



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

2020/2021  
FIRST  
QUARTERLY  
REPORT



## CHARACTERISTICS OF GEM

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



# Management Discussion and Analysis

## Business Review

Ying Kee Tea House Group Limited (the “**Company**”) is an investment holding company incorporated in Hong Kong. The principal activity of Ying Kee Tea Company Limited (the “**Tea Company**”), a subsidiary of the Company, is the sale of tea leaves, tea wares and tea gift sets through eleven retail shops and concessionary counters; while iTea. Ying Kee Limited (the “**iTea**”), another subsidiary of the Company is the sale of beverages of Chinese tea, Italian coffee, fruits and other ingredients.

The outbreak of the unprecedented Novel Coronavirus (“**COVID-19**”) pandemic from January 2020 to the date of this report witnessed a phenomenal impact on the contraction of retail turnover. With the government’s encouragement of “staying home” to prevent the spread of the novel coronavirus, our shops and concessionary counters shortened their business hours. The consumers were forced to keep out of the streets and shopping malls, resulting in loss of consuming desire.

## Financial Review

### Revenue, gross profit and net loss

The consolidated revenue of the Group for the three months ended 30 June 2020 (the “**Reporting Period**”) stood at approximately HK\$6.2 million (2019: approximately HK\$8.5 million), representing a decrease by approximately 27.0%. The gross profit for the Reporting Period amounted to approximately HK\$4.9 million, (2019: approximately HK\$6.4 million), decreasing by approximately 24.2%. Gross profit margin was approximately 78.5% (2019: approximately 75.6%), a slight increase compared with that of the last corresponding period. Reasons for the decrement in revenue and gross profit are because of the significant drop of sales with the outbreak of COVID-19 pandemic since the early 2020, coupled with the introduction of tougher restrictions imposed by the government to limit number of diners and to permit more people working from home. The increase of gross profit margin is a result of the increase in our retail price for some tea leaves items. Net loss for the Reporting Period was approximately HK\$3.2 million (2019: Net loss of approximately HK\$3.0 million). The loss for the Reporting Period was mainly due to the slash in turnover and some expenses incurred for the first time because of change in accounting standards, depreciation of additional fixed assets and adoption of share option scheme.

### Selling and distribution costs

Selling and distribution costs reduced by approximately 38.4% to approximately HK\$0.2 million (three months ended 30 June 2019: approximately HK\$0.4 million) primarily because of the reduction in advertising expenses.

# Management Discussion and Analysis

## Administrative expenses

Administrative expenses decreased from approximately HK\$9.2 million for the three months ended 30 June 2019 to approximately HK\$7.9 million for the three months ended 30 June 2020, representing a decrease of approximately 14.2%, primarily because of the decrease in rent as a consequence of acquisition of two properties in Central and Wanchai. In addition, depreciation of right of use amounted to approximately HK\$0.3 million (2019: HK\$0.4 million) as a result of the adoption of HKFRS16: Leases.

## Outlook and Prospect

With the resurgence of confirmed COVID-19 cases, the escalation of the United States — China trade war dragging on over time, the present economic climate is still bleak for the ongoing period. GDP for the second quarter of 2020 was forecasted a drop of 1.5% quarter on quarter, and a decrease of 6.2% year on year. Unemployment rate reached 6.2% for the month of June 2020, lessening the desire to consume, especially impulsive buying. The directors of the Tea Company were prudent in opening new shops and concessionary counters with the goal of maximizing the contribution profit for each shop and counter. The Directors were of the opinion that opening more shops and concessionary counters would not be the best tactic under the unprecedented change in economic environment.

## 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 of 90,000,000 ordinary shares in the share capital of the Company at the price of HK\$0.54 per share at the time of its listing on GEM of the Stock Exchange on 16 April 2018 (the “Share Offer”).

Cash and bank balances amounted to approximately HK\$5.7 million (31 March 2020: approximately HK\$5.8 million), representing a decrease of approximately HK\$0.1 million or 1.5%. As at 30 June 2020, current assets amounted to approximately HK\$26.1 million (31 March 2020: approximately HK\$28.7 million).

# Management Discussion and Analysis

## Capital Expenditure

For the three months ended 30 June 2020, the Group's capital expenditure amounted to approximately HK\$6,300 (31 March 2020: approximately HK\$108,000), mainly for the upgrading of equipments in the office of the Company.

## Dividends

The Board has resolved not to declare any interim dividend for the three months ended 30 June 2020 (three months ended 30 June 2019: Nil).

## Events After the Reporting Period

Reference is made to the announcement of the Company dated 22 July 2020 in relation to the change in use of proceeds from the listing. As disclosed in the announcement, the board of Directors (the "**Board**") has resolved to change the use of the net proceeds from listing ("**Net Proceeds**") and reallocate additional unutilized Net Proceeds to the general working capital. The Board considers that the Group should allocate additional unutilized Net Proceeds as general working capital to enable the Group to have higher flexibility in responding to the uncertainty in the retail market in a more effective way. With uncertainty clouding the current economic condition, the Company, together with its subsidiaries, Ying Kee Tea Company Limited and iTea. Ying Kee Limited would take advantage of the more flexible and adequate working capital to surmount severe difficulties in the political and economic environment for the rest of 2020.

Save as disclosed above, there were no other material events after the reporting period that would affect the result of the Group for the three months ended 30 June 2020.

# Management Discussion and Analysis

## Other Information

### Corporate Governance Practices and Compliance

The Company commenced listing on 16 April 2018 on GEM of the Stock Exchange. During the three months ended 30 June 2020, 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 Rules Governing the Listing of securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”). During the three months ended 30 June 2020, the Company has complied with the CG Code. The Directors are responsible for the leadership and control of, and promoting the success of the Group. This is achieved by the setting up of corporate strategic objectives and policies, and the monitoring and evaluations of operating activities and financial performance of the Group.

### Securities Transactions of Directors

The Group has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquires of all Directors, all Directors confirmed that they have complied with the required standard of dealings and its code of conduct regarding directors’ securities transactions during the three months ended 30 June 2020.

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

During the period under review, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

### Share Option Scheme

The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants (including, among others, full time employee, consultant, adviser and director, and any distributor, contractor, supplier, agent, customer, business partner and service provider of any member of the Group) 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 of the Company dated 23 March 2018.

# Management Discussion and Analysis

Details of movements of the share options granted under the Share Option Scheme for the three months ended 30 June 2020 are as follows:

Name or category of participants	Date of grant of share options	Exercisable period	Exercise price of share options (HKD)	Outstanding at 1 April 2019	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding at 31 March 2020
<b>Directors</b>									
Mr. Chan Kwong Yuen	9 September 2019	1 June 2020 to 31 May 2023	0.189	—	3,200,000	—	—	—	3,200,000
Mr. Chan Kun Yuen	9 September 2019	1 June 2020 to 31 May 2023	0.189	—	3,200,000	—	—	—	3,200,000
Mr. Chan Shu Yuen	9 September 2019	1 June 2020 to 31 May 2023	0.189	—	3,200,000	—	—	—	3,200,000
Mr. Siu Chi Ming	9 September 2019	1 June 2020 to 31 May 2023	0.189	—	200,000	—	—	—	200,000
Mr. Lee Wai Ho	9 September 2019	1 June 2020 to 31 May 2023	0.189	—	200,000	—	—	—	200,000
Mr. Wong Chee Chung	9 September 2019	1 June 2020 to 31 May 2023	0.189	—	200,000	—	—	—	200,000
Sub-total				—	10,200,000	—	—	—	10,200,000
<b>Substantial Shareholder</b>									
Mr. Chan Tat Yuen	9 September 2019	1 June 2020 to 31 May 2023	0.189	—	3,200,000	—	—	—	3,200,000
Other Employees, consultants and advisers	9 September 2019	1 June 2020 to 31 May 2023	0.189	—	18,900,000	—	—	(750,000)	18,150,000
Total					32,300,000	—	—	(750,000)	31,550,000

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

So far as the Directors are aware, as at 30 June 2020, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

### Long positions in ordinary shares and underlying shares of the Company

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

# Management Discussion and Analysis

Notes:

1. These 270,000,000 shares are held by Profit Ocean Enterprises Limited ("**Profit Ocean**"), a company owned by Tri-Luck Investments Limited ("**Tri-Luck**"), Wealth City Global Limited ("**Wealth City**"), Sky King Global Limited ("**Sky King**") and Coastal Lion Limited ("**Coastal Lion**") in equal shares, i.e. 25%. Each of Tri-Luck, Wealth City, Sky King and Coastal Lion is wholly owned by Mr. Chan Tat Yuen, Mr. Chan Kun Yuen, Mr. Chan Shu Yuen and Mr. Chan Kwong Yuen, respectively.

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

2. These shares are derived from the interests in share options granted by the Company pursuant to the Share Option Scheme.

Save as disclosed above, as at 30 June 2020, none of the Directors or chief executive had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange:

## 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%



# Management Discussion and Analysis

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

So far as known to the Directors or chief executive of the Company, as at 30 June 2020, the following persons/entities (other than the Directors and chief executives of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

### Long positions in ordinary shares and underlying shares of the Company

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

#### Notes:

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

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

# Management Discussion and Analysis

2. These 3,200,000 shares are derived from the interests in share options granted by the Company pursuant to the Share Option Scheme.
3. Ms. Chu Min is the spouse of Mr. Chan Tat Yuen. For purposes of the SFO, Ms. Chu Min is deemed to be interested in (i) the shares held by Mr. Chan Tat Yuen; and (ii) share options granted to Mr. Chan Tat Yuen by the Company pursuant to the Share Option Scheme.
4. Ms. Chan King Chi is the spouse of Mr. Chan Kun Yuen. For purposes of the SFO, Ms. Chan King Chi is deemed to be interested in (i) the shares held by Mr. Chan Kun Yuen; and (ii) share options granted to Mr. Chan Kun Yuen by the Company pursuant to the Share Option Scheme.
5. Ms. Po Miu Kuen Tammy is the spouse of Mr. Chan Shu Yuen. For purposes of the SFO, Ms. Po Miu Kuen Tammy is deemed to be interested in (i) the shares held by Mr. Chan Shu Yuen; and (ii) share options granted to Mr. Chan Shu Yuen by the Company pursuant to the Share Option Scheme.
6. Ms. Ng Wai Lam Lana Zoe is the spouse of Mr. Chan Kwong Yuen. For purposes of the SFO, Ms. Ng Wai Lam Lana Zoe is deemed to be interested in (i) the shares held by Mr. Chan Kwong Yuen; and (ii) share options granted to Mr. Chan Kwong Yuen by the Company pursuant to the Share Option Scheme.

Save as disclosed above, as at 30 June 2020, no person, other than the Directors of the Company whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying shares and Debenture of the Company and its associated corporations" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

As at 30 June 2020, the controlling shareholders did not pledge any of the shares to any party. The Company did not breach any loan agreement that is significant to the Group's operations nor enter into loan agreements with covenants relating to specific performance of the controlling shareholders.

## Connected Transactions

For the three months ended 30 June 2020, the Company has transactions with the wholly-owned subsidiary which are exempted under Rule 20.99 of the GEM Listing Rules.

There has been no financial assistance and guarantee granted to any controlling shareholders by the Company or its subsidiaries during the three months ended 30 June 2020.

## Audit Committee and Review of Preliminary Announcement

The Audit Committee currently comprises three members, being all of the independent non-executive directors, namely Mr. Lee Wai Ho, Mr. Siu Chi Ming and Mr. Wong Chee Chung. The chairman of the Audit Committee is Mr. Siu Chi Ming. The Audit Committee has reviewed the first quarterly results of the Group for the three months ended 30 June 2020 at a meeting held on 6 August 2020, which is of the view that the unaudited condensed consolidated financial statements complied with applicable accounting standards and legal requirements, and that adequate disclosures have been made.

# Management Discussion and Analysis

## Interests of Compliance Adviser

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Elstone Capital Limited (the “**Compliance Adviser**”) on 1 April 2020 as its compliance adviser, which provides advice and guidance to the Company in respect of compliance with the GEM Listing Rules including various requirements relating to the Directors' duties. 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 Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 30 June 2020 and up to the date of this report.

By order of the Board

**Ying Kee Tea House Group Limited**

**Chan Kwong Yuen**

*Chairman*

Hong Kong, 6 August 2020

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

For the three months ended 30 June 2020

	Notes	Three months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>Revenue</b>	4	<b>6,222</b>	8,524
Cost of sales		<b>(1,339)</b>	(2,078)
<b>Gross profit</b>		<b>4,883</b>	6,446
Other income	5	<b>1,172</b>	98
Other gain or loss	5	<b>(206)</b>	—
Selling and distribution costs		<b>(220)</b>	(357)
Administrative expenses		<b>(7,908)</b>	(9,216)
Finance costs		<b>(914)</b>	(18)
<b>Loss before income tax</b>	6	<b>(3,193)</b>	(3,047)
Income tax expense	7	<b>—</b>	—
<b>Loss and total comprehensive expense for the period</b>		<b>(3,193)</b>	(3,047)
<b>Loss per share for loss attributable to equity holders of the Company</b>			
Basic and diluted (HK cents)	9	<b>(0.89)</b>	(0.85)

# Unaudited Condensed Consolidated Statements of Changes in Equity

For the three months ended 30 June 2020

	Share capital	Capital reserve	Share option reserve	Contribution reserve	Accumulated losses	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 April 2020 (audited)	41,879	990	1,778	5,806	(13,941)	36,512
Equity settled share-based payment	—	—	528	—	—	528
Loss and total comprehensive expense for the period	—	—	—	—	(3,193)	(3,193)
<b>At 30 June 2020 (unaudited)</b>	<b>41,879</b>	<b>990</b>	<b>2,306</b>	<b>5,806</b>	<b>(17,134)</b>	<b>33,847</b>
As at 1 April 2019 (audited)	41,879	990	—	—	(1,637)	41,232
Loss and total comprehensive expense for the period	—	—	—	—	(3,047)	(3,047)
At 30 June 2019 (unaudited)	41,879	990	—	—	(4,684)	38,185

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the three months ended 30 June 2020

## 1. General Information

Ying Kee Tea House Group Limited (the "**Company**") was incorporated in Hong Kong with limited liability on 14 September 2017. The address of its registered office was Suites 1106–08, 11th Floor, The Chinese Bank Building, 61–65 Des Voeux Road, Central, Hong Kong and on 1 June 2020, the registered office changed to 8/F, Wah Shing Centre, 5 Fung Yip Street, Siu Sai Wan, Hong Kong and its principal place of business is Hong Kong.

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

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in the retail trading of tea products and food and beverage retails. The Company's holding company is Profit Ocean Enterprises Limited, a company incorporated in the British Virgin Islands.

## 2 Basis of Preparation

The unaudited condensed consolidated financial statements for the three months ended 30 June 2020 ("**Relevant Period**") 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 unaudited condensed consolidated financial statements also include the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

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

The unaudited condensed consolidated financial statements for the Relevant Period have been prepared in accordance with the accounting policies adopted in the Group's annual financial statements for the year ended 31 March 2020, except for the adoption of the new and amended HKFRSs effective as of 1 April 2020.

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

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the three months ended 30 June 2020

## 2 Basis of Preparation (Continued)

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

## 3. Adoption of New and Amended HKFRSs

HKICPA has issued a number of new and amended HKFRSs that are first effective or available for early adoption for the Relevant Period. 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.

The Group has elected to early adopt the following amendment of HKFRSs in the Relevant Period unaudited condensed consolidated financial statements and the principal effects for adopting these new HKFRSs are as follows:

### Amendments to HKFRS 16 “Covid-19-Related Rent Concessions”

Amendments to HKFRS 16 only apply to lessee accounting and have no effect on lessor accounting. The amendments add a practical expedient to provide a relief for lessees to bypass the need to carry out an assessment to decide whether a Covid-19 related rent concession received is a lease modification or not and allow lessees to account for such rent concessions as if the change was not a lease modification.

This practical expedient is only applicable to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) any reduction in lease payments affects only payments originally due on or before 30 June 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- (c) there is no substantive change to other terms and conditions of the lease.

A lessee that chooses to apply this practical expedient would be required to apply it consistently to all lease contracts with similar characteristics and in similar circumstances. Additional disclosures are required if this practical expedient are used.

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the three months ended 30 June 2020

## 4. Revenue

	Three months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Sales of tea products	6,090	8,300
Food and beverage retails	132	224
	<b>6,222</b>	<b>8,524</b>

## 5. Other Income and Other Gain or Loss

### 5a. Other income

	Three months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Bank interest income	47	93
Government grants (Note)	1,055	—
Rent concessions	70	—
Sundry income	—	5
	<b>1,172</b>	<b>98</b>

Note: The Group has received the government grants from HKSAR Government under the "Anti-epidemic Fund" during the outbreak of the COVID-19 pandemic.

### 5b. Other Gain or Loss

On 22 June 2020, the Group has early repaid part of the promissory notes with the amounts of HK\$1,794,000, resulting in a loss on early repayment of promissory note of HK\$206,000 incurred during the three months ended 30 June 2020 (three months ended 30 June 2019: Nil).



# Notes to the Unaudited Condensed Consolidated Financial Statements

For the three months ended 30 June 2020

## 6. Loss Before Income Tax

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

	Three months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Auditor's remuneration	100	100
Cost of inventories recognised as an expense	1,065	1,764
Depreciation of property, plant and equipment	1,130	194
Depreciation of right-of-use assets	289	350
Amortisation of reinstatement cost	13	141
Amortisation of intangible assets	2	26
Operating lease charges in respect of premises		
Lease charges:		
— Short term leases and leases with lease term shorter than 12 months as at initial application of HKFRS 16	1,569	2,874
— Variable lease payments	71	29
Share-based payment	528	—
Exchange loss/(gain), net	1	(1)

## 7. Income Tax Expense

Hong Kong Profits Tax has not been provided as the Group had no assessable profit for the Relevant Period.

No provision for Hong Kong Profits Tax has been provided as the Group incurred taxation loss for the three months ended 30 June 2020 and 2019.

	Three months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
<b>Current tax</b>		
Hong Kong profits tax		
— Current period	—	—

# Notes to the Unaudited Condensed Consolidated Financial Statements

For the three months ended 30 June 2020

## 8. Dividends

The Board does not recommend the payment of any dividend for the three months ended 30 June 2020 (three months ended 30 June 2019: Nil).

## 9. Loss Per Share

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

	Three months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
<b>Loss</b>		
Loss for the period attributable to equity holders of the Company	(3,193)	(3,047)
<b>Number of shares</b>		
Weighted average number of ordinary shares (in thousands)	360,000	360,000

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