

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

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FIRST QUARTERLY REPORT

2021

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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\$1.2 million for the three months ended 31 March 2021 (three months ended 31 March 2020: approximately HK\$14.9 million), representing a significant decrease of approximately HK\$13.7 million or 92.0%.

The Group recorded an unaudited loss for the period attributable to the owners of the Company of approximately HK\$4.5 million for the three months ended 31 March 2021 (three months ended 31 March 2020: unaudited loss for the period attributable to the owners of the Company of approximately HK\$5.2 million).

The basic and diluted loss per share attributable to the owners of the Company for the three months ended 31 March 2021 was HK0.50 cents (three months ended 31 March 2020: the basic and diluted loss per share attributable to the owners of the Company of HK0.58 cents).

The board of Directors (the "**Board**") resolved not to recommend payment of any dividend for the three months ended 31 March 2021.

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

For the three months period ended 31 March 2021

The Board is pleased to present the unaudited condensed consolidated results of the Group for the three months ended 31 March 2021, together with the unaudited comparative figures for the respective corresponding period of 2020 as follows:

	Notes	For the three months period ended 31 March	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Revenue	3	1,153	14,871
Cost of sales		(933)	(13,191)
Gross profit	4	220	1,680
Other gain and income		102	62
Administrative expenses		(4,743)	(6,907)
Share result of associate		72	—
Finance costs	5	(154)	(26)
Loss before tax	6	(4,503)	(5,191)
Income tax expenses	7	—	—
Loss for the period		(4,503)	(5,191)
Other comprehensive income/(loss)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements		8	(69)
Total comprehensive loss for the period		(4,495)	(5,260)
Loss for the period attributable to owner of the Company		(4,503)	(5,191)
Total comprehensive loss for the period attributable to owners of the Company		(4,495)	(5,260)
Loss per share:			
Basic and diluted	8	HK(0.50) cents	HK(0.58) cents

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 three months period ended 31 March 2021

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Statutory reserve HK\$'000	Translation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2020 (audited)	12,000	50,302	3,011	801	(93)	32,221	98,242
Loss for the period	—	—	—	—	—	(5,191)	(5,191)
Other comprehensive loss:							
Exchange differences arising from translation of financial statements	—	—	—	—	(69)	—	(69)
Total comprehensive loss for the period	—	—	—	—	(69)	(5,191)	(5,260)
At 31 March 2020 (unaudited)	12,000	50,302	3,011	801	(162)	27,030	92,982
At 1 January 2021 (audited)	12,000	50,302	3,011	801	43	6,749	72,906
Loss for the period	—	—	—	—	—	(4,503)	(4,503)
Other comprehensive income:							
Exchange differences arising from translation of financial statements	—	—	—	—	8	—	8
Total comprehensive income/(loss) for the period	—	—	—	—	8	(4,503)	(4,495)
At 31 March 2021 (unaudited)	12,000	50,302	3,011	801	51	2,246	68,411

Notes to the Unaudited Condensed Consolidated Financial Statements

1. GENERAL INFORMATION

Ying Hai Group Holdings Company Limited (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 of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing**”) by the way of share offer (the “**Share Offer**”) on 26 September 2019 (the “**Listing Date**”). The address of the Company’s registered office is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The principal place of business 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 a director of the Company.

The Company is an investment holding company and its subsidiaries (collectively referred to as the “**Group**”) 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 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. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed financial statements for the three months ended 31 March 2021 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 Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosures required by the GEM Listing Rules. Except for the application of new and revised HKFRSs issued by the HKICPA that are effective for the annual periods beginning on or after 1 January 2021, the principal accounting policies used in the preparation of unaudited condensed financial statements for the three months ended 31 March 2021 are consistent with those adopted in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2020.

For the three months ended 31 March 2021, the Group has applied all new and revised HKFRSs issued by the HKICPA that are effective for the Group’s financial year beginning on or after 1 January 2021. The application of the new and revised HKFRSs has had no material effect on the amounts reported and/or the disclosures set out in the unaudited condensed financial statements for the three months ended 31 March 2021.

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 financial statements for the three months ended 31 March 2021 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

3. REVENUE AND SEGMENT INFORMATION

	For the three months period ended 31 March	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Sales and provision of hotel rooms, air tickets and other ancillary travel-related products and services	894	13,423
Provision of car rental services	259	1,448
	1,153	14,871

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 three months period ended 31 March 2021 (unaudited)

	Travel Business HK\$'000 (Unaudited)	Vehicle business HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Reportable segment revenue	894	259	1,153
Reportable segment results	(2,110)	(1,187)	(3,297)
Interest income			1
Government grants			97
Share of profit of associate			72
Unallocated income and expenses			(1,376)
Loss before tax			(4,503)

For the three months period ended 31 March 2020 (unaudited)

	Travel Business HK\$'000 (Unaudited)	Vehicle business HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Reportable segment revenue	13,423	1,448	14,871
Reportable segment results	(2,429)	(1,627)	(4,056)
Interest income			37
Unallocated income and expenses			(1,172)
Loss before tax			(5,191)

Adjusted earnings before interest, tax and depreciation is also a measurement basis regularly reviewed by the Directors in performance assessment between segment and revenue allocation. This measurement basis is consistent with that of segment results except that finance costs, depreciation expenses 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

	For the three months period ended 31 March	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Interest income	1	37
Government grants	97	—
Sundry income	4	25
	102	62

5. FINANCE COSTS

	For the three months period ended 31 March	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Interest on lease liabilities	69	26
Interest on bank borrowing	85	—
	154	26

6. LOSS BEFORE TAX

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

	For the three months period ended 31 March	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Depreciation of property, plant and equipment	1,184	943
Depreciation of right-of-use assets	307	746
Amortisation of intangible asset	142	—
Impairment reversal on trade and other receivables, net	(550)	—
Lease payment under operating lease in respect of leased assets	325	171
Employee benefit expenses (including directors' remuneration)		
– Salaries, allowances and benefits in kind	2,324	4,173
– Retirement benefit scheme contribution	116	57
	2,440	4,230

Notes to the Unaudited Condensed Consolidated Financial Statements

7. INCOME TAX EXPENSES

Macau Complementary Tax are calculated at 12% of the estimated assessable profits for both periods.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both periods.

No provision for Macau complementation Tax, Hong Kong Profits Tax and PRC Enterprise Income Tax have been made as there is no assessable profits for the three-months ended 31 March 2021.

Taxation arising in other jurisdictions is calculated at the rate prevailing in the relevant jurisdictions.

8. LOSS PER SHARE

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

	For the three months period ended 31 March	
	2021 HK\$'000 (unaudited)	2020 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	4,503	(5,191)
Number of shares	'000	'000
Weighted average number of shares for the purpose of calculating basic and diluted loss per share	900,000	900,000

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

9. DIVIDEND

No dividend has been paid or declared or proposed to be paid or declared by the Company for the three months ended 31 March 2021 (for the three months ended 31 March 2020: Nil).

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 and cooperation with organisers of singing concerts.

The Company has successfully listed its Shares on GEM of the Stock Exchange (the “**Listing**”) on 26 September 2019 (the “**Listing Date**”).

FINANCIAL REVIEW

Revenue

The Group’s revenue decreased significantly by approximately 92.0% from approximately HK\$14.9 million for the three months period ended 31 March 2020 to approximately HK\$1.2 million for the three months period ended 31 March 2021. 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**”) since early 2020 and the travel restrictions imposed by the Macau government, which led to the drastic decrease in number of visitor visiting during the three months period ended 31 March 2021. According to the latest statistics released by Macao Government Tourism Office, the number of visitors visiting Macau has dropped by approximately 67.3% for the first two months of 2021, as compared to the corresponding period in 2020.

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 three months period ended 31 March 2020 and 2021, the cost of sales amounted to approximately HK\$13.2 million and HK\$0.9 million, respectively, representing a decrease of approximately 93.2% during the period as compared to that of the previous period. 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 three months period ended 31 March 2021 amounted to approximately HK\$0.2 million, representing a decrease of approximately 88.2% as compared to approximately HK\$1.7 million for the three month period ended 31 March 2020. 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\$62,000 for the three months period ended 31 March 2020 to approximately HK\$0.1 million for the three months ended 31 March 2021. The increase in other income and gains was mainly due to the government grant received during the three months period ended 31 March 2021.

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 and advertising and promotion expenses. The Group's administrative expenses decreased from approximately HK\$6.9 million for the three months ended 31 March 2020 to approximately HK\$4.7 million for the three months ended 31 March 2021, representing a decrease of approximately 31.9%. The decrease in administrative expenses was mainly attributable to the decrease in staff cost and decrease in depreciation.

Income tax expenses

The Group has no income tax expenses for the three months ended 31 March 2020 and 2021, mainly due to the no taxable profit during the period.

Finance costs

The Group's finance costs increased from approximately HK\$26,000 for the three months period ended 31 March 2020 to approximately HK\$0.2 million for the three months periods ended 31 March 2021. The increased in finance cost was mainly attributable to the interest paid to the bank borrowings.

Loss for the period

The Group recorded a loss of approximately HK\$5.3 million and HK\$4.5 million for the three months period ended 31 March 2020 and 2021. The decrease of loss was mainly attributable to the decrease in administrative expenses, which was mainly attributable to the decrease in employee benefits expenses and depreciation expenses.

Use of net proceeds from the Listing

The net proceeds (the "Net Proceeds") from the Listing, after deducting the actual underwriting fees and expenses paid by the Company, amounted to approximately HK\$39.3 million. The intended use of proceeds are more particularly set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 13 September 2019 (the "Prospectus") and subsequently amended as summarized in the announcement of the Company dated 3 May 2021 (the "Announcement") and the actual use of proceeds from the Listing Date to the date of this report are set forth below:

	Adjusted use of proceeds as stated in the Announcement (HK\$'000)	Actual amount of proceeds utilised from the Listing Date to 3 May 2021 (HK\$'000)	Unutilised amount out of the proceeds (HK\$'000)	Expected timeline for the intended Use of the Net proceeds
Expansion of car fleet	3,965	3,965	—	—
Corporate with more hotel	6,480	—	6,480	December 2021
Increase our marketing and expansion of our sales channel	2,319	2,319	—	—
Improve the efficiency of our operation	1,485	1,485	—	—
Expand our workforce	824	824	—	—
General working capital	1,080	510	570	December 2022
Cooperating with the organizer of singing concerts	22,186	—	22,186	December 2021
Expansion of tourism business to the PRC	957	—	957	December 2021
Total	39,296	9,103	30,193	

Management Discussion and Analysis

As disclosed in the Announcement, the Group's financial performance and condition were affected by the Pandemic since 2020. In view of the adverse impact of the Pandemic on the Group's business, the Board resolved to adjust the business strategies in order to diversify business operations risk and to cope with the economic uncertainty in the future by reallocating the unutilised Net Proceeds from the Listing. For further details in relation to the reallocation, please refer to the Company's announcement dated 3 May 2021. The Group plans to utilise the unutilised portion of the Net Proceeds from the Listing during the coming years ending 31 December 2021 and 2022.

All the unutilised balances have been placed in licensed banks in Macau.

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 and the Announcement	Actual business progress up to date of this report
Expand our car fleet	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.
Cooperate with more hotel operators	We are in the progress of identifying popular and quality hotels to cooperate with, subject to the control of the Pandemic.
Cooperating with the organiser of singing concerts	Reference has been disclosed in the Announcement, we will cooperate with the organiser of singing concerts by sponsoring singing concerts held in the PRC and Macau of well-known stars and artists, subject to market demand in both the PRC and Macau.
Expansion of tourism business to the PRC	Reference has been disclosed in the Announcement, the Group plans to expand its tourism business to the PRC in order to diversify its business. We are in the progress of identifying tourism business opportunities in the PRC.

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 after the imposition of the travel restrictions 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 our new sales channel;
- (4) In an increasingly volatile and complex business environment, the Group may face change in consumer behavior and high competition when we launch our business plan; and

Management Discussion and Analysis

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

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 Group's business and operation may continue to be seriously affected by the Pandemic or other public health incident, which may cause lock-down, travel restrictions and suspension of work in Macau, the PRC, Hong Kong or elsewhere and closure of casinos in Macau. 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. 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.
4. 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.
5. Historically, the Group's revenue was substantially generated from the sales and distribution of hotel rooms from certain hotel operators in Macau (the "**Hotel Operators**"), and the Group's business and results of operation may be adversely affected if (i) the Hotel Operators terminate or refuse to renew the relevant agreement or (ii) the renewed terms become less favourable to the Group.
6. 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.
7. 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.
8. 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.
9. 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 POLICY

The Directors believe that employees are an important asset to the Group and the quality of the employees is an important factor in sustaining the Group's business growth and improving its profitability. The Group's remuneration package is structured with reference to the individual performance, working experience and prevailing salary levels in the market. In addition to basic salary and contributions to the mandatory provident fund, staff benefits also include medical insurance scheme and the share option scheme.

At 31 March 2021, the Group had a total of 94 employees (2020: 83 employees). The Group's staff costs, including Directors' emoluments, amounted to approximately HK\$2.4 million for the three months period ended 31 March 2021 (2020: approximately HK\$4.2 million) representing a decrease of approximately 42.9%. The decrease was mainly due to the reduction of salaries of certain staffs. 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

There was no material acquisition or disposal of subsidiaries, associate companies or joint ventures during the three months period ended 31 March 2021 and up to the date of this report.

SIGNIFICANT INVESTMENTS HELD

Save as the Company's investment in various subsidiaries and an associate, the Group did not hold any significant investments at 31 March 2021.

LIQUIDITY AND FINANCIAL RESOURCES

Capital structure

There has been no material change in the share capital structure of the Company during the three months period ended 31 March 2021.

Cash position

At 31 March 2021, the bank balances and cash of the Group were approximately of HKD47.1 million (at 31 March 2020: approximately of HKD66.1 million). The decrease was mainly due to (i) acquisition of an associate company, (ii) purchase of car parking lots and (iii) the use of cash as working capital.

At 31 March 2020 and 2021, the Group's bank deposits with maturity dates over three months are of approximately HK\$59.7 million and HK\$30.3 million respectively, which were placed in a bank to secure general banking facilities in support of guarantees in favour of the suppliers of the Group and to the Macau government to obtain travel agent licence in Macau. The decrease was mainly attributable to certain bank deposits with maturity dates over three months being transferred to the cash and cash equivalent.

Management Discussion and Analysis

Borrowings and lease liabilities

At 31 March 2021, the total borrowings and lease liabilities of the Group, all of which were denominated in Hong Kong dollars, amounted to approximately HK\$13.8 million (at 31 March 2020: approximately HK\$2.8 million) and the outstanding committed banking facilities of the Group amounted to approximately HK\$8.9 million (at 31 March 2020: Nil). Amount of approximately HK\$6.9 million banking facilities was guaranteed by the Company and amount of approximately HK\$2.0 million banking facilities was secured by the properties with carry amount of approximately HK\$2.9 million.

Pledge of assets

At 31 March 2020 and 2021, the Group's bank deposits with maturity dates over three months with amount of approximately HK\$5.0 million and HK\$59.7 million respectively, have been pledged to secure general banking facilities granted to the Group and guarantees issued to the suppliers of the Group as general trade deposits and to the government of the Macau Special Administrative Region (the "government of Macau SAR") to obtain travel agent licence in Macau.

At 31 March 2021, the Group's has pledged properties with carry amount of approximately HK\$2.9 million to secure bank borrowings with carrying amounts of approximately HK\$2.0 million. The properties are the carparking space that located in Macau.

Gearing ratio

At 31 March 2021, the gearing ratio of the Group was approximately 20.2% (at 31 March 2020: approximately 3.0%). The increase was mainly due to the increase in bank borrowings and decrease in the equity attributable to owners of the Company. 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 three months period ended 31 March 2021 (for the three months period ended 31 March 2020: Nil).

COMMITMENTS

At 31 March 2021, the Group had capital commitment of approximately HK\$1.9 million (At 31 March 2020: approximately HK\$1.1 million) in respect of the acquisition of property, plant and equipment contracted for but not provided in the unaudited condensed consolidated financial statements.

CONTINGENT LIABILITIES

At 31 March 2021, the Group had no significant contingent liabilities (at 31 March 2020: 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 three months period ended 31 March 2021.

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 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 and the PRC of well-known stars and artists, expand the tourism business to the PRC 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 believes 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.

During the three months period ended 31 March 2021, the Group's business and financial performance had been significantly and adversely affected by the Pandemic, which led to 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 of 2020, the Macau government gradually open up the border between the PRC and Macau in 2020 (the "**Measure**"), which might increase the number of PRC tourists to Macau in 2021. 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.

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, and 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 a steady return as well as growth prospects for the Company's shareholders.

Management Discussion and Analysis

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 three months period ended 31 March 2021, except for the deviations of paragraph A.2.1 of the CG Code, which is explained in the paragraph below.

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 Wai Chan 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 Wai Chan 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 and in the interest of the Company.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the three months period ended 31 March 2021 and up to the date of this report, none of the Directors or the controlling shareholders their close associates (as defined under the GEM Listing Rules) has any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

INTEREST OF THE COMPLIANCE ADVISER

As notified by the Group's compliance adviser, Lego Corporate Finance Limited (the "Compliance Adviser"), at 31 March 2021, 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.

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 three months period ended 31 March 2021 and up to the date of this report.

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 31 March 2021, 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 31 March 2021, 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 31 March 2021 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 31 March 2021, 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 three months ended 31 March 2021 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 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 three months period ended 31 March 2021 and up to the date of this report.

Management Discussion and Analysis

EVENT AFTER REPORTING PERIOD

Apart from the announcement of the Company dated 4 May 2021, the Group had no material events for disclosure subsequent to 31 March 2021 and up to the date of this report.

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 three months ended 31 March 2021 but the Audit Committee has reviewed the unaudited condensed consolidated financial statements for the three months ended 31 March 2021 and is of the opinion that the preparation of the condensed consolidated financial statements for the three months ended 31 March 2021 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, 10 May 2021

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>.