

# YING HAI GROUP HOLDINGS COMPANY LIMITED

瀛海集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 8668

THIRD QUARTERLY REPORT

2019

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## Financial Highlights

- The Group recorded an unaudited revenue of approximately HK\$137.0 million for the nine months ended 30 September 2019 (nine months ended 30 September 2018: approximately HK\$120.6 million), representing an increase of approximately 13.6%.
- The Group recorded an unaudited loss attributable to owners of the Company of approximately HK\$0.7 million for the nine months ended 30 September 2019 (nine months ended 30 September 2018: profit attributable to owners of the Company of approximately HK\$11.3 million).
- The basic and diluted loss per share attributable to owners of the Company for the nine months ended 30 September 2019 was HK0.08 cents (nine months ended 30 September 2018: the basic and diluted earnings per share attributable to owners of the Company of HK1.26 cents).

## Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income

For the three months and nine months ended 30 September 2019

The board (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the three months and nine months ended 30 September 2019, together with the unaudited comparative figures for the respective corresponding period of 2018 as follows:

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
<b>Revenue</b>	3	<b>45,039</b>	42,130	<b>136,997</b>	120,600
Cost of sales		<b>(36,444)</b>	(32,966)	<b>(109,040)</b>	(95,389)
<b>Gross profit</b>		<b>8,595</b>	9,164	<b>27,957</b>	25,211
Other gain and income	4	<b>29</b>	4	<b>451</b>	7
Administrative expenses		<b>(4,460)</b>	(2,921)	<b>(11,705)</b>	(7,664)
Listing expenses		<b>(11,368)</b>	(4,509)	<b>(16,868)</b>	(4,509)
Finance costs	5	<b>(71)</b>	(3)	<b>(163)</b>	(10)
<b>(Loss)/profit before tax</b>	6	<b>(7,275)</b>	1,735	<b>(328)</b>	13,035
Income tax credit/(expenses)	7	<b>578</b>	(207)	<b>(419)</b>	(1,718)
<b>(Loss)/profit for the period</b>		<b>(6,697)</b>	1,528	<b>(747)</b>	11,317
<b>Other comprehensive loss</b>					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translation of financial statements		<b>(40)</b>	(149)	<b>(110)</b>	(249)
<b>Total comprehensive (loss)/income for the period</b>		<b>(6,737)</b>	1,379	<b>(857)</b>	11,068
<b>(Loss)/profit for the period attributable to:</b>					
Owners of the Company		<b>(6,697)</b>	1,528	<b>(747)</b>	11,317
<b>Total comprehensive (loss)/income for the period attributable to:</b>					
Owners of the Company		<b>(6,737)</b>	1,379	<b>(857)</b>	11,068
<b>(Loss)/earnings per share</b>					
Basic and diluted (HK cents)	8	<b>(0.74)</b>	0.17	<b>(0.08)</b>	1.26

Details of the dividend declared are disclosed in note 9 to the unaudited condensed consolidated financial statements.

## Unaudited Condensed Consolidated Statement of Changes in Equity

For the nine months ended 30 September 2019

	Attributable to owners of the Company						
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Statutory revenue HK\$'000	Translation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2018 (Audited)	1,584	—	—	759	191	26,810	29,344
Profit for the period	—	—	—	—	—	11,317	11,317
Other comprehensive loss:							
Exchange differences arising from translation of financial statements	—	—	—	—	(249)	—	(249)
Total comprehensive income/(loss) for the period	—	—	—	—	(249)	11,317	11,068
Capital injection into subsidiaries	1,427	—	—	—	—	—	1,427
Dividend declared	—	—	—	—	—	(874)	(874)
<b>At 30 September 2018 (Unaudited)</b>	<b>3,011</b>	<b>—</b>	<b>—</b>	<b>759</b>	<b>(58)</b>	<b>37,253</b>	<b>40,965</b>
At 1 January 2019 (Audited)	<b>3,011</b>	<b>—</b>	<b>—</b>	<b>801</b>	<b>(25)</b>	<b>42,178</b>	<b>45,965</b>
Loss for the period	—	—	—	—	—	(747)	(747)
Other comprehensive loss:							
Exchange differences arising from translation of financial statements	—	—	—	—	(110)	—	(110)
Total comprehensive loss for the period	—	—	—	—	(110)	(747)	(857)
Effect of reorganisation	(3,011)	—	3,011	—	—	—	—
Issuance of new shares pursuant to Share Offer	3,000	69,290	—	—	—	—	72,290
Issuance of shares pursuant to Capitalisation Issue	9,000	(9,000)	—	—	—	—	—
Share issuing expenses	—	(9,988)	—	—	—	—	(9,988)
Dividend declared	—	—	—	—	—	(8,891)	(8,891)
<b>At 30 September 2019 (Unaudited)</b>	<b>12,000</b>	<b>50,302</b>	<b>3,011</b>	<b>801</b>	<b>(135)</b>	<b>32,540</b>	<b>98,519</b>

# Notes to the Unaudited Condensed Consolidated Financial Statements

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 18 December 2018 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The shares of the Company (the “**Shares**”) were listed on GEM of the Stock Exchange by way of share offer (the “**Listing**”) on 26 September 2019 (the “**Listing Date**”). The address of the Company’s registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The principal place of business of the Company is Room 1201, 12th Floor, Dawning House, 145 Connaught Road Central, Hong Kong. The Company’s immediate and ultimate holding company is Silver Esteem Limited, a company incorporated in the British Virgin Islands (“**BVI**”) with limited liability and is wholly owned by Mr. Choi Wai Chan (“**Mr. Choi**”), being a Director of the Company.

Pursuant to a corporate reorganisation (the “**Reorganisation**”), details of which were disclosed in the section headed “History, Development and Reorganisation - Reorganisation” of the prospectus of the Company dated 13 September 2019 (the “**Prospectus**”), the Company became the holding company of the companies comprising the Group on 8 March 2019. Accordingly, the unaudited condensed consolidated financial statements have been prepared on the basis by applying the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 “Meger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), as if the Reorganisation has been completed at the beginning of the reporting period.

The Company is an investment holding company and its subsidiaries are principally engaged in sales and distribution of air tickets and hotel rooms, sales and provision of ancillary travel-related products and services and provision of vehicle leasing and limousine services in Macau.

The functional currency of the Group is Macau Pataca (“**MOP**”). The unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 2019 are presented in Hong Kong Dollars (“**HK\$**”). All values are rounded to the nearest thousands (HK\$’000), unless otherwise stated.

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the nine months ended 30 September 2019 have been prepared in accordance with accounting principles generally accepted in Hong Kong which include Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (collectively, “**HKFRSs**”) issued by the HKICPA and the applicable disclosures required by the GEM Listing Rules.

In the current period, the Group has applied all the new and revised HKFRSs issued by the HKICPA that are effective for the Group’s financial year beginning on or after 1 January 2019. The application of the new and revised HKFRSs in the current period has had no material effect on the amounts reported and/or the disclosures set out in the unaudited condensed consolidated financial statements.

The Group has not early applied the new and revised HKFRSs that have been issued by the HKICPA but are not yet effective.

The unaudited condensed consolidated financial statements for the nine months ended 30 September 2019 have not been audited by the Group’s auditors but have been reviewed by the Company’s audit committee.

## Notes to the Unaudited Condensed Consolidated Financial Statements

### 3. REVENUE AND SEGMENT INFORMATION

	Three months ended 30 September		Nine months ended 30 September	
	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Sales and provision of hotel rooms, air tickets and other ancillary travel-related products and services	42,057	39,103	127,719	114,304
Provision of car rental services	2,982	3,027	9,278	6,296
	<b>45,039</b>	42,130	<b>136,997</b>	120,600

The Group's operating segments are determined based on information reported to the chief operating decision maker of the Group for the purposes of resource allocation and assessment of segment performance focusing on types of products and services provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable operating segments of the Group.

The chief operating decision maker considers the Group has two reportable operating segments which are based on the internal organisation and reporting structure. This is the basis upon which the Group is organised.

The Group's reportable operating segments are as follows:

#### (i) Travel business

The travel business consists of sales and distribution of hotel rooms and margin income from sales, distribution and provision of air tickets, hotel rooms and ancillary travel-related products and services in Macau.

#### (ii) Vehicle business

The vehicle business represents the provision of vehicle leasing and limousine services in Macau.

## Notes to the Unaudited Condensed Consolidated Financial Statements

### 3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

#### Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable operating segments:

*For the nine months ended 30 September 2019*

	Travel business HK\$'000 (Unaudited)	Vehicle business HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Reportable segment revenue	127,719	9,278	136,997
Reportable segment results	17,680	707	18,387
Interest income			13
Unallocated income and expenses			(18,728)
<b>Loss before tax</b>			<b>(328)</b>
Adjusted earnings before interest, tax, depreciation and amortisation	19,058	4,642	5,049

*For the nine months ended 30 September 2018*

	Travel business HK\$'000 (Unaudited)	Vehicle business HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Reportable segment revenue	114,304	6,296	120,600
Reportable segment results	13,042	1,117	14,159
Interest income			6
Unallocated income and expenses			(1,130)
<b>Profit before tax</b>			<b>13,035</b>
Adjusted earnings before interest, tax, depreciation and amortisation	13,913	2,654	15,441

Reportable segment revenue represents revenue generated from external customers. There were no inter-segment sales for the periods.

Segment results represents profit generated by each segment without allocation of interest income, directors' remuneration, partial depreciation, listing expenses, partial finance costs and other corporate income and expenses under the heading of "unallocated income and expenses". This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Adjusted earnings before interest, tax, depreciation and amortisation is also a measurement basis regularly reviewed by the Directors for performance assessment between segments and resources allocation. This measurement basis is consistent with that of the segment results except that finance costs, depreciations and amortisation are not included in the adjusted earnings before interest, tax, depreciation and amortisation.

## Notes to the Unaudited Condensed Consolidated Financial Statements

## 4. OTHER GAIN AND INCOME

	Three months ended 30 September		Nine months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interest income	11	4	36	6
Exchange gain	6	—	18	—
Reversal of impairment loss on trade receivables, net of impairment	—	—	368	—
Reversal of impairment loss on amounts due from related companies, net of impairment	—	—	4	—
Sundry income	12	—	25	1
	<b>29</b>	4	<b>451</b>	7

## 5. FINANCE COSTS

	Three months ended 30 September		Nine months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Imputed interest on unsecured loan	—	3	—	10
Interest on lease liabilities	26	—	70	—
Interest on secured bank borrowings	45	—	93	—
	<b>71</b>	3	<b>163</b>	10

## Notes to the Unaudited Condensed Consolidated Financial Statements

## 6. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging:

	Three months ended 30 September		Nine months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Depreciation of property, plant and equipment	1,402	1,095	3,502	2,402
Depreciation of right-of-use assets	701	—	1,712	—
Listing expenses	11,368	4,509	16,868	4,509
Loss on disposal of property, plant and equipment	10	45	80	59
Lease payment under operating lease in respect of leased assets	—	367	—	734
Employee benefit expenses (excluding Directors' remuneration)				
– Salaries, allowances and benefits in kind	2,243	1,113	7,582	3,482
– Retirement benefit scheme contribution	54	24	177	50
	<b>2,297</b>	1,137	<b>7,759</b>	3,532

## 7. INCOME TAX (CREDIT)/EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Current tax:				
– Macau Complementary Tax	(578)	184	374	1,654
– PRC Enterprise Income Tax	—	23	—	64
	<b>(578)</b>	207	<b>374</b>	1,718
Deferred tax:				
– Tax (credit)/charge for the period	—	—	45	—
	<b>(578)</b>	207	<b>419</b>	1,718

Hong Kong Profits Tax and Macau Complementary Tax are calculated at 16.5% and 12% of the estimated assessable profits respectively for the periods. PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for the periods.

No provision of Hong Kong Profits Tax has been made as there is no assessable profits arising in or derived from Hong Kong.

## Notes to the Unaudited Condensed Consolidated Financial Statements

## 8. (LOSS)/EARNINGS PER SHARE

The computations of basic and diluted (loss)/earnings per share attributable to owners of the Company are based on the following data:

	Three months ended 30 September		Nine months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
<b>(Loss)/earnings per share</b>				
– (Loss)/earnings for the purpose of basic and diluted (loss)/earnings per share	<b>(6,697)</b>	1,528	<b>(747)</b>	11,317

  

	Three months ended 30 September		Nine months ended 30 September	
	2019 '000 (Unaudited)	2018 '000 (Unaudited)	2019 '000 (Unaudited)	2018 '000 (Unaudited)
<b>Number of shares</b>				
– Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	<b>905,495</b>	900,000	<b>905,495</b>	900,000

The calculation of basic (loss)/earnings per share for the three months and nine months ended 30 September 2019 and 2018 is based on the (loss)/profit attributable to owners of the Company for the three months and nine months ended 30 September 2019 and 2018, respectively.

The number of ordinary Shares for the purpose of calculating basic and diluted (loss)/earnings per share for the three months and nine months ended 30 September 2018 has been determined on the assumption that 900,000,000 ordinary Shares were in issue, comprising 1 ordinary Share in issue as at the date of the Prospectus and 899,999,999 ordinary Shares issued pursuant to the Capitalisation Issue (as defined in the Prospectus), as if the Shares were outstanding throughout the entire period.

No adjustment has been made to the basic (loss)/earnings per share presented for the three months and nine months ended 30 September 2019 and 2018 in respect of the dilution as the Company did not have any potential dilutive ordinary shares in issue during the periods.

## Notes to the Unaudited Condensed Consolidated Financial Statements

## 9. DIVIDEND

	Three months ended 30 September		Nine months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Dividend declared	—	—	8,891	874

Before the Company became the holding company of the Group, a member of the Group declared a dividend of approximately HK\$874,000 on 30 June 2018.

On 30 April 2019, the Company has declared interim dividend of approximately HK\$8,891,000, which amounts to approximately HK\$8,891,000, and subsequently used to set off against the outstanding balance of amount due to the immediate holding company.

## Management Discussion and Analysis

### BUSINESS REVIEW

We are primarily a wholesale licensed travel agent that focuses on the provision of business-to-business domestic travel services and a car rental services provider based in Macau. We derive our revenue from (i) sales and distribution of hotel rooms; (ii) provision of car rental services under (a) our travel agent licence in Macau which allows us to provide car rental services for tourism-purpose only; and (b) authorisation granted by the Macao Government Tourism Office which allows us to provide multi-purpose car rental services in Macau; and (iii) sales and provision of air tickets and other ancillary travel-related products and services such as entertainment tickets, buffet tickets, transportation tickets, travel insurance and visa applications.

Our strategic objective is to strengthen our established market position in Macau's travel industry in order to generate satisfactory profits and investment returns for our shareholders and drive our sustainable growth in the future. On 26 September 2019, the Shares of the Company was successfully listed on GEM of the Stock Exchange, and the proceeds raised from the Listing has strengthened the Group's financial position. We will implement our future plans according to the details as disclosed in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

### FINANCIAL REVIEW

#### Revenue

The Group's revenue increased by approximately 13.6% from approximately HK\$120.6 million for the nine months ended 30 September 2018 to approximately HK\$137.0 million for the nine months ended 30 September 2019. The increase in revenue was mainly attributable to the increase in revenue generated from the sales and distribution of hotel rooms, driven by increase in the number of hotel rooms sold and distributed by the Group.

#### Cost of sales

The Group's cost of sales comprised (i) cost of hotel rooms; (ii) distribution service fees; and (iii) cost of car rental services. For the nine months ended 30 September 2018 and 2019, the cost of sales amounted to approximately HK\$95.4 million and HK\$109.0 million, respectively, representing an increase of approximately 14.3%. Such increase was mainly due to increase in sales from sales and distribution of hotel rooms.

#### Gross profit and gross profit margin

The Group's gross profit, which equals to the revenue minus cost of sales, for the nine months ended 30 September 2019 was approximately HK\$28.0 million, representing an increase of approximately 11.1% from approximately HK\$25.2 million for the nine months ended 30 September 2018. The increase in gross profit was mainly attributable to the increase in gross profit of the sales and distribution of hotel rooms, offset by a decrease in gross profit of the sales and provision of air tickets and other ancillary travel-related products and services. The Group's gross profit margin remained stable at approximately 20.4% and 20.9% for the nine months ended 30 September 2019 and 2018, respectively.

## Management Discussion and Analysis

### Other gain and income

The Group's other gain and income increased from approximately HK\$7,000 for the nine months ended 30 September 2018 to approximately HK\$451,000 for the nine months ended 30 September 2019. The increase in other gain and income was mainly due to the one-off reversal of impairment loss on trade receivables recognised during the period.

### Administrative expenses

The Group's administrative expenses mainly comprised employee benefits expenses, depreciation expenses, rental and related expenses, office expenses, motor vehicle expenses, professional fees and advertising and promotion expenses. The Group's administrative expenses increased from approximately HK\$7.7 million for the nine months ended 30 September 2018 to approximately HK\$11.7 million for the nine months ended 30 September 2019, representing an increase of approximately 52.0%. The increase in administrative expenses was mainly attributable to the increase in the number of headcount in preparation of the Listing during the period.

### Income tax expenses

The Group's income tax expenses for the nine months ended 30 September 2019 amounted to approximately HK\$0.4 million, representing a decrease of approximately 76.5% from approximately HK\$1.7 million for the nine months ended 30 September 2018. The decrease in income tax expenses was mainly due to the decrease of the taxable profit from our travel business.

### Finance costs

The Group's finance costs increased significantly from approximately HK\$10,000 for the nine months ended 30 September 2018 to approximately HK\$163,000 for the nine months ended 30 September 2019. The increase in finance costs was mainly attributable to a new interest-bearing secured bank borrowing with principal amount of approximately HK\$4.5 million obtained during the period.

### Loss for the period

The Group recorded a loss of approximately HK\$0.7 million for the nine months ended 30 September 2019 as compared to a profit of approximately HK\$11.3 million for the corresponding period in 2018. The loss was mainly attributable to the recognition of listing expenses of HK\$16.9 million for the nine months ended 30 September 2019. The listing expenses are non-recurring in nature.

## Management Discussion and Analysis

### Use of net proceeds from the Listing

The net proceeds from the Listing, after deducting the actual underwriting fees and expenses paid by the Company in connection thereto, were approximately HK\$39.3 million. The intended use of proceeds (the “**Intended Use of Proceeds**”) as set out in the section headed “Future Plans and Use of Proceeds” of the Prospectus and actual use of proceeds from the Listing Date to 30 September 2019 are set forth below:

	<b>Intended Use of Proceeds HK\$'000</b>	<b>Actual use of proceeds from the Listing Date to 30 September 2019 HK\$'000</b>
Expansion of car fleet	20,568	—
Cooperate with more hotel operators	6,480	—
Increase our marketing and expansion of our sales channel	6,917	—
Improve the efficiency of our operation	1,659	—
Expand our workforce	2,592	—
General working capital	1,080	—
<b>Total</b>	<b>39,296</b>	<b>—</b>

The Company intends to utilise the net proceeds according to the section headed “Future Plans and Use of Proceeds” of the Prospectus. All the unutilised balances have been placed in licensed banks in Macau.

### MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

There was no other material acquisition or disposal of subsidiaries, associates or joint ventures during the period between the Listing Date and 30 September 2019.

### SIGNIFICANT INVESTMENTS HELD

As at 30 September 2019, the Group did not hold any significant investments.

## Management Discussion and Analysis

### LIQUIDITY AND FINANCIAL RESOURCES

#### Capital structure

For the change in the share capital structure of the Company from 31 December 2018 to the Listing Date, please refer to the section headed “Share Capital” of the Prospectus, and there has been no material change in the share capital structure of the Company since the Listing Date up to 30 September 2019.

#### Cash position

At 30 September 2019, the cash and cash equivalents of the Group amounted to approximately HK\$44.4 million, representing an increase of approximately 224.1% from approximately HK\$13.7 million at 30 September 2018. The increase was mainly due to the net proceeds from the Listing.

#### Borrowings

At 30 September 2019, the total borrowings of the Group, all of which were denominated in MOP, amounted to approximately HK\$7.4 million (at 30 September 2018: approximately HK\$0.5 million). Among the borrowings,

1. approximately HK\$3.8 million (as at 30 September 2018: Nil) was derived from the bank borrowings from a Macau bank which bears interest rate at the Macau commercial bank prime lending rate minus 1% per annum as at 30 September 2019 and was guaranteed by Mr. Choi (the “**Personal Guaranteed**”) and secured by certain motor vehicles of the Group with the carrying amounts of approximately HK\$9.8 million (the “**Pledged Assets**”) at 30 September 2019. The bank borrowing was early repaid on 23 October 2019 and the Personal Guaranteed was released on 28 October 2019 and the Pledged Assets was released 6 November 2019; and
2. an unsecured interest-free loan from government of Macau SAR of amount approximately HK\$0.5 million as at 30 September 2018 was early repaid on 16 October 2018. The interest rate was based on prevailing market rates for an equivalent loan at 2.19%.
3. approximately HK\$3.6 million (at 30 September 2018: Nil) was derived from lease liabilities of the leases available for use by our Group at the interest rate implicit to the leases. The increase was mainly attributable to the lease liabilities recognised following the adoption of HKFRS 16 on 1 January 2019.

#### Pledge of assets

At 30 September 2019, certain motor vehicles of the Group with the carrying amount of approximately HK\$9.8 million (as at 30 September 2018: Nil) was pledged to secure the bank borrowings amounted to approximately HK\$3.8 million (at 30 September 2018: Nil). On 6 November 2019, the Pledged Assets was released.

#### Gearing ratio

At 30 September 2019, the gearing ratio of the Group was approximately 7.5% (as at 30 September 2018: approximately 1.2%). The increase was mainly attributable to the recognition of the lease liabilities of approximately HK\$3.6 million, following the adoption of HKFRS 16 on 1 January 2019 and a new interest-bearing secured bank borrowing with principal amount of approximately HK\$4.5 million obtained during the period. The effect was partially offset by the early repayment of the unsecured interest-free loan from the government of Macau SAR during the period. The gearing ratio is calculated based on the total borrowings, which include bank borrowings, loan from the government of Macau SAR and lease liabilities divided by the equity attributable to owners of the Company at the end of the respective period.

## Management Discussion and Analysis

### COMMITMENTS

At 30 September 2019, the Group did not have any significant capital commitment (at 30 September 2018: nil).

### CONTINGENT LIABILITIES

At 30 September 2019, the Group had no significant contingent liabilities (at 30 September 2018: Nil).

### FOREIGN EXCHANGE EXPOSURE

The Group operates in Macau with majority of the transactions being settled in MOP and HK\$.

The Group is not exposed to foreign exchange risk in respect of HK\$ against MOP as the exchange rate of MOP is pegged against HK\$. The Group considers that there is no significant foreign exchange risk.

The Group did not have any foreign exchange contracts, interest or currency swaps, other financial derivatives or any financial instruments for hedging purposes for the nine months ended 30 September 2019.

### PROSPECTS

Our strategic objective is to strengthen our established market position in Macau's travel industry in order to generate satisfactory profits and investment returns for our shareholders and drive our sustainable growth in the future. To do so, we plan to expand our car fleet by acquiring additional vehicles and recruiting additional drivers to meet the increasing demand for in-city multi-purpose car rental services. Also, we have been strategically looking for opportunities to cooperate with more hotel operators, other travel agents and corporate customers in Macau. Our Group intends to enter into hotel rooms guarantee agreements with more hotel operators to include mid- and high-tier hotel rooms with a view to increase the number of hotel rooms and to expand our hotel base so as to attract business travelers and high spending customers and to increase our market share, and thereby generate a higher sales volume and higher revenue from our other services, such as car rental services.

Historically, our Group has focused on the sales and distribution of hotel rooms, provision of car rental services and sales and provision of air tickets and other ancillary travel-related products and services to and through corporate customers and travel agents as well as our four service points, which included our headquarters, two on-street shops, and one booth at the Macau Outer Harbour Ferry Terminal, respectively. In order to further leverage our marketing capabilities and increase our market share, we plan to establish more service points and develop an online platform in the form of an app to market our travel products and services to corporate and retail customers. With the increasing use of internet for travel booking and in order to correspond with our plan to develop an online sales platform, our Group intends to invest in digital marketing through advertising on social media platforms and search engines with a view to increasing our online channel presence and driving online enquiry for our products and services.

Looking ahead, the Group will endeavor to strengthen the development of its existing businesses and to provide steady return as well as growth prospects for the Company's shareholders.

## Management Discussion and Analysis

### CORPORATE GOVERNANCE PRACTICE

The Board recognise that transparency and accountability are the cornerstones of the Company's corporate governance. Therefore, the Company is committed to maintaining high standards of corporate government in order to uphold the transparency of the Group and safeguard interests of our shareholders. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules. In the opinion of the Board, the Company has complied with the CG Code for the nine months ended 30 September 2019, except for the deviations of Code Provisions A.2.1.

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Paragraph A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Choi Wai Chan is the chairman and the chief executive officer of the Company. Considering that Mr. Choi has been operating and managing the Group since 2014, the Board believes that it is in the best interest of the Group to have Mr. Choi taking up both roles for effective management and business development. Therefore, the Board considers that the deviation from paragraph A.2.1 of the Code is appropriate in such circumstance.

### INTEREST OF THE COMPLIANCE ADVISER

As notified by the Group's compliance adviser, Lego Corporate Finance Limited (the "**Compliance Adviser**"), at 30 September 2019, save for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 14 March 2019, none of the Compliance Adviser or its directors, employees or close associates (as defined under the GEM Listing Rules) had any interest in the share capital of the Group or in any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

### COMPETING BUSINESS

Save as disclosed in the Prospectus and this report, the Directors are not aware of any business or interest of the Directors or the controlling shareholders or any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interests which any such person has or may have with the Group during the nine months ended 30 September 2019.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the ordinary shares of the Company (the "**Shares**") during the period between the Listing Date and 30 September 2019.

## Management Discussion and Analysis

### THE INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND THE CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

At 30 September 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 corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”)) which were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

#### Long positions in the Shares

Name of Director	Capacity	Number of ordinary shares interested	Percentage of shareholding
Mr. Choi Wai Chan <sup>(Note)</sup>	Interest of controlled corporation	900,000,000	75.0%

Note:

These 900,000,000 Shares are held by Silver Esteem Limited, a company incorporated in the British Virgin Islands and is wholly-owned by Mr. Choi Wai Chan. Therefore, Mr. Choi Wai Chan is deemed to be interested in all the Shares held by Silver Esteem Limited for the purpose of the SFO. Mr. Choi Wai Chan is the sole director of Silver Esteem Limited.

#### Long positions in the shares of associated corporation

Name of Director	Name of associated corporation	Capacity	Number of ordinary shares interested	Percentage of shareholding
Mr. Choi Wai Chan	Silver Esteem Limited	Beneficial owner	one	100%

Save as disclosed above and so far as is known to the Directors, as at 30 September 2019, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange under 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 as recorded in the register of the Company required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

## Management Discussion and Analysis

### THE INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

At 30 September 2019 and so far as is known to the Directors, the following persons (other than the Directors or chief executive of the Company) had interests and short positions in the Shares or underlying shares of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register of the Company required to be kept under Section 336 of the SFO were as follows:

#### Long positions in the Shares

Name of Director	Capacity	Number of ordinary shares interested	Percentage of shareholding
Silver Esteem Limited	Beneficial owner <sup>(note 1)</sup>	900,000,000	75.0%
Ms. Wong Pui Keng	Interest of spouse <sup>(note 2)</sup>	900,000,000	75.0%

Notes:

1. Silver Esteem Limited is a company incorporated in the British Virgin Islands and is wholly-owned by Mr. Choi Wai Chan. Therefore, Mr. Choi Wai Chan is deemed to be interested in all the Shares held by Silver Esteem Limited for the purposes of the SFO. Mr. Choi Wai Chan is the sole director of Silver Esteem Limited.
2. Ms. Wong Pui Keng is the spouse of Mr. Choi Wai Chan. She is deemed to be interested in all the Shares in which Mr. Choi Wai Chan is interested under the SFO.

Save as disclosed above, at 30 September 2019, the Directors were not aware of any interests or short positions of any persons (other than the Directors or chief executive of the Company) in the Shares or underlying shares of the Company which were required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company to be kept under Section 336 of the SFO.

### SHARE OPTION SCHEME

The Company had adopted a share option scheme (the “Share Option Scheme”) on 3 September 2019.

No option was granted, outstanding, cancelled or lapsed during the nine months ended 30 September 2019 and as at 30 September 2019.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standard of dealing, as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the Shares. Having made specific enquiry with all the Directors, all Directors have confirmed that they have complied with the required standard of dealing and the code of conduct for securities transactions by the Directors during the period between the Listing Date and 30 September 2019.

## Management Discussion and Analysis

### EVENT AFTER REPORTING PERIOD

There are no material subsequent event occurred or undertaken by the Group after 30 September 2019 and up to the date of this report.

### AUDIT COMMITTEE

The Company has established the audit committee pursuant to a resolution of the Directors passed on 3 September 2019 in compliance with Rule 5.28 of the GEM Listing Rules. Written terms of reference in compliance with paragraph C.3.3 of the CG Code has been adopted. Among other things, the primary duties of the audit committee are to make recommendations to the Board on the appointment or reappointment and removal of external auditor; review financial statements of our Company and judgments in respect of financial reporting; and oversee the effectiveness of the internal control procedures of the Group. The audit committee consists of three independent non-executive Directors, namely Mr. Hu Chung Ming, Mr. Sou Sio Kei and Mr. Rodrigues Cesar Ernesto. Mr. Hu Chung Ming is the chairman of the audit committee. The audit committee has reviewed the condensed consolidated financial statements for the nine months ended 30 September 2019.

By order of the Board

**Ying Hai Group Holdings Company Limited**

**Choi Wai Chan**

*Chairman, Chief Executive Officer and Executive Director*

Hong Kong, 11 November 2019

*At the date of this report, the executive Directors are Mr. Choi Wai Chan and Mr. Leong Tat Meng; and the independent non-executive Directors are Mr. Hu Chung Ming, Mr. Sou Sio Kei and Mr. Rodrigues Cesar Ernesto.*

*This report will remain on the Latest Company Announcement page of the GEM's website at <http://www.hkgem.com> for at least seven days from the date of its publication. This report will also be published on the Company's website at <http://www.yinghaiholding.com>.*