



**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

2020

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*This report, for which the directors (collectively the “**Directors**” or individually a “**Director**”) of Ying Hai Group Holdings Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”, “**we**”, “**our**” or “**us**”) 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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Financial Highlights

The Group recorded an unaudited revenue of approximately HK\$16.1 million for the nine months ended 30 September 2020 (nine months ended 30 September 2019: approximately HK\$137.0 million), representing a significant decrease of approximately HK\$120.9 million or 88.3% as compared to the corresponding period in 2019.

The Group recorded an unaudited loss for the period attributable to the owners of the Company of approximately HK\$17.4 million for the nine months ended 30 September 2020 (nine months ended 30 September 2019: unaudited loss for the period attributable to the owners of the Company of approximately HK\$0.7 million).

The basic and diluted loss per share attributable to the owners of the Company for the nine months ended 30 September 2020 was HK1.45 cents (nine months ended 30 September 2019: the basic and diluted loss per share attributable to the owners of the Company of HK0.08 cents).

The board of Directors (the “**Board**”) resolved not to recommend payment of an interim dividend for the nine months ended 30 September 2020.

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

The Board is pleased to present the unaudited condensed consolidated results of the Group for the nine months ended 30 September 2020, together with the unaudited comparative figures for the respective corresponding period of 2019 as follows:

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue	4	1,041	45,039	16,087	136,997
Cost of sales		(418)	(36,444)	(13,740)	(109,040)
Gross profit		623	8,595	2,347	27,957
Other income and gains	5	294	29	1,154	451
Administrative expenses		(5,692)	(4,460)	(20,791)	(11,705)
Listing expenses		—	(11,368)	—	(16,868)
Finance costs	6	(69)	(71)	(158)	(163)
Loss before tax	7	(4,844)	(7,275)	(17,448)	(328)
Income tax credit/(expenses)	8	—	578	—	(419)
Loss for the period		(4,844)	(6,697)	(17,448)	(747)
Other comprehensive (loss)/income					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translation of financial statements		103	(40)	1	(110)
Fair value changes on investment in equity instrument at fair value through other comprehensive income ("FVTOCI")		(1)	—	(6)	—
Total comprehensive loss for the period		(4,742)	(6,737)	(17,453)	(857)
Loss for the period attributable to owner of the Company		(4,844)	(6,697)	(17,448)	(747)
Total comprehensive loss for the period attributable to owners of the Company		(4,742)	(6,737)	(17,453)	(857)
Loss per share:					
Basic and diluted	9	HK(0.40) cents	HK(0.74) cents	HK(1.45) cents	HK(0.08) cents

Details of the dividend are disclosed in note 10 to the unaudited condensed consolidated financial statements.

Unaudited Condensed Consolidated Statement of Changes in Equity

For the nine months ended 30 September 2020

	Share capital HK\$'000	Share premium HK\$'000 (Note (a))	Merger reserve HK\$'000 (Note (b))	Statutory reserve HK\$'000 (Note (c))	Revaluation reserve HK\$'000 (Note (d))	Translation reserve HK\$'000 (Note (e))	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2019 (As restated) (Audited)	3,011	—	—	801	—	(25)	42,178	45,965
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 expense	—	(9,988)	—	—	—	—	—	(9,988)
Dividend declared	—	—	—	—	—	—	(8,891)	(8,891)
At 30 September 2019 (Unaudited)	12,000	50,302	3,011	801	—	(135)	32,540	98,519
At 1 January 2020 (Audited)	12,000	50,302	3,011	801	—	(93)	32,221	98,242
Loss for the period	—	—	—	—	—	—	(17,448)	(17,448)
Other comprehensive income/(loss):								
Exchange differences arising from translation of financial statements	—	—	—	—	—	1	—	1
Change in fair value of equity instrument at FVTOCI	—	—	—	—	(6)	—	—	(6)
Total comprehensive (loss)/income for the period	—	—	—	—	(6)	1	(17,448)	(17,453)
At 30 September 2020 (Unaudited)	12,000	50,302	3,011	801	(6)	(92)	14,773	80,789

Unaudited Condensed Consolidated Statement of Changes in Equity

For the nine months ended 30 September 2020

Notes:

(a) Share premium

The share premium represents the differences between par value of the shares of the Company and proceeds received from the issuance of the shares of the Company which is governed by the Companies Law of the Cayman Islands.

(b) Merger reserve

Merger reserve of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the reorganisation (the “**Reorganisation**”) carried out by the Group as fully explained in paragraph headed “History, development and Reorganisation — Reorganisation” in the prospectus of the Company dated 13 September 2019 (the “**Prospectus**”) and the nominal value of the share capital of the Company issued in exchange thereof.

(c) Statutory reserve

In accordance with the relevant laws and regulation provided in Macau and the PRC, the Group’s subsidiaries in Macau and the PRC are required to appropriate 25% and 10% of their profit for the year, as determined in accordance with the generally accepted accounting principles of Macau and PRC respectively, to the statutory reserve, until the statutory reserve balance of that subsidiary equals to 50% of that quota capital and the registered capital respectively. The appropriation to statutory reserve must to be made before the distribution of dividends to its shareholders. This reserve is not distributable to its shareholders.

The statutory reserve of PRC subsidiary can be used to offset previous years’ losses or to increase capital.

(d) Revaluation reserve

The revaluation reserve comprises the cumulative net change in the fair value of equity investments designated at FVTOCI under HKFRS 9 that are held at the end of the reporting period.

(e) Translation reserve

Translation reserve of the Group represents the exchange difference on translation of financial statements of the entities with functional currencies other than HK\$.

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 (the “**Listing**”) by the way of share offer 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 in Hong Kong of the Company is 19th Floor, Three Exchange Square, 8 Connaught Place, Central, Hong Kong. The Company’s immediate and ultimate holding company is Silver Esteem Limited (the “**Silver Esteem**”), a company incorporated in the British Virgin Islands (“**BVI**”) with limited liability and is wholly owned by Mr. Choi Wai Chan (“**Mr. Choi**”), who is an executive Director.

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, the sponsorship of singing concerts in Macau and services and the provision of vehicle leasing and limousine services in Macau.

The unaudited condensed consolidated financial statements are presented in Hong Kong Dollars (“**HK\$**”) which is the functional currency of the Company. The unaudited condensed consolidated financial statements are presented in the nearest thousand (HK\$’000) unless otherwise stated.

2. REORGANISATION

Pursuant to the Reorganisation as fully explained in the paragraph headed “History, development and Reorganisation – Reorganisation” in the Prospectus, the Company became the holding company of the companies now comprising the Group on 8 March 2019. Immediately prior to and after the Reorganisation, the companies now comprising the Group were controlled by the Mr. Choi. The Reorganisation is merely a reorganisation of the Group with no change in management of such business and the ultimate owner of the business.

All intra-group transactions and balances have been eliminated.

3. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements has been prepared under the historical cost convention, as modified by the revaluation of equity instrument at FVTOCI at fair value, and in accordance with Hong Kong Accounting Standard 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company for the year ended 31 December 2019 which have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”).

Except for the application of new and amendments to HKFRSs issued by the HKICPA that are effective for the annual periods beginning on or after 1 January 2020, the principal accounting policies used in the preparation of unaudited condensed consolidated financial statements for the nine months ended 30 September 2020 are consistent with those adopted in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2019.

Application of new and amendments to HKFRSs

For the nine months ended 30 September 2020, the Group has applied all new and amendments to HKFRSs issued by the HKICPA that are effective for the Group’s financial year beginning on or after 1 January 2020:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Return

The application of the new and amendments to HKFRSs has had no material effect on the amounts reported and/or the disclosures set out in the unaudited condensed consolidated financial statements for the nine months ended 30 September 2020.

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 2020 have not been audited by the Company’s auditors but have been reviewed by the Company’s audit committee.

Notes to the Unaudited Condensed Consolidated Financial Statements

4. REVENUE AND SEGMENT INFORMATION

	Three months ended 30 September		Nine months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Sales and provision of hotel rooms, air tickets and other ancillary travel-related products and services and sponsorship of singing concerts	842	42,057	14,275	127,719
Provision of car rental services	199	2,982	1,812	9,278
	1,041	45,039	16,087	136,997

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.

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 2020 (unaudited)

	Travel Business HK\$'000	Vehicle business HK\$'000	Total HK\$'000
Reportable segment revenue	14,275	1,812	16,087
Reportable segment results	(7,146)	(5,915)	(13,061)
Share of loss of associate			(111)
Interest income			87
Unallocated income and expenses			(4,363)
Loss before tax			(17,448)
Adjusted loss before interest, tax, depreciation and amortisation	(5,187)	(1,794)	(11,167)

Notes to the Unaudited Condensed Consolidated Financial Statements

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

For the nine months ended 30 September 2019 (unaudited)

	Travel Business HK\$'000	Vehicle business HK\$'000	Total HK\$'000
Reportable segment revenue	127,719	9,278	136,997
Reportable segment results	17,680	707	18,387
Interest income			36
Unallocated income and expenses			(18,751)
Loss before tax			(328)
Adjusted earnings before interest, tax, depreciation and amortisation	19,058	4,642	5,049

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

Segment results represents profit earned suffered by each segment without allocation of interest income, partial government grants, 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 in 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.

5. OTHER INCOME AND GAINS

	Three months ended 30 September		Nine months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Interest income	49	11	87	36
Exchange gain	11	6	51	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
Government subsidies	134	—	694	—
Sundry income	100	12	322	25
	294	29	1,154	451

Notes to the Unaudited Condensed Consolidated Financial Statements

6. FINANCE COSTS

	Three months ended 30 September		Nine months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Interest on bank overdrafts	47	—	79	—
Interest on lease liabilities	22	26	79	70
Interest on secured bank borrowing	—	45	—	93
	69	71	158	163

7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Three months ended 30 September		Nine months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Depreciation of property, plant and equipment	1,520	1,402	4,554	3,502
Depreciation of right-of-use assets	72	701	1,310	1,712
Amortisation of intangible asset	142	—	392	—
Impairment loss recognised in respect of trade receivables	—	—	616	—
Reversal of impairment loss recognised in respect of trade receivables	(160)	—	—	—
Impairment loss recognised in respect of right-of-use assets	—	—	1,832	—
Listing expenses	—	11,368	—	16,868
Loss on disposal of property, plant and equipment	—	10	—	80
Lease payment under operating lease in respect of leased assets (Note)	387	—	901	—
Employee benefit expenses (including directors' remuneration) (Note)				
– Salaries, allowances and benefits in kind	2,016	2,243	7,994	7,582
– Retirement benefit scheme contribution	9	54	135	177
	2,025	2,297	8,129	7,759

Notes to the Unaudited Condensed Consolidated Financial Statements

8. INCOME TAX (CREDIT)/EXPENSES

The Group's loss before tax is arrived at after charging:

	Three months ended 30 September		Nine months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Current tax:				
– Macau Complementary Tax	–	(578)	–	374
– PRC Enterprise Income Tax	–	–	–	–
	–	(578)	–	374
Deferred tax:				
– charge for the period	–	–	–	45
	–	(578)	–	419

Hong Kong Profits Tax and Macau Complementary Tax are calculated at 16.5% and 12% of the estimated assessable profits respectively for the nine months ended 30 September 2019 and 2020. PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for the nine months ended 30 September 2019 and 2020.

No provision of Hong Kong Profits Tax, Macau Complementary Tax and PRC Enterprise Income Tax has been made as there is no assessable profits for the Group for the nine months ended 30 September 2020.

9. LOSS PER SHARE

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

	Three months ended 30 September		Nine months ended 30 September	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Loss				
Loss for the purpose of basic and diluted loss per share loss for the period attributable to owners of the Company	(4,844)	(6,697)	(17,448)	(747)
	'000	'000	'000	'000
Number of shares				
Weighted average number of shares for the purpose of calculating basic and diluted loss per share	1,200,000	905,495	1,200,000	905,495

Notes to the Unaudited Condensed Consolidated Financial Statements

9. LOSS PER SHARE (CONTINUED)

For the nine months ended 30 September 2020, the weighted average number of ordinary Shares for the purpose of calculating basic loss per share have been adjusted for the effect of the share offer completed on the Listing Date.

For the nine months ended 30 September 2019, the weighted average number of ordinary Shares for the purpose of calculating basic loss per share have been based on the assumption that 900,000,000 ordinary Shares had been issued comprising 1 ordinary Shares in issue and 899,999,999 ordinary Shares to be issued pursuant to the capitalisation issue as if the Shares had been outstanding throughout the period.

Diluted loss per share were same as the basic loss per share as there were no potential dilutive ordinary Shares in issue.

10. DIVIDEND

The Board resolved that no interim dividend would be declared or proposed to be paid or declared by the Company for the nine months ended 30 September 2020 (nine months ended 30 September 2019: approximately HK\$8.9 million prior to the Listing).

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

Management Discussion And Analysis

BUSINESS REVIEW

The Group is a wholesale licensed travel agent that primarily focuses on the provision of business-to-business domestic travel services and a car rental services provider based in Macau. The Group derived its revenue from (i) the sales and distribution of hotel rooms; (ii) the provision of car rental services under (a) its travel agent licence in Macau which allows it to provide car rental services for tourism-purpose only; (b) authorisation granted by the Macao Government Tourism Office which allows it to provide multi-purpose car rental services in Macau; and (c) authorisation granted by the Transport Bureau of Macau which allows the three vehicles of the Group to provide cross-border car rental services between Macau and Hong Kong from December 2019; (iii) the 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; and (iv) sponsorship of singing concerts held in Macau and cooperation with organisers of singing concerts.

The Company has successfully listed its Shares on GEM of the Stock Exchange on 26 September 2019.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased significantly by approximately 88.3% from approximately HK\$137.0 million for the nine months ended 30 September 2019 to approximately HK\$16.1 million for the nine months ended 30 September 2020. The significant decrease in revenue was mainly attributable to the decrease in revenue generated from the sales and distribution of hotel rooms and the provision of car rental services, which was mainly due to the decrease in demand for hotel rooms and car rental services in Macau caused by the outbreak of the COVID-19 pandemic (the "Pandemic") during the period, the travel restrictions on tourists imposed by the Macau government and decrease in number of visitor visiting during the nine months ended 30 September 2020. According to the research released by Macao Government Tourism Office, the number of visitors visiting Macau has dropped by 86.7% for the nine months ended 30 September 2020, compared to respective period in 2019.

Cost of sales

The Group's cost of sales mainly comprised (i) cost of hotel rooms; (ii) distribution service fees; and (iii) cost of car rental services. For the nine months ended 30 September 2019 and 2020, the cost of sales amounted to approximately HK\$109.0 million and HK\$13.7 million, respectively, representing a decrease of approximately 87.4%. Such decrease was mainly due to the decrease in sales from the sales and distribution of hotel rooms and the provision of car rental services.

Gross profit

The Group's gross profit for the nine months ended 30 September 2020 amounted to approximately HK\$2.3 million, representing a decrease of approximately 91.8% as compared to approximately HK\$28.0 million for the nine months ended 30 September 2019. The significant decrease in gross profit was mainly driven by the decrease in the revenue generated from sales and distribution of hotel rooms and the provision of car rental services.

Other income and gains

The Group's other income and gains increased from approximately HK\$451,000 for the nine months ended 30 September 2019 to approximately HK\$1.2 million for the nine months ended 30 September 2020. The increase in other income and gains was mainly due to the one-off government subsidies received during the nine months ended 30 September 2020.

Management Discussion And Analysis

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, advertising and promotion expenses and impairment loss of right-of-use assets. The Group's administrative expenses increased from approximately HK\$11.7 million for the nine months ended 30 September 2019 to approximately HK\$20.8 million for the nine months ended 30 September 2020, representing an increase of approximately 77.8%. The increase in administrative expenses was mainly attributable to the recognition of impairment loss of right-of-use assets as well as the increase in employee benefits expenses, depreciation expenses and professional fees after the Listing.

Income tax expenses

The Group had no income tax expenses for the nine months ended 30 September 2020, as compared to approximately HK\$0.4 million for the nine months ended 30 September 2019, mainly because the Group did not have any taxable profit during the period.

Finance costs

The Group's finance costs were stable at approximately HK\$163,000 and HK\$158,000 for the nine months ended 30 September 2019 and 2020, respectively.

Loss for the period

The Group recorded a loss of approximately HK\$17.4 million for the nine months ended 30 September 2020 as compared to a loss of approximately HK\$0.7 million for the nine months ended 30 September 2019. The loss was mainly attributable to (i) the substantial decrease in revenue generated from the sales and distribution of hotel rooms and the provision of car rental services, which was mainly due to the outbreak of the Pandemic and the travel restrictions on tourists imposed by the Macau government and decrease in number of visitors visiting Macau during the nine months ended 30 September 2020; and (ii) the increase in administrative expenses, which was mainly due the recognition of impairment loss of right-of use assets as well as the increase in employee benefits expenses, depreciation expenses and professional fees after the Listing.

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, amounted to approximately HK\$39.3 million. The intended use of proceeds are set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The particulars of the use of proceeds from the Listing Date to 30 September 2020 is set forth below:

	Planned Use of Proceeds in total (HK\$'000)	Actual Use of Proceeds from the Listing Date up to 30 September 2020 (HK\$'000)	Unutilised amount out of the planned amount as at 30 September 2020 (HK\$'000)	Expected timeline for the intended Use of the Net Proceeds
Expansion of car fleet	20,568	3,965	16,603	December 2022
Cooperate with more hotel operators	6,480	—	6,480	December 2021
Increase our marketing and expansion of our sales channel	6,917	2,319	4,598	December 2022
Improve the efficiency of our operation	1,659	1,485	174	December 2020
Expand our workforce	2,592	388	2,204	December 2022
General working capital	1,080	330	750	December 2022
Total	39,296	8,487	30,809	

The delay in utilisation of the net proceeds was mainly due to the delay in the Group's plan of expansion of its car fleet and cooperation with hotel operators in view of the outbreak of the Pandemic and recent market climate. The Company will continue to apply the net proceeds according to the disclosure in the Prospectus. As at 30 September 2020, the unutilized portion of the proceeds of approximately HK\$30.8 million was placed as fixed deposit with a bank. The Group will continue to implement its plans after an improvement in the market climate.

Management Discussion And Analysis

Comparison of business strategies and actual business progress

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the Listing Date to the date of this report is set out below:

Business strategies as stated in the Prospectus

Expand our car fleet

Cooperate with more hotel operators

Increase our marketing and expansion of our sales channel

Improve the efficiency of our operation

Expand our workforce

Actual business progress up to date of this report

Up to the date of this report, the Group has purchased 8 new motor vehicles for the provision of point-to-point cross-border transportation services and car rental services in Macau. We will consider market demand in Macau to adjust the progress of our expansion plan of car fleet.

We are in the progress of identifying popular and quality hotels to cooperate with.

The Group will continue to adhere to this objective by location for two new service points in Macau for sales; (ii) developing our online sales platform; and (iii) identifying suitable social media and search engine to advertise and promote our products and services.

The renovation of our new office has been completed and moved in.

We are recruiting experienced staff members to cope with the expansion of our business.

Principal risks and uncertainties in achieving our business strategies

During the period under review, the Group faced certain risks and uncertainties in achieving our business strategies in accordance with the use of proceeds plan as set out in the Prospectus as follows:

- (1) The Pandemic has severely affected the travel and tourism industry of Macau due to travel restrictions imposed by the Macau government and sluggish consumers' sentiment. The Pandemic may continue in the foreseeable future and remain uncertain and thus, the Group will strategically adhere to our business plan and will actively search for deals and other business opportunities to stabilise the impact of the Pandemic to our Group's business;
- (2) The Group may fail to find hotel operators with attractive terms to cooperate with to achieve our expansion plans;
- (3) When achieving our business plans, timing is of the essence. The Group may fail to grasp the business trend to determine the optimal time to enter the market or expand of our new sales channel;
- (4) In an increasingly volatile and complex business environment, the Group may face change of consumer behavior and high competition when we launch our business plan; and

In order to alleviate the above risks and uncertainties in achieving our business strategies, we will ensure that our business plans are as resilient as possible to meet these challenges based on market conditions. We will carefully look at the business trends as well to determine if there is a strong entrepreneurial environment for us to lean on.

The Company intends to utilise the net proceeds according to the section headed "Future Plans and Use of Proceeds" in the Prospectus and based on the actual development of the Group's business and the industry. All the unutilised balances have been placed as interest bearing deposits with licensed banks in Macau.

Management Discussion And Analysis

PRINCIPAL RISKS AND UNCERTAINTIES

The following are the principal risks and uncertainties faced by the Group, which may materially and adversely affect our business, financial condition or results of operations:

1. The number of tourists visiting Macau may continue to decrease or remain at low level for a prolonged period due to the Pandemic, travel restrictions and sluggish consumers' sentiment. The Pandemic may continue in the foreseeable future and measures of travel restrictions may be reintroduced or tightened, which may severely affect the travel and tourism industry of Macau and the business of the Group.
2. The Group's revenue was mainly derived from Macau and the Group's sales performance is susceptible to changes in Macau as well as the PRC policies and economic environment.
3. Despite the border between China and Macau (the "**Border**") was temporarily open, there is no assurance that the Border will not be closed in the future due to Pandemic or other reasons.
4. Customers may delay payment or default payment, yet the Group may be required to pay for the hotel rooms and the Group may bear the cost.
5. The Group's major suppliers might opt to deal with the Group's customers directly, alternatively the Group's travel agent customers may source hotel rooms from each other, thereby bypassing the Group.
6. The Group's revenue was substantially generated from the sales and distribution of hotel rooms supplied by L'Arc Hotel Macau, and the Group's business and results of operation may be adversely affected if (i) L'Arc Hotel Macau terminates or refuses to renew the relevant agreement, pursuant to which the Group guarantees to purchase, and L'Arc Hotel Macau guarantees to provide, a fixed number of hotel rooms at pre-determined rates covering a certain period of time or (ii) the renewed terms become less favourable to the Group.
7. The Group is committed to secure a guaranteed number of hotel rooms at pre-determined room rates with various hotels operators. The Group may suffer from a decrease in profits or record a loss from the sales and distribution of the guaranteed hotel rooms if the Group is unable to sell and distribute the hotel rooms at rates higher than its respective pre-determined room rates or if hotels operators reduces the number of hotel rooms sold to the Group.
8. The Group sold and distributed a significant portion of the hotel rooms through a single customer (the "**Customer A**"). If Customer A ceases to procure hotel rooms from the Group and the Group is unable to find a replacement on a timely basis, the Group may not be able to sell and distribute the hotel rooms secured by the Group and the Group's operations and financial performance may be adversely affected.
9. The Group's revenue was substantially generated from and through Customer A and any decrease or loss of business from Customer A could adversely and substantially affect the Group's operations and financial position.
10. If the Group is unable to obtain and maintain adequate parking spaces at reasonable costs, the Group's growth opportunities may be adversely affected.

Management Discussion And Analysis

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2020, the Group employed 113 (30 September 2019: 109) employees, The employee benefit expenses, including the Directors' remuneration, of the Group were approximately HK\$8.1 million for the nine months ended 30 September 2020 (30 September 2019: approximately HK\$7.8 million). We determine the employee's remuneration with reference to prevailing market terms and based on factors such as their performance, qualification and years of experience.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

On 9 July 2020, Brilliant Town Limited, a wholly-owned subsidiary of the Company, acquired 27% interest in Meet Culture Ltd. ("**Meet Culture**"), a company incorporated in Macau, from an independent third party, and 22% interest from Ying Hai Development Holdings Limited, which was wholly-owned by Mr. Choi with the total consideration of approximately HK\$2.2 million (the "**Acquisition**"). Meet Culture is principally engaged in design and sale of souvenir business in Macau. Out of the total consideration, approximately HK\$1.0 million was paid to Ying Hai Development Limited, which is owned as to 50% and 50% by Mr. Choi, being the executive Director, and the spouse of Mr. Choi, respectively. As such, the acquisition of 22% interest in Meet Culture from Ying Hai Development Limited constituted a fully-exempted connected transaction since, the amount of consideration was lower than HK\$3,000,000 and all applicable percentage ratios were lower than 5%. The Directors are of the view that the Acquisition would complement the Group's travel business and provide synergistic benefits. The amount of consideration for the Acquisition was arrived at after arm's length negotiation with reference to the valuation report prepared by independent valuer commissioned by the Company. The independent non-executive Directors were of the view that the Acquisition and the consideration was fair and reasonable after arm's length negotiation and in the interest of the Company and shareholders as a whole. After the Acquisition, Meet Culture would be owned as to 49% by the Group and become an associated company of the Group.

Save as disclosed above, there was no material acquisition or disposal of subsidiaries, associates or joint ventures during the nine months ended 30 September 2020 and up to the date of this report.

SIGNIFICANT INVESTMENTS HELD

As at 30 September 2020, save for the (i) Group's interest in the equity instrument at FVTOCI and (ii) interest in an associate, the Group did not hold any significant investments.

LIQUIDITY AND FINANCIAL RESOURCES

Capital structure

There has been no material change in the share capital structure of the Company since the Listing Date up to 30 September 2020.

Cash position

At 30 September 2020, the bank balances and cash of the Group were approximately of HKD62.5 million (at 30 September 2019: approximately of HKD50.5 million). The increase was mainly due to certain cash generated from the bank overdrafts.

At 30 September 2019 and 2020, included in the Group's bank deposits with original maturity over three months are amounts of approximately HK\$6.1 million and HK\$59.7 million respectively, placed in a bank to secure general banking facilities in respect of guarantees issued to the suppliers of the Group as general trade deposits and to the Macau government to obtain travel agent licence in Macau. The increase was mainly attributable to certain cash and cash equivalent being transferred to the bank deposits with original maturity over three months.

Management Discussion And Analysis

Borrowings and lease liabilities

As at 30 September 2020, the total borrowings and lease liabilities of the Group, all of which were denominated in Hong Kong dollars, amounted to approximately HK\$14.4 million (at 30 September 2019: approximately HK\$7.4 million) and outstanding committed banking facilities amounted to approximately HK\$12.2 million (as at 30 September 2019: approximately HK\$3.8 million). Among the borrowings:

1. approximately HK\$12.2 million (at 30 September 2019: approximately HK\$3.8 million) was derived from the bank borrowings which bears interest rate at 2.5% per annum as at 30 September 2020 (as at 30 September 2019: at 4.4% per annum); and
2. approximately HK\$2.2 million was derived from lease liabilities of the Group's properties (30 September 2019: HK\$3.6 million was derived from lease liabilities of the Group's properties) ranging from 2.9% to 5.1% per annum (at 30 September 2019: ranging from 2.2% to 5.1% per annum). The decrease in lease liabilities was mainly attributable to the drop of number of leased properties during the nine months ended 30 September 2020 comparing to the same period of 2019, resulting in decrease in lease liabilities arising from the properties leased by the Group.

Pledge of assets

At 30 September 2020, the Group's bank deposits with original maturity over three months with carrying amount of approximately HK\$59.7 million has been pledged to secure general banking facilities granted to the Group (as at 30 September 2019: approximately HK\$6.1 million of bank deposits have been pledged).

As at 30 September 2020, the secured bank borrowing is secured by certain car parks of the Group with the carrying amounts of approximately HK\$3.0 million. As at 30 September 2019, the secured bank borrowing is secured by certain motor vehicles of the Group with the carrying amounts of approximately HK\$9.8 million.

Gearing ratio

At 30 September 2020, the gearing ratio of the Group was approximately 17.8% (as at 30 September 2019: approximately 7.5%). The increase was mainly due to the increase in bank overdrafts and bank borrowings. The gearing ratio is calculated based on the bank borrowings, bank overdrafts and lease liabilities divided by the equity attributable to owners of the Company at the end of the respective period.

DIVIDEND

No interim dividend has been declared or proposed by the Company for the nine months period ended 30 September 2020 (for the nine months period ended 30 September 2019: approximately HK\$8.9 million prior to the Listing).

COMMITMENTS

At 30 September 2020, the Group had capital commitment of approximately HK\$1.1 million (At 30 September 2019: Nil) in respect of the acquisition of property, plant and equipment contracted for but not provided in the unaudited condensed consolidated financial statements.

CONTINGENT LIABILITIES

As at 30 September 2020, the Group had no significant contingent liabilities (as at 30 September 2019: Nil).

Management Discussion And Analysis

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 2020.

PROSPECTS

The Group's strategic objective is to strengthen its established market position in Macau's travel industry in order to generate satisfactory profits and investment returns for the Company's shareholders and drive sustainable growth in the future. To do so, the Group plans to expand its car fleet by acquiring additional vehicles and recruiting additional drivers to meet the increasing demand for in-city multi-purpose car rental services. Also, the Group has been strategically looking for opportunities to cooperate with more hotel operators, other travel agents and corporate customers in Macau. The 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 its hotel base so as to attract business travelers and high spending customers and to increase the Group's market share, and thereby generate a higher sales volume and higher revenue from the Group's other services, such as car rental services. Also, the Group will tap into the business of cooperating with the organisers of singing concerts by sponsoring singing concerts held in Macau of well-known stars and artists and tap into other business opportunities so as to expand the revenue base of sales of hotel rooms and vehicle leasing of the Group so as to capture income source related to the tourism industry in Macau. The Group believe that this can bring synergy to its existing travel business of sales and distribution of hotel room, since some of the singing concert tickets will be sold as a package together with the hotel room, and/or car rental services to its customers.

Historically, the 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 its three service points, which included its headquarters and two on-street shops, respectively. In order to further leverage its marketing capabilities and increase its market share, the Group plans to establish more service points and develop an online platform in the form of an app to market its travel products and services to corporate and retail customers. With the increasing use of internet for travel booking and in order to correspond with the Group's plan to develop an online sales platform, the Group intends to invest in digital marketing through advertising on social media platforms and search engines with a view to increasing its online channel presence and driving online enquiry for its products and services.

During the nine months ended 30 September 2020, the Group's business and financial performance had been significantly and adversely affected by the Pandemic and the travel restrictions and the temporary closure of casinos in Macau imposed by the Macau government. Despite the Pandemic is still on going globally and might continuously affect the business and financial performance of the Group, with the control of the Pandemic in the PRC since the second quarter in 2020, the Macau government gradually open up the border between China and Macau in July 2020 (the "**Measure**"), which might increase the number of PRC tourists to Macau in near future. The Directors expected the Measure from the Macau government could enable the Group to improve the business of the Group gradually. The Directors will continue to closely monitor the Group's exposure to the above.

Management Discussion And Analysis

Despite the uncertain business environment, the Group will continue to explore new hotel operations with attractive terms, so that it could capture market rebound once the market conditions improve. In addition, the Group will continue to scrutinize the business environment, will implement the business strategy as stated in the Prospectus as and when appropriate and will continue to implement cost control measures until the market conditions improve.

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

CORPORATE GOVERNANCE PRACTICE

The Board recognises 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 in all material respects complied with the CG Code for the nine months ended 30 September 2020, except for the deviations of paragraph A.2.1 of the CG Code, which is explained in the paragraph below.

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 CG Code is appropriate in such circumstance.

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 2020.

INTEREST OF THE COMPLIANCE ADVISER

As notified by the Company's compliance adviser, Lego Corporate Finance Limited (the "**Compliance Adviser**"), as at 30 September 2020, save for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 14 March 2019 regarding the receipt of fees for acting as the compliance adviser, 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Shares during the period under review.

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 2020, 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 ^(Note)	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, at 30 September 2020, 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 2020 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 shareholders	Capacity	Number of ordinary shares in interested	Percentage of shareholding
Silver Esteem Limited	Beneficial owner <i>(note 1)</i>	900,000,000	75.0%
Ms. Wong Pui Keng	Interest of spouse <i>(note 2)</i>	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 2020, 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 “**Scheme**”) on 3 September 2019. During the nine months ended 30 September 2020 and up to the date of this report, no option had been granted, agreed to be granted, exercised, cancelled or lapsed under the Scheme.

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 (the “**Model Code**”) 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 under the Model Code during the nine months ended 30 September 2020.

EVENT AFTER REPORTING PERIOD

There is no significant event of the Group occurred after the reporting period up to the date of this report which requires disclosure.

Management Discussion And Analysis

AUDIT COMMITTEE

The Company has established the audit committee (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 the 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 auditor of the Company has not reviewed or audited the condensed consolidated financial statements for the nine months ended 30 September 2020 but the Audit Committee has reviewed the unaudited condensed consolidated financial statements for the nine months ended 30 September 2020 and is of the opinion that the preparation of the condensed consolidated financial statements for the nine months ended 30 September 2020 complies with the applicable accounting standards, the GEM Listing Rules and that adequate disclosures have been made.

By order of the Board

Ying Hai Group Holdings Company Limited
Choi Wai Chan

*Chairman, Chief Executive Officer
and Executive Director*

Hong Kong, 9 November 2020

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>.