wah Shing Centre, 5 Fung Yip Street, Siu Sai Wan, Hong Kong (with 10,562 square feet)

The monthly rentals payable to Golden Ocean are determined on an arm's length basis with reference to the then rent per square feet for nearby completed rental transactions advised by the property agents. The leased premises under the 2017 Golden Ocean Tenancy Agreements are retail shops, office, showroom and warehouse currently operated by the Group for its business.

Golden Ocean is an entity controlled by the four Chans. Golden Ocean is an associate of the four Chans, and is therefore a connected person of the Company.

The annual cap on the rentals payable to Golden Ocean for Shop 5, Shop 6 and Siu Sai Wan Premises for the year ended 31 March 2019 is HK$828,000, HK$900,000 and HK$1,296,000 respectively.

For the year ended 31 March 2019, the actual rentals paid to Golden Ocean for Shop 5, Shop 6 and Siu Sai Wan Premises amounted to HK$828,000, HK$900,000 and HK$1,296,000 respectively.

On 29 March 2019, Ying Kee renewed three tenancy agreements with Golden Ocean for Shop 5, Shop 6 and Siu Sai Wan Premises for a term of 1 year up to and including 31 March 2020 at a monthly rental (excluding rates and building management fees) of HK$93,000, HK$123,000 and HK$160,000 respectively. The terms of the renewed tenancy agreements are substantially the same as those set out in the 2017 Golden Ocean Tenancy Agreements.

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

On 15 November 2018, iTea. Ying Kee, a wholly-owned subsidiary of the Company, has entered into a tenancy agreement ("iTea Tenancy Agreement") with Golden Ocean, pursuant to which Golden Ocean agreed to lease, and iTea. Ying Kee agreed to rent, the following premise owned by Golden Ocean for a period commencing from 16 November 2018 to 31 March 2019 at a monthly rental (excluding rates and building management fees) of HK$130,000 with a rent-free period from 16 November 2018 to 31 January 2019:

iTea Shop

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

The monthly rental (excluding rates and building management fees) is payable to Golden Ocean in advance and is determined on an arm's length basis with reference to the market rental charge in the local property market for adjacent properties within the accessible distance. The leased premise under the iTea Tenancy Agreement is a food and beverage retail shop currently operated by the Group for its business.

The cap on the rental payable to Golden Ocean for iTea Shop for the period from 16 November 2018 to 31 March 2019 is HK$260,000.

For the period from 16 November 2018 to 31 March 2019, the actual rentals paid to Golden Ocean for iTea Shop amounted to HK$260,000.

On 29 March 2019, iTea. Ying Kee renewed the tenancy agreement with Golden Ocean for iTea Shop for a term of 1 year up to and including 31 March 2020 at a monthly rental (excluding rates and building management fees) of HK$130,000. The terms of the renewed tenancy agreement are substantially the same as those set out in the iTea Tenancy Agreement.

The independent non-executive Directors have reviewed the above non-exempt continuing connected transactions and confirmed that the transactions:

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

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

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

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

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

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

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

The Directors confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules during the year ended 31 March 2019.

RELATED PARTY TRANSACTIONS

Save as the transactions disclosed in the paragraph headed "Continuing Connected Transactions" above, during the year ended 31 March 2019, the Group had entered into certain related party transactions but these transactions were not regarded as connected transactions or continuing connected transactions under the GEM Listing Rules or were exempt from reporting, announcement and shareholders' approval requirements under the GEM Listing Rules. Details of these related party transactions are disclosed in note 23 to the consolidated financial statements.

DONATIONS

During the year, the Group made charitable donations amounting to HK$113,000 (2018: HK$59,000).

DIRECTORS

The Directors of all subsidiaries during the year ended 31 March 2019 and up to the date of this report are:

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

DIRECTORS' REPORT

The Directors of the Company during the year ended 31 March 2019 and up to the date of this report are:

Executive Directors

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

Independent Non-executive Directors

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

Pursuant to the Company's articles of association, Mr. Siu Chi Ming will retire and, being eligible, offers himself for re-election at the 2019 AGM.

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management of the Group are set out on pages 44 to 47 of the annual report.

DIRECTORS SERVICE CONTRACTS AND APPOINTMENT LETTERS

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

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

Mr. Siu Chi Ming, the Director being proposed for re-election at the 2019 AGM does not have a service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

EMOLUMENT POLICY AND FIVE HIGHEST PAID INDIVIDUALS

The emoluments of the Directors of the Company are reviewed by the Remuneration Committee from time to time with reference to the qualifications, responsibilities, experience and performance of the individual Directors, and the operating results of the Group. Details of the policy are set out in the "Corporate Governance Report" on page 34 of the annual report.

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

SHARE OPTION SCHEME

The purpose of the share option scheme (the "Share Option Scheme") is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors consider the Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees of the Company, the Directors and other selected participants for their contributions to the Group. The Company has conditionally approved and adopted the Share Option Scheme by written resolutions on 14 March 2018. Further details of the Share Option Scheme are set in the section headed "Statutory and General Information — 8. SHARE OPTION SCHEME" in Appendix IV of the Prospectus.

The total number of shares available for issue under the Share Option Scheme is 36,000,000 shares, represent 10% of the shares in issue as at the date of this annual report.

For the year ended 31 March 2019, no share option was granted, exercised, cancelled or lapsed and there is no outstanding share option under the Share Option Scheme.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

PERMITTED INDEMNITY PROVISION

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

MANAGEMENT CONTRACTS

As at 31 March 2019, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

So far as the Directors are aware, as at 31 March 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in ordinary shares of the Company

Name of Director/Chief Executive	Capacity/Nature of interest	Number of ordinary shares held/interested	Percentage of shareholding
Chan Kwong Yuen(Note)	Interest in a controlled corporation	270,000,000	75%
Chan Kun Yuen(Note)	Interest in a controlled corporation	270,000,000	75%
Chan Shu Yuen(Note)	Interest in a controlled corporation	270,000,000	75%

Note: The total issued share capital of Profit Ocean Enterprises Limited ("Profit Ocean") is owned by Coastal Lion Limited ("Coastal Lion"), Wealth City Global Limited ("Wealth City"), Sky King Global Limited ("Sky King") and Tri-Luck Investments Limited ("Tri-Luck") in equal shares, i.e., 25%. Coastal Lion, Wealth City, Sky King and Tri-Luck are wholly owned by Mr. Chan Kwong Yuen, Mr. Chan Kun Yuen, Mr. Chan Shu Yuen and Mr. Chan Tat Yuen, respectively.

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

Long positions in ordinary shares of associated corporations

Name of Director/ Chief Executive	Name of associated corporation	Capacity/nature of interest	Number of shares held/ interested in	Percentage of shareholding
Chan Kwong Yuen	Profit Ocean	Interest in a controlled corporation	250	25%
	Coastal Lion	Interest in a controlled corporation	100	100%
Chan Kun Yuen	Profit Ocean	Interest in a controlled corporation	250	25%
	Wealth City	Interest in a controlled corporation	100	100%
Chan Shu Yuen	Profit Ocean	Interest in a controlled corporation	250	25%
	Sky King	Interest in a controlled corporation	100	100%

Save as disclosed above, none of the Directors and chief executive of the Company nor their associates had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in Rule 5.46 of the GEM Listing Rules as at 31 March 2019.

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 31 March 2019, the following persons/entities (other than the Directors and chief executive 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 of the Company

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

Notes:

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

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

2. 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.

3. 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.

4. 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.

5. 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 31 March 2019, no person, other than the Directors of the Company whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying shares and Debenture of the Company and its Associated Corporations" above, had, or was deemed to have an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed KGI Capital Asia Limited (the "Compliance Adviser") as its compliance adviser, which provides advices and guidance to the Company in respect of compliance with the GEM Listing Rules including various requirements relating to the Directors' duties. Save for the compliance adviser's agreement entered into between the Company and the Compliance Adviser dated 25 September 2017, the Compliance Adviser and its directors, employees or close associates confirmed they had no interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules as at 31 March 2019 and up to the date of this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The shares of the Company were successfully listed on GEM on 16 April 2018. During the Period under Review, neither the Company nor any of its subsidiary has purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors, the Controlling Shareholders or substantial shareholders of the Company or any of its respective close associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with Group during the year ended 31 March 2019.

DEED OF NON-COMPETITION

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

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

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

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

The Company has received an annual written confirmation from each Controlling Shareholders in respect of their respective compliance with the terms of the Deed of Non-competition during the year ended 31 March 2019.

The independent non-executive Directors have also reviewed and were satisfied that each of the Controlling Shareholders had complied the terms of the Deed of Non-competition during the year ended 31 March 2019.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

A report on environmental, social and governance matters was set out on pages 17 to 24 of the annual report.

CORPORATE GOVERNANCE

Details of the Group's corporate governance practices are set out in the Corporate Governance Report on pages 25 to 43 of this annual report. A report on environmental, social and governance matters was set out on pages 17 to 24 of the annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied with the relevant laws and regulations that may cause a significant impact on the business and operation of the Group in the event of a material breach or non-compliance. During the year ended 31 March 2019, there was no material breach or non-compliance with the applicable laws and regulations by the Group. A report on environmental, social and governance matters was set out on pages 17 to 24 of the annual report.

EQUITY-LINKED AGREEMENTS

Save as the Share Option Scheme disclosed above, there was no equity-linked agreement entered into by the Company during the year ended 31 March 2019.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company maintained the public float as required under the GEM Listing Rules throughout the year ended 31 March 2019 and has continued to maintain such float as at the date of this annual report.

AUDIT COMMITTEE

The Company has established the Audit Committee on 14 March 2018 with written terms of reference in compliance with the requirements as set out in Rule 5.28 of GEM Listing Rules and the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control systems of the Group. The Audit Committee currently comprises three members, being all of the independent non-executive Directors, namely Mr. Lee Wai Ho, Mr. Siu Chi Ming and Mr. Wong Chee Chung. The chairman of the Audit Committee is Mr. Siu Chi Ming. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2019 at a meeting held on 24 May 2019, which is of the view that the consolidated financial statements complied with applicable accounting standards and legal requirements, and that adequate disclosures have been made.

AUDITOR

There has been no change in auditor since 16 April 2018, being the listing date. The financial statements for the year ended 31 March 2019 have been audited by Grant Thornton Hong Kong Limited, who will retire, being eligible, offer themselves for re-appointment at the 2019 AGM. A resolution will be proposed at the 2019 AGM to re-appoint Grant Thornton Hong Kong Limited as auditor of the Company.

ON BEHALF OF THE BOARD

Chan Kwong Yuen
Chairman

Hong Kong, 24 May 2019

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

OPINION

We have audited the consolidated financial statements of Ying Kee Tea House Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 69 to 118, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Revenue recognition

Refer to notes 2.13 and 5 to the consolidated financial statements

The Key Audit Matter	How the matter was addressed in our audit
The revenue is the primary financial key performance indicator of the Group. Therefore, we identified revenue recognition as a significant risk.	Our audit procedures in relation to the revenue recognition included: — Understanding the revenue system of the Group. — Determining whether revenue is recorded in the accounting system consistent with the accounting policy and considering the appropriateness of that policy. — Conducting walkthrough test over the sales procedure to ensure that the internal controls in revenue cycle existed and the described procedures have been properly followed. — Testing the samples of sales transactions to ensure the record and postings of sales transactions were correct and properly made. — Performing sales cut-off test to ensure the record and postings of sales transactions were made in proper accounting period. — Analytically reviewing the gross profit to identify the trends and variances comparing with our understanding of the financial performance of the Group. — Analytically reviewing sales trends by location, by product type and by month to identify trends and variances that would require further substantive testing. We found the assessments of revenue recognition were supported by the evidences.

KEY AUDIT MATTERS (Continued)

Valuation of inventories

Refer to notes 2.8, 4 and 15 to the consolidated financial statements

The Key Audit Matter	How the matter was addressed in our audit
The Group has significant inventories as at 31 March 2019. The balance is mainly comprised of tea leaves as raw materials. Inventories are valued at the lower of costs and net realisable values. Significant judgment and estimation by the management are involved in identifying inventories with net realisable values that are lower than their costs, and obsolescence, with reference to the condition of the inventories, historical and current sales information, as well as the aging of inventories to identify slow-moving items to ascertain the amount of allowance for inventories. No impairment was provided by the management based on the nature and quality of the inventories for the year ended 31 March 2019.	Our audit procedures in relation to the valuation of inventories included: — Obtaining an understanding of: (i) how the Group accounts for the inventory costs; and (ii) how the Group identifies and assess inventory write downs. — Evaluating of the appropriateness of the methodologies applied in determining the impairment. — Attending inventory counts, performing physical inspection and reconciling the count results to the inventory listings to test the completeness. — Considering the ageing of the inventories. — On a sampling basis, we have independently reviewed the net realisable values of inventories. We found the management's assessment of impairment of inventories were supported by the evidences.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2019 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

24 May 2019

Chiu Wing Ning
Practising Certificate No.: P04920

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	5	**44,915**	45,399
Cost of sales		**(9,900)**	(9,320)
Gross profit		**35,015**	36,079
Other income	6	**608**	32
Selling and distribution costs		**(2,055)**	(3,136)
Administrative expenses		**(35,422)**	(33,857)
Finance costs	7	**(46)**	(282)
Loss before income tax	8	**(1,900)**	(1,164)
Income tax expense	9	**(852)**	(2,011)
Loss for the year and total comprehensive expense for the year		**(2,752)**	(3,175)
Loss per share attributable to equity holders of the Company (expressed in HK cents per share)			
Basic and diluted	12	**(0.77)**	(1.18)

The notes on pages 73 to 118 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**4,229**	2,634
Intangible assets	14	**1,027**	—
		5,256	2,634
Current assets			
Inventories	15	**7,383**	6,323
Trade and other receivables	16	**4,753**	5,145
Tax refundable		**899**	568
Time deposits	17	**16,000**	639
Cash and bank balances		**10,172**	2,894
		39,207	15,569
Current liabilities			
Trade and other payables	18	**1,486**	4,883
Bank borrowings	19	**—**	10,000
		1,486	14,883
Net current assets		**37,721**	686
Total assets less current liabilities		**42,977**	3,320
Non-current liabilities			
Provision for long service payment		**476**	476
Provision for reinstatement cost		**1,269**	729
		1,745	1,205
Net assets		**41,232**	2,115
EQUITY			
Share capital	20	**41,879**	10
Reserves		**(647)**	2,105
Total equity		**41,232**	2,115

Chan Kun Yuen
Director

Chan Shu Yuen
Director

The notes on pages 73 to 118 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Share capital HK$'000 (note 20)	Capital reserve HK$'000 (note 21)	Retained profits/ (Accumulated losses) HK$'000	Total equity HK$'000
As at 1 April 2017	1,000	—	6,290	7,290
Transactions with equity holders of the Company				
Issue of shares and effect of reorganisation	(990)	990	—	—
Dividend paid	—	—	(2,000)	(2,000)
Loss for the year and total comprehensive expense for the year	—	—	(3,175)	(3,175)
As at 31 March 2018 and 1 April 2018	10	990	1,115	2,115
Transactions with equity holders of the Company				
Issue of ordinary shares pursuant to the bonus issue (note 20)	—	—	—	—
Issue of ordinary shares pursuant to the placing, net of expenses	41,869	—	—	41,869
Loss for the year and total comprehensive expense for the year	—	—	(2,752)	(2,752)
At 31 March 2019	41,879	990	(1,637)	41,232

The notes on pages 73 to 118 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	2019 HK$'000	2018 HK$'000
Cash flows from operating activities		
Loss before income tax	**(1,900)**	(1,164)
Adjustments for:		
Depreciation	**633**	457
Amortisation of reinstatement cost	**518**	142
Interest income	**(436)**	(32)
Interest expenses	**46**	282
Loss on disposal of property, plant and equipment	**193**	–
Reversal of provision for long service payment	**–**	(247)
Operating loss before working capital changes	**(946)**	(562)
Changes in working capital:		
Inventories	**(1,060)**	659
Trade and other receivables	**392**	(3,597)
Trade and other payables	**(3,397)**	4,057
Cash (used in)/generated from operations	**(5,011)**	557
Income taxes paid	**(1,183)**	(3,374)
Net cash used in operating activities	**(6,194)**	(2,817)
Cash flows from investing activities		
Interest received	**436**	32
Increase in time deposits	**(15,361)**	(25)
Purchase of property, plant and equipment	**(2,399)**	(732)
Purchase of intangible assets	**(1,027)**	–
Net change in amounts due from related parties	**–**	4,281
Net cash (used in)/from investing activities	**(18,351)**	3,556
Cash flows from financing activities		
Interest paid	**(46)**	(282)
Proceeds from new bank borrowings	**–**	10,000
Proceeds from issuance of share capital	**48,600**	–
Shares issue expenses	**(6,731)**	–
Repayment of bank borrowings	**(10,000)**	(5,000)
Dividends paid to shareholders	**–**	(2,000)
Net change in amounts due to related parties	**–**	(2,699)
Net cash from financing activities	**31,823**	19
Net increase in cash and cash equivalents	**7,278**	758
Cash and cash equivalents at beginning of the year	**2,894**	2,136
Cash and cash equivalents at end of the year, represented by cash and bank balances	**10,172**	2,894

The notes on pages 73 to 118 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

1.1 General information

Ying Kee Tea House Group Limited (the "Company") was incorporated in Hong Kong with limited liability on 14 September 2017. As at the reporting date, the address of its registered office was 5/F, Standard Chartered Bank Building, 4–4A Des Voeux Road Central, Hong Kong and on 27 February 2019, which was changed to Suites 1106–08, 11th Floor, The Chinese Bank Building, 61–65 Des Voeux Road, Central, Hong Kong 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 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 immediate holding company is Profit Ocean Enterprises Limited ("Profit Ocean"), a company incorporated in the British Virgin Islands ("BVI").

These consolidated financial statements for the year ended 31 March 2019 were approved for issue by the board of directors on 24 May 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance and basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the accounting principles generally accepted in Hong Kong. The consolidated financial statements also comply with the applicable requirement of the Hong Kong Companies Ordinance and include the applicable disclosure provisions 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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Statement of compliance and basis of preparation (Continued)

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2.2 Basis of consolidation

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Foreign currency translation

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

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

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

2.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Depreciation is provided to write off the cost less their residual values over their estimated useful lives, using the reducing balance method, at the following rates per annum, except for reinstatement cost which is amortised over the lease term using the straight-line method:

Machinery and equipment	20%
Leasehold improvement and furniture and fixtures	20%

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Intangible assets

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

Trademarks	10 years

Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

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

Intangible assets, with finite and indefinite useful lives, are tested for impairment as described below in note 2.14.

2.6 Financial instruments

Recognition and derecognition

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

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

Financial assets

Policy applicable from 1 April 2018

Classification and initial measurement of financial assets

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

Financial assets are classified into amortised cost.

The classification is determined by both:

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

— the contractual cash flow characteristics of the financial asset.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Financial instruments (Continued)

Financial assets (Continued)

Policy applicable from 1 April 2018 (Continued)

Subsequent measurement of financial assets

Financial assets at amortised cost

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

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

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

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

Policy applicable before 1 April 2018

Financial assets are classified into loans and receivables. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Financial instruments (Continued)

Financial liabilities

Classification and measurement of financial liabilities

The Group's financial liabilities include bank borrowings and trade and other payables.

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

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

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

Bank borrowings

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

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

Trade and other payables

They are recognised initially at their fair values and subsequently measured at amortised costs, using the effective interest method.

2.7 Impairment of financial assets

Policy applicable from 1 April 2018

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Impairment of financial assets (Continued)

Policy applicable from 1 April 2018 (Continued)

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

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

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

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

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

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

Trade receivables

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Impairment of financial assets (Continued)

Policy applicable from 1 April 2018 (Continued)

Other financial assets measured at amortised cost

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

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

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

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

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

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

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

— an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Impairment of financial assets (Continued)

Policy applicable from 1 April 2018 (Continued)

Other financial assets measured at amortised cost (Continued)

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

Detailed analysis of the ECL assessment of trade receivables and other financial assets measured at amortised cost are set out in note 25.4.

Policy applicable before 1 April 2018

At each reporting date, financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— the disappearance of an active market for that financial asset because of financial difficulties.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Impairment of financial assets (Continued)

Policy applicable before 1 April 2018 (Continued)

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

Impairment losses on financial assets other than trade receivables that are stated at amortised cost, are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2.8 Inventories

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

2.9 Cash and cash equivalents

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to the profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

2.11 Provisions and contingent liabilities

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

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

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

2.12 Share capital

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Revenue recognition

Revenue arises mainly from sales of tea products.

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

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

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

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

Further details of the Group's revenue and other income recognition policies are as follows:

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

Interest income is recognised on a time proportion basis using the effective interest method.

2.14 Impairment of non-financial assets

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

Intangible assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Impairment of non-financial assets (Continued)

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

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

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

2.15 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

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

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

Long service payment

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Employee benefits (Continued)

Short-term employee benefits

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

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

2.16 Borrowing costs

Borrowing costs incurred, net of any investment income earned on the temporary investment of the specific borrowings, for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

2.17 Accounting for income taxes

Income tax comprises current tax and deferred tax.

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Accounting for income taxes (Continued)

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

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

The determination of the average tax rates requires an estimation of (1) when the existing temporary differences will reverse and (2) the amount of future taxable profit in those years. The estimate of future taxable profit includes:

— income or loss excluding reversals of temporary differences; and

— reversals of existing temporary differences.

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

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

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

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

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

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

    (i) the same taxable entity; or

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Segment reporting

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

2.19 Related parties

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

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

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

(i) The entity and the Group are members of the same group.

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) The entity and the Group are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Related parties (Continued)

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

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

3. ADOPTION OF NEW AND AMENDED HKFRSs

New and amended HKFRSs that are effective for annual periods beginning on or after 1 April 2018

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKFRS 1	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

Other than as noted below, the adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

HKFRS 9 "Financial Instruments"

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "ECL model" for the impairment of financial assets.

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

New and amended HKFRSs that are effective for annual periods beginning on or after 1 April 2018 (Continued)

HKFRS 9 "Financial Instruments" (Continued)

When adopting HKFRS 9, the Group has applied the standard retrospectively to items that existed at 1 April 2018 in accordance with the transition requirement and also applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of HKFRS 9 in relation to classification, measurement, and impairment are recognised in retained profits.

The adoption of HKFRS 9 has impacted the following area:

— The classification and measurement of the Group's financial assets: for cash and bank balances, time deposits, trade and other receivables are previously classified as loans and receivables under HKAS 39, are now classified at financial assets measured at amortised cost under HKFRS 9.

— HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECL earlier than under the "incurred loss" accounting model in HKAS 39.

Upon initial adoption of HKFRS, the Group applies the new ECL model to all financial assets measured at amortised cost.

The Group applies the HKFRS 9's simplified approach to measuring ECL which uses a lifetime expected loss allowance for trade receivables which do not have a significant financing component. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings based on debtors' ageing.

For other financial assets measured at amortised cost, the Group applies a general approach of recognising ECL.

There have been no changes to the classification or measurement of financial liabilities as a result of the application of HKFRS 9.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 "Revenue from Contracts with Customers" and the related "Clarifications to HKFRS 15 Revenue from Contracts with Customers" (hereinafter referred to as "HKFRS 15") replace HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue-related Interpretations.

The Group has elected to use the cumulative effect transition method, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained profits at 1 April 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 18.

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

New and amended HKFRSs that are effective for annual periods beginning on or after 1 April 2018 (Continued)

HKFRS 15 "Revenue from Contracts with Customers" (Continued)

In accordance with the transition guidance under HKFRS 15, the Group has only been applied to contracts that are incomplete as at 1 April 2018.

The adoption of HKFRS 15 has no material impact on the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the consolidated statement of cash flows.

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 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKFRS 3	Definition of a Business[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective date not yet determined
5 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

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.

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

Issued but not yet effective HKFRSs (Continued)

HKFRS 16 "Leases"

HKFRS 16 "Leases" replaced HKAS 17 and three related Interpretations.

As disclosed in note 2.10, currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into leases as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease, the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee would recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases of office, warehouse, retails shops and concession counters which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss and other comprehensive income over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 on 1 April 2019 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019. Comparative information will not be restated. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets and not to perform a full review of existing leases and apply HKFRS 16 only to new contracts. Furthermore, the Group plans to use the practical expedient to account for leases for which the lease term ends within 12 months from the date of initial application as short-term lease. As disclosed in note 22(b), as at 31 March 2019, the Group's future minimum lease payments under non-cancellable operating leases amount to approximately HK$4,590,000 for office, warehouse, retails shops and concession counters, the majority of which is payable within five years after the reporting date.

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

Issued but not yet effective HKFRSs (Continued)

HKFRS 16 "Leases" (Continued)

The Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's consolidated financial statement from 2019 onwards.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition, the ageing of the inventories and the historical experience of selling products of similar nature. Management reassess these estimates at the reporting date to ensure inventories are carried at the lower of cost and net realisable value. The carrying amounts of inventories at each reporting date are disclosed in note 15.

Estimation of impairment of trade and other receivables within the scope of ECL upon application of HKFRS 9

Since the initial adoption of HKFRS 9, the Group makes allowances on items subjects to ECL, including trade and other receivables, based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period as set out in note 2.7.

Before the adoption of HKFRS 9, the policy for impairment of trade receivables and other receivables of the Group is based on the evaluation of collectability and the ageing analysis of the receivables and on the management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. The carrying amounts of trade and other receivables at each reporting date are disclosed in note 16.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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

The Group determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the depreciation charge where useful lives or residual values are materially different from those previously estimated. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expenses in the future periods. The carrying amounts of property, plant and equipment at each reporting date are disclosed in note 13.

5. REVENUE AND SEGMENT REPORTING

5.1 Revenue

	2019 HK$'000	2018 HK$'000
Sales of tea products	**44,915**	45,399

For the year ended 31 March 2019

Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time in the following types of customers and selling platform:

	2019 HK$'000
Type of customers	
— Individuals	**42,849**
— Corporate	**2,066**
	44,915

5.2 Segment information

The Group has determined the operating segments based on the information reported to the executive directors, the chief operating decision maker. During the year, the chief operating decision maker regards the Group's sales of tea products 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.

5. REVENUE AND SEGMENT REPORTING (Continued)

5.2 Segment information (Continued)

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 non-current assets are all located in Hong Kong.

Information about major customers

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

6. OTHER INCOME

	2019 HK$'000	2018 HK$'000
Bank interest income	**436**	32
Sundry income	**145**	—
Exchange gain, net	**27**	—
	608	32

7. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on bank borrowings	**46**	282

8. LOSS BEFORE INCOME TAX

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

	2019 HK$'000	2018 HK$'000
Auditor's remuneration	**380**	300
Cost of inventories recognised as an expense	**8,745**	8,098
Depreciation of property, plant and equipment	**633**	457
Amortisation of reinstatement cost	**518**	142
Loss on disposal of property, plant and equipment	**193**	—
Operating lease charges in respect of premises		
— minimum lease payments	**8,960**	7,705
— contingent rentals (note)	**518**	539
Exchange (gain)/losses, net	**(27)**	3
Provision for long service payment	**5**	—
Reversal of provision for long service payment	**—**	(247)
Listing expenses	**4,000**	12,666

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

9. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

9. INCOME TAX EXPENSE (Continued)

For the year ended 31 March 2019, Hong Kong profits tax is calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of the qualifying corporation will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the rate of 16.5%. For the year ended 31 March 2018, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits.

	2019 HK$'000	2018 HK$'000
Current tax		
Hong Kong profits tax		
— Current year	879	1,939
— (Over)/under-provision in respect of prior years	(27)	72
Income tax expense	852	2,011

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

	2019 HK$'000	2018 HK$'000
Loss before income tax	(1,900)	(1,164)
Tax on loss before income tax at profit tax rate of 16.5% (2018: 16.5%)	(314)	(192)
Tax effect of two-tiered tax regime	(165)	—
Tax effect of non-deductible expenses	1,376	2,110
Tax effect of non-taxable income	(100)	(4)
Tax effect of temporary differences not recognised	82	25
(Over)/under-provision in respect of prior years	(27)	72
Income tax expense	852	2,011

At the reporting date, the Group did not have significant unrecognised deferred tax assets and liabilities (2018: Nil).

10. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

10.1 Employee benefit expenses

	2019 HK$'000	2018 HK$'000
Salaries, allowances and other benefits	14,305	10,828
Pension costs — defined contribution plans	552	434
Reversal of provision for long service payment	—	(247)
	14,857	11,015

10.2 Directors' emoluments

	Year ended 31 March 2019				
	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Bonuses HK$'000	Retirement Scheme contributions HK$'000	Total HK$'000
Executive directors					
Chan Kwong Yuen	188	—	—	10	198
Chan Kun Yuen	188	—	—	10	198
Chan Shu Yuen	188	—	—	9	197
	564	—	—	29	593
Independent non-executive directors					
Siu Chi Ming	173	—	—	—	173
Lee Wai Ho	115	—	—	—	115
Wong Chee Chung	115	—	—	—	115
	403	—	—	—	403

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

10.2 Directors' emoluments (Continued)

	Year ended 31 March 2018				
	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Bonuses HK$'000	Retirement Scheme contributions HK$'000	Total HK$'000
Executive directors					
Chan Kwong Yuen	—	—	—	—	—
Chan Kun Yuen	—	—	—	—	—
Chan Shu Yuen	—	—	—	—	—
	—	—	—	—	—
Independent non-executive directors					
Siu Chi Ming	—	—	—	—	—
Lee Wai Ho	—	—	—	—	—
Wong Chee Chung	—	—	—	—	—
	—	—	—	—	—

Notes:

(i) Chan Kwong Yuen, Chan Kun Yuen and Chan Shu Yuen were appointed as directors of the Company on 14 September 2017 and re-designated as executive directors of the Company on 13 October 2017.

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

(iii) Siu Chi Ming, Lee Wai Ho and Wong Chee Chung were appointed as independent non-executive directors of the Company on 14 March 2018.

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

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

10.3 Five highest paid individuals' emoluments

The five individuals whose emoluments were the highest in the Group for the year do not include the directors during the year ended 31 March 2019, whose emoluments are disclosed in note 10.2. The aggregate of the emoluments payable to the five (2018: five) individuals are as follows:

	2019 HK$'000	2018 HK$'000
Salaries, allowances and other benefits	**2,316**	2,116
Bonuses	**862**	144
Retirement scheme contributions	**82**	77
	3,260	2,337

The above individuals' emoluments are within the following bands:

	2019	2018
Nil to HK$1,000,000	**4**	5
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**1**	–

During the years ended 31 March 2018 and 2019, no emolument was paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. No directors or five highest paid individuals has waived or agreed to waive any emoluments during the year ended 31 March 2018 and 2019.

11. DIVIDENDS

During the year, no interim dividend declared and paid by the Group (2018: HK$2 million).

	2019 HK$'000	2018 HK$'000
Interim dividend	**–**	2,000

12. LOSS PER SHARE

The basic loss per share is calculated based on the loss attributable to equity holders of the Company and 356,301,370 ordinary shares (2018: 270,000,000 ordinary shares) for the year ended 31 March 2019. During the year ended 31 March 2018, the basic loss per share have been adjusted retrospectively on the assumption that the group reorganisation and bonus issue (note 20) had been effective on 1 April 2017.

	2019 HK$'000	2018 HK$'000
Loss for the year attributable to equity holders of the Company for the purposes of basic loss per share	(2,752)	(3,175)

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

13. PROPERTY, PLANT AND EQUIPMENT

	Machinery and equipment HK$'000	Leasehold improvement and furniture and fixtures HK$'000	Total HK$'000
At 1 April 2017			
Cost	1,197	6,490	7,687
Accumulated depreciation and amortisation	(787)	(5,085)	(5,872)
Net book amount	410	1,405	1,815
Year ended 31 March 2018			
Opening net book amount	410	1,405	1,815
Additions	128	1,290	1,418
Depreciation/Amortisation	(105)	(494)	(599)
Closing net book amount	433	2,201	2,634
At 31 March 2018			
Cost	1,325	7,780	9,105
Accumulated depreciation and amortisation	(892)	(5,579)	(6,471)
Net book amount	433	2,201	2,634
Year ended 31 March 2019			
Opening net book amount	433	2,201	2,634
Additions	649	2,290	2,939
Disposals	(16)	(177)	(193)
Depreciation/Amortisation	(126)	(1,025)	(1,151)
Closing net book amount	940	3,289	4,229
At 31 March 2019			
Cost	1,622	7,209	8,831
Accumulated depreciation and amortisation	(682)	(3,920)	(4,602)
Net book amount	940	3,289	4,229

14. INTANGIBLE ASSETS

	Trademarks HK$'000
Year ended 31 March 2019	
Opening net book amount as at 1 April 2017, 31 March 2018 and 1 April 2018	–
Additions	1,027
Amortisation	–
Closing net book amount	1,027
At 31 March 2019	
Cost	1,027
Accumulated amortisation	–
Net book amount	1,027

Trademarks are not yet available for use as at the reporting date.

15. INVENTORIES

	2019 HK$'000	2018 HK$'000
Tea leaves	3,656	3,030
Canned/Packed tea products for sale	2,252	1,950
Tea wares	374	475
Other raw materials	208	–
Sundries and packaging materials	893	868
	7,383	6,323

16. TRADE AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	1,429	631
Less: ECL Allowance/Loss allowance	–	–
	1,429	631
Deposits, prepayments and other receivables		
Rental and other deposits	2,548	1,123
Other receivables	109	–
Prepayments	667	88
Prepaid listing expenses	–	3,303
Less: ECL Allowance	–	–
	3,324	4,514
	4,753	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 grant credit terms of 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 (2018: net of loss allowance), was as follows:

	2019 HK$'000	2018 HK$'000
0–30 days	1,062	523
31–60 days	269	76
61–90 days	98	32
	1,429	631

17. TIME DEPOSITS

As at reporting date, the time deposits earn interest at 1.96% to 2.38% (2018: 3.85%) per annum and have maturity period of 101 days to 182 days (2018: 365 days).

18. TRADE AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables	**660**	444
Accrued charges and other payables	**826**	4,439
	1,486	4,883

Listing expenses payables amounting to HK$3,983,000 was included in the accrued charges and other payables as at 31 March 2018.

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

	2019 HK$'000	2018 HK$'000
0–30 days	**629**	444
31–60 days	**31**	—
	660	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.

19. BANK BORROWINGS

	2019 HK$'000	2018 HK$'000
Unsecured bank loans repayable within one year and contain a repayable on demand clause	–	10,000

As at 31 March 2018, the bank loans bear interest at variable rates of 2.30% to 3.13% per annum. 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. All outstanding bank loans were repaid during the year ended 31 March 2019.

20. SHARE CAPITAL

	As at 31 March 2019		As at 31 March 2018	
	Number of shares	Share capital HK$'000	Number of shares	Share capital HK$'000
Issued and fully paid:				
At the beginning of the year	10,000	10	–	–
Upon incorporation	–	–	10,000	10
Issue of ordinary shares pursuant to the bonus issue	269,990,000	–	–	–
Issue of ordinary shares pursuant to the placing	90,000,000	41,869	–	–
At the end of the year	360,000,000	41,879	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, credited as fully paid.

Pursuant to the written resolutions of the shareholder 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 ("Bonus Issue"). The Bonus Issue was completed on 16 April 2018. The shares allotted and issued rank pari passu in all respects with the then existing issued shares.

Immediately thereafter, gross cash consideration of approximately HK$48,600,000 from issue of 90,000,000 shares by issuing to public shareholders in relation to the public offer, net of issue cost of approximately HK$6,731,000, was credited to share capital account. The shares allotted and issued rank pari passu in all respects with the then existing issued shares.

21. CAPITAL RESERVE

Capital reserve as at 31 March 2019 and 2018 represented 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.

22. COMMITMENTS

(a) Capital commitments

Capital commitments of the Group outstanding at 31 March 2019 not provided for are as follows:

	2019 HK$'000	2018 HK$'000
Contracted but not provided for:		
— Leasehold improvement	427	—
— Machinery and equipment	499	—
	926	—

(b) Operating lease commitments

At the reporting date, the total future minimum lease payments payable by the Group under non-cancellable operating leases are as follows:

	2019 HK$'000	2018 HK$'000
Within one year	3,939	2,365
In the second to fifth years inclusive	651	2,237
	4,590	4,602

The Group leases a number of premises which comprises office, warehouse, retails 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 payments as agreed of the respective leases.

23. RELATED PARTY TRANSACTIONS

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

23.1 Names and relationship

Name of related party	Relationship with the Group
Chan Kwong Yuen	Director of the Company
Chan Kun Yuen	Director of the Company
Chan Sing Hoi Enterprises Limited ("Chan Sing Hoi Enterprises")	An entity controlled by the common directors of the Company
Golden Ocean International Holdings Limited ("Golden Ocean")	An entity controlled by the common directors of the Company

23.2 Related party transactions

	2019 HK$'000	2018 HK$'000
Rental expense:		
Chan Sing Hoi Enterprises	2,088	2,088
Golden Ocean	3,284	3,024
Purchase of goods on behalf of the Group:		
Golden Ocean	–	250
Sales of goods:		
Chan Kun Yuen	3	69
Chan Kwong Yuen	2	2

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

Purchases of goods made on behalf of the Group by Golden Ocean were sold to the Group at cost.

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

As at 31 March 2018, Chan Sing Hoi Enterprises had given personal and corporate guarantees to the banks for banking facilities granted to the Group for an amount up to HK$21,000,000. As at 31 March 2019, no personal and corporate guarantees to the banks for banking facilities granted to the Group.

23. RELATED PARTY TRANSACTIONS (Continued)

23.3 Key management personnel remunerations

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

	2019 HK$'000	2018 HK$'000
Salaries, allowances and other benefits	**2,880**	2,381
Bonuses	**862**	164
Retirement scheme contributions	**111**	91
	3,853	2,636

24. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

Reconciliations of liabilities arising from financing activities for the years ended 31 March 2019 and 2018 are as follows:

	As at 1 April 2018 HK$'000	Cash flows HK$'000	As at 31 March 2019 HK$'000
Bank borrowings	**10,000**	**(10,000)**	**–**

	As at 1 April 2017 HK$'000	Cash flows HK$'000	As at 31 March 2018 HK$'000
Amounts due to related parties	2,699	(2,699)	–
Bank borrowings	5,000	5,000	10,000
Total liabilities from financing activities	7,699	2,301	10,000

25. FINANCIAL RISK MANAGEMENT

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

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

25.1 Categories of financial assets and financial liabilities

	2019 HK$'000	2018 HK$'000
Financial Assets		
Financial assets at amortised cost		
— Trade and other receivables	4,086	—
— Time deposits	16,000	—
— Cash and bank balances	10,172	—
Loans and receivables		
— Trade and other receivables	—	1,754
— Time deposits	—	639
— Cash and bank balances	—	2,894
	30,258	5,287
Financial Liabilities		
Financial liabilities measured at amortised cost		
— Trade and other payables	1,486	4,883
— Bank borrowings	—	10,000
	1,486	14,883

25. FINANCIAL RISK MANAGEMENT (Continued)

25.2 Foreign currency risk

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

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

	2019 RMB HK$'000	2018 RMB HK$'000
Trade and other receivables	1	—
Time deposits	—	639
Cash and bank balances	818	11
	819	650

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

	Sensitivity rate	Increase in loss for the year HK$'000	Decrease in equity HK$'000
As at 31 March 2019	**1%**	**7**	**7**
As at 31 March 2018	11%	60	60

The same percentage depreciation in the Group's functional currency against RMB would have the same magnitude on the Group's loss after income tax for the year and equity as at reporting date but of opposite effect.

25. FINANCIAL RISK MANAGEMENT (Continued)

25.3 Interest rate risk

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

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

	Increase in loss/ decrease in profit for the year HK$'000	Decrease in equity HK$'000
As at 31 March 2018		
Increase by 50 basis points	42	42

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

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate over the next twelve month period. There is no significant interest rate risk during the year ended 31 March 2019.

25.4 Credit risk

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

The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position at 31 March 2019 and 2018 is the carrying amount as disclosed in note 25.1.

For trade and other receivables, the exposures to credit risk are monitored such that any outstanding debtors are reviewed and followed up on an ongoing basis. As at 31 March 2019, 27% (2018: 22%) was due from the largest debtor and 58% (2018: 71%) was due from the five largest debtors of the Group. The Group does not hold any collateral from its debtors.

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

25. FINANCIAL RISK MANAGEMENT (Continued)

25.4 Credit risk (Continued)

Effective on 1 April 2018

i. Trade receivables

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

In addition, as set out in note 2.7, the Group assesses ECL under HKFRS 9 on trade receivables based on provision matrix, the expected loss rates are based on the payment profile for sales in the past 12 months as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. At each reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed. However given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

The following table provides information about the Group's exposure to credit rick and ECL for trade receivables as at 31 March 2019 and 1 April 2018 was determined as follows:

31 March 2019

	Current and within 3 months HK$'000	More than 3 months but less than 12 months past due HK$'000	Over 1 year but less than 2 years past due HK$'000	Over 2 years but less than 3 years past due HK$'000	Over 3 years past due HK$'000	Total HK$'000
ECL rate	0.1%	0.5%	20%	50%	100%	
Gross carrying amount — trade receivables	1,429	–	–	–	–	1,429

25. FINANCIAL RISK MANAGEMENT (Continued)

25.4 Credit risk (Continued)

Effective on 1 April 2018 (Continued)

i. *Trade receivables (Continued)*

1 April 2018

	Current and within 3 months HK$'000	More than 3 months but less than 12 months past due HK$'000	Over 1 year but less than 2 years past due HK$'000	Over 2 years but less than 3 years past due HK$'000	Over 3 years past due HK$'000	Total HK$'000
ECL rate	0.1%	0.5%	20%	50%	100%	
Gross carrying amount						
— trade receivables	631	–	–	–	–	631

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

ii. *Other financial assets at amortised cost*

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

Besides, the management is of opinion that there is no significant increase in credit risk on these other receivables since initial recognition as the risk of default is low after considering the factors as set out in note 2.7 and, thus, ECL recognised is based on 12-month ECL. No ECL have been recognised as a result of the total ECL of other receivables is immaterial.

25.5 Liquidity risk

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

25. FINANCIAL RISK MANAGEMENT (Continued)

25.5 Liquidity risk (Continued)

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

	Within 1 year or on demand HK$'000	Total undiscounted amount HK$'000	Carrying amount HK$'000
As at 31 March 2019			
Trade and other payables	**1,486**	**1,486**	**1,486**
	1,486	**1,486**	**1,486**
As at 31 March 2018			
Trade and other payables	4,883	4,883	4,883
Bank borrowings	10,000	10,000	10,000
	14,883	14,883	14,883

Note: The bank loans which are repayable within 1 year and contain a repayment on demand clause are included in the "Within 1 year or on demand" time band in the above maturity analysis.

Taking into account the Group's financial position, the directors of the Group did not believe that it was probable that the banks would exercise their discretionary rights to demand immediate repayment. The directors believed that the bank loans with a repayment on demand clause would be repaid in accordance with the scheduled repayment dates set out in the loan agreements as follows:

	Aggregate principal and interest cash outflows			
	Loans without scheduled repayment dates but contain a repayment on demand clause (note) HK$'000	Within 1 year HK$'000	Total HK$'000	Carrying amount HK$'000
As at 31 March 2018	10,000	–	10,000	10,000

Note: The bank loans as at 31 March 2018 did not have any scheduled repayment dates but contain a repayment on demand clause. The above analysis disclosed the undiscounted amounts which approximate their carrying amounts.

26. CAPITAL MANAGEMENT

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

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

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

	2019 HK$'000	2018 HK$'000
Bank borrowings	–	10,000
Cash and bank balances	(10,172)	(2,894)
Time deposits	(16,000)	(639)
Net debt	(26,172)	6,467
Total equity	41,232	2,115
Net debt to equity ratio	N/A	306%

27. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 HK$'000	2018 HK$'000
ASSETS AND LIABILITIES		
Non-current asset		
Interest in subsidiaries	10	10
Current assets		
Prepaid listing expenses	–	3,303
Prepayments	75	–
Amount due from a subsidiary	35,237	1,092
Cash and bank balances	140	72
	35,452	4,467
Current liability		
Other payables	175	3,983
Net current assets	35,277	484
Net assets	35,287	494
EQUITY		
Share capital	41,879	10
Reserve (note)	(6,592)	484
Total equity	35,287	494

Approved and authorised for issue by the board of directors on 24 May 2019.

Chan Kun Yuen
Director

Chan Shu Yuen
Director

27. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

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

	Retained profits/ (Accumulated losses) HK$'000
As at 1 April 2017	–
Transactions with equity holders of the Company	
Interim dividend paid	(2,000)
Profit for the period and total comprehensive expense for the period	2,484
As at 31 March 2018 and 1 April 2018	484
Transactions with equity holders of the Company	
Loss for the year and total comprehensive expense for the year	(7,076)
At 31 March 2019	(6,592)

28. INTERESTS IN SUBSIDIARIES

Details of the Company's subsidiaries as at 31 March 2019 and 31 March 2018 was as follows:

Company name	Place of incorporation	Issued and paid up capital	Percentage of equity interest directly held by the Company 2019	2018	Principal activities
Ying Kee	Hong Kong	HK$1,000,000	100%	100%	Retail trading of tea products
iTea. Ying Kee Limited (note 1)	Hong Kong	HK$1	100%	–	Distribution of food and beverage products
New Vantage (Hong Kong) Limited (note 2)	Hong Kong	HK$1	100%	–	Trademark holding

Note 1: The Company incorporated on 11 May 2018.
Note 2: The Company incorporated on 2 August 2018.

RESULTS

	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
Revenue	**44,915**	45,399	44,540	42,781
Cost of sales	**(9,900)**	(9,320)	(8,991)	(8,771)
Gross profit	**35,015**	36,079	35,549	34,010
Other income	**608**	32	207	178
Selling and distribution costs	**(2,055)**	(3,136)	(2,584)	(2,597)
Administrative expenses	**(35,422)**	(33,857)	(18,197)	(21,763)
Finance costs	**(46)**	(282)	(175)	(257)
(Loss)/Profit before income tax	**(1,900)**	(1,164)	14,800	9,571
Income tax expense	**(852)**	(2,011)	(2,505)	(1,682)
(Loss)/Profit for the year and total comprehensive (expense)/ income for the year	**(2,752)**	(3,175)	12,295	7,889
(Loss)/Earnings per share attributable to equity holders of the Company (expressed in HK cents per share)	**(0.77)**	(1.18)	4.55	2.92

ASSETS AND LIABILITIES

	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
Total consolidated assets	**44,463**	18,203	17,376	19,544
Total consolidated liabilities	**(3,231)**	(16,088)	(10,086)	(4,549)
Net assets	**41,232**	2,115	7,290	14,995
Equity attributable to equity holders of the Company	**41,232**	2,115	7,290	14,995

FINANCIAL SUMMARY

FINANCIAL REVIEW

	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
OPERATING RESULTS				
Revenue	**44,915**	45,399	44,540	42,781
Operating (loss)/profit (EBIT)	**(1,854)**	(882)	14,975	9,828
(Loss)/Profit attributable to equity holders of the Company	**(2,752)**	(3,175)	12,295	7,889
KEY STATISTICS				
Equity attributable to equity holders of the Company	**41,232**	2,115	7,290	14,995
Working capital	**37,721**	686	6,241	13,637
Cash position*	**26,172**	3,533	2,750	1,810
Bank loans	**–**	10,000	5,000	1,271
Trade and other receivable	**4,753**	5,145	1,548	2,114
Inventories	**7,383**	6,323	6,982	7,060
Capital expenditure**	**2,939**	1,418	89	253
Depreciation and amortisation	**1,151**	599	496	613
KEY RATIOS				
Return on equity holders of the Company (ROE)(%)	**(7%)**	(150%)	169%	53%
Return on total assets (ROA)(%)	**(6%)**	(17%)	71%	40%
Debt to equity***	**0%**	473%	69%	8%
Current ratio (times)	**26.4**	1.05	1.70	4.78
Trade receivable turnover period (days)	**8**	4	5	5
Inventories turnover period (days)****	**253**	261	285	266
Gross margin (%)	**78%**	79%	80%	79%
Earnings before interest, taxation, depreciation and amortization (EBITDA) margin (%)	**(3%)**	(1%)	35%	24%
Earnings before interest and taxation (EBIT) margin (%)	**(5%)**	(2%)	34%	23%
Profits margin (%)	**(6%)**	(7%)	28%	18%

* Cash position refers to bank balances and cash and structured bank deposits
** Capital expenditure represented the additions to property, plant and equipment
*** Calculation based on bank loans/equity attributable to equity holders of the Company at year end
**** Calculation based on average inventory/cost of sales