



# 英記茶莊

## YING KEE TEA HOUSE

**YING KEE TEA HOUSE GROUP LIMITED**

**英記茶莊集團有限公司**

(Incorporated in Hong Kong with limited liability)

Stock code : 8241

**ANNUAL REPORT**  
**2022/2023**



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





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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

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

### Independent Non-executive Directors

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

## COMPANY SECRETARY

Mr. So Stephen Hon Cheung

## AUTHORISED REPRESENTATIVES

Mr. Chan Kun Yuen  
Mr. So Stephen Hon Cheung

## COMPLIANCE OFFICER

Mr. Chan Kun Yuen

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## REGISTERED OFFICE

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

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

## LEGAL ADVISER AS TO HONG KONG LAW

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

## PRINCIPAL BANKERS

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

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

Hang Seng Bank Limited  
Room 1201-06, 12/F  
18 Carnarvon Road  
Tsimshatsui, Kowloon  
Hong Kong

## SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

## INDEPENDENT AUDITOR

Grant Thornton Hong Kong Limited  
11/F, Lee Garden Two  
28 Yun Ping Road  
Causeway Bay  
Hong Kong

## STOCK CODE

8241

## WEBSITE OF THE COMPANY

[www.yingkeetea.com](http://www.yingkeetea.com)

# CHAIRMAN'S STATEMENT





# CHAIRMAN'S STATEMENT

Dear Stakeholders,

On behalf of the board of directors (the "**Board**") of Ying Kee Tea House Group Limited (the "**Company**", and together with its subsidiaries, the "**Group**"), I am pleased to present the annual report of the Company for the year ended 31 March 2023.

## OVERVIEW

The Novel Coronavirus ("**COVID-19**"), with its various strains including Delta and Omicron, has eased after the local residents took vaccinations and confirmed cases under proper control. During the year ended 31 March 2023, the Hong Kong Government has relaxed gradually on imposing rules for number of people in gatherings and removed the compulsory masks wearing in public on 1 March 2023. All these measures improve people's desire to shop and dine, thus strengthening the retail block in terms of revenue and profits.

Revenue of the Group for the year ended 31 March 2023 amounted to HK\$37.4 million, as compared to HK\$36.1 million for the year ended 31 March 2022, an increase of 3.8%. The Board considers that with the resumption of tourism in town, the revenue would further escalate in the future.

The Group continued to pursue ways of reducing costs and expenses, including but not limited to reduced rent negotiation, salary control, adjusting adequate discretionary expenses and cutting down on staff year-end bonuses.

As at 31 March 2023, Ying Kee Tea Company Limited ("**Ying Kee**") had 11 retail shops and concession counters selling more than 80 products.

Throughout the year ended 31 March 2023, the Board closely monitored the financial position of the Group to ensure a prudent cashflow control and healthy operations for better liquidity and sustainability. Senior management designated a team of highly efficient and effective staff to streamline the operation procedures. Consequently, the head count was maintained to an adequate level to balance the loss of sales with staff retention levels for the year ended 31 March 2023.

The Group recorded a net loss attributable to the owners of the Group of approximately HK\$6.7 million for the year ended 31 March 2023, while the net loss in previous year was approximately HK\$7.8 million. Indirect sales through HKTVmall continued to climb to compensate part of the loss of sales in conventional shops and concessionary counters. In conjunction with the stable sales amount, there was no material disruption to the supply chain and processing activities during the year ended 31 March 2023.



## OUTLOOK

Net proceeds from issue of new shares of the Group at the time of its listing on GEM after deducting corresponding fees, commission and expenses totalled HK\$25.2 million. All proceeds had been utilised as of 31 March 2023.

The Board expects the retail market remains prudent but optimistic. At this juncture, the Board will continue to ensure stability in operation, monitor cashflow, follow up on interest fluctuations and maintain good relationship with banks.

## APPRECIATION

Finally, on behalf of the Board, I would like to offer my sincere appreciation and gratitude to our shareholders, business associates, customers and suppliers for their faithful support to and confidence in the Group, especially to our colleagues for their dedication and effort, which is crucial in the era of anxiety caused by the COVID-19 pandemic. In the upcoming year, we will continue to monitor the operation with due care and diligence to guide our business back to the normal track.

Yours sincerely,

**Chan Kwong Yuen**

*Chairman of the Board*

Hong Kong, 23 June 2023



**MANAGEMENT  
DISCUSSION AND  
ANALYSIS**



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS AND OPERATIONAL REVIEW

For the year ended 31 March 2023, the Group continued to experience a distressed retail environment with retail businesses reeling from tightened social distancing measures caused by the unprecedented spread of the Omicron and Delta variants of COVID-19 in Hong Kong during the former half of the year.

The outbreak of the COVID-19 pandemic since January 2020 and continuing through to the date of this annual report has continued to have a phenomenal impact on the contraction of retail turnover. In light of the drastic lockdown and disease prevention measures adopted by the Hong Kong Government throughout year, especially during the former half thereof, our shops and concessionary counters had reduced their business hours, thereby leading to reduced sales activity.

With the gradual decline in COVID-19 cases and increased uptake of vaccination in Hong Kong and abroad, it is hoped that the economy would gradually recover. The lifting of the ban of wearing facial masks in public by HKSAR on 1 March 2023 had provided relief to social gathering which enlivened the activities of the general public. Though not a robust revamp to the economy, the relaxing of restrictive measures gave the general public sufficient confidence that the pandemic would gradually diminish in scale. Nonetheless, it is difficult to predict the course of the COVID-19 pandemic with multiple mutation and it may continue to have a negative impact on the global and local economy which may adversely affect the Group's business. As such, the Group remains cautiously optimistic about the prospects of the industry and the overall retail environment in Hong Kong.

## FINANCIAL REVIEW

### Revenue, Gross Profit and Net Loss

The consolidated revenue of the Group for the financial year ended 31 March 2023 (the "Reporting Year") reached approximately HK\$37.4 million (2022: HK\$36.1 million), representing an increase of 3.8%. The gross profit

for the year amounted to approximately HK\$28.7 million (2022: HK\$27.9 million), increasing by 2.9% year-on-year. Gross profit margin was 76.8% (2022: 77.3%), which is lower than that of last year. Net loss for the Reporting Year was approximately HK\$6.7 million (2022: Net loss of HK\$7.8 million). The loss for the Reporting Year was mainly due to the decrease in gross profit margin, increase in rental expenses and impairment loss. Basic and diluted loss per share attributable to equity holders of the Company was HK1.85 cents (2022: loss per share of HK2.15 cents) for the Reporting Year.

### Segmental Information

For the Reporting Year, tea leaves were still the predominant products sold with a percentage of 96.5% of total revenue (2022: 96.5%). Tea wares and tea gift sets recorded percentage of 2.9% and 0.5% respectively of total revenue (2022: 2.9% and 0.6% respectively), representing a lower proportion of sales as compared with that of tea leaves. Regarding the sales of tea leaves, Pu-erh tea remained the most popular product, followed by oolong tea and fragrant tea. Their percentages of sales relative to total sales were 37.9% (2022: 40.8%), 26.7% (2022: 24.5%) and 12.0% (2022: 11.4%) respectively.

### Other Income

Income derived from the Employment Support Scheme ("ESS") increased approximately HK\$1.3 million for the Reporting Year, primarily due to the HKSAR's subsidy to compensate companies in lieu of reducing work force. No such income from ESS was received for the year ended 31 March 2022.

### Selling and Distribution Costs

For the Reporting Year, the costs of selling and distribution amounted to approximately HK\$2.0 million (2022: HK\$1.6 million), representing an increase of 27.1% as compared to that of the year ended 31 March 2022 as a result of the reallocation of credit card charges, which is amounted to HK\$317,000, from administrative expenses to selling and distribution costs.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Administrative Expenses

The following expenses increased or decreased for the Reporting Year relative to those for the year ended 31 March 2022, due to the following:

1. Depreciation of property, plant and equipment decreased by 2.5% from approximately HK\$4.4 million to approximately HK\$4.3 million;
2. The depreciation on the right of use of leased assets, which increased by 4.6% from approximately HK\$6.0 million to approximately HK\$6.2 million;
3. Additional provision for long services payment of approximately HK\$0.7 million was made (2022: HK\$Nil);
4. Staff salaries increased by 2.0% from approximately HK\$9.8 million to approximately HK\$10.0 million due to increase of salaries to front end staff;
5. Rent on shops and booths increased by 12.4% from approximately HK\$1.9 million to approximately HK\$2.1 million because of increase in sales in concessionary counters; and
6. Impairment loss increased to approximately HK\$1.6 million (2022: HK\$0.4 million) on property, plant and equipment.

## Finance Costs

For the Reporting Year, the finance costs, which were basically bank borrowing interest, finance lease interest, imputed interest expense from promissory notes, were in the aggregate of approximately HK\$3.3 million (2022: HK\$3.2 million). The reason for the increase of 4.4% was

due to the increase of interest on principal of secured loans. The properties acquired were collateralised to the lending bank with some restrictive covenants.

Carrying value of acquired properties as at the end of the Reporting Year	HK\$91.2 million
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Bank borrowings secured by the properties as at the end of the Reporting Year	HK\$43.3 million
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## Inventory Control

The net carrying value of the Group's inventories was approximately HK\$7.0 million (2022: HK\$6.9 million) as at the end of the Reporting Year.

The main reason for keeping the inventory level unchanged was due to the Directors' decision not to over-stock during a period of uncertainty.

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



# MANAGEMENT DISCUSSION AND ANALYSIS

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

- Stocktake by shop manager and warehouse staff was carried out every month;
- Reconciliation of physical stock and amount in the accounting system was performed by the shop manager and accountant every month;
- Office personnel observed the physical stocktake by shop manager and warehouse staff every quarter; and
- Warehouse staff regularly checked for inventory damage and spoilage for proper provision at the end of each quarter.

## Trade and other receivables

As at the end of the Reporting Year, trade and other receivables increased to approximately HK\$2.6 million from approximately HK\$2.3 million for the year ended 31 March 2023, representing an increase by approximately HK\$0.3 million or 13.1%. The increment was primarily due to decrease of non-current portion of rental deposits. As at the end of the Reporting Year, rental and other deposits decreased from approximately HK\$1.7 million or 2.6% to approximately HK\$1.6 million, as at 31 March 2023.

## LIQUIDITY AND CASH FLOW MANAGEMENT

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

As at the end of the Reporting Year, the Group's net current liabilities amounted to approximately HK\$6.5 million (2022: HK\$6.4 million), which was an increase of approximately HK\$0.1 million or 2.2% compared to the previous year, due to increase in current bank borrowings. Cash and bank balances amounted to approximately HK\$2.3 million (2022: HK\$1.9 million), representing an increase of approximately HK\$0.4 million or 21.8%, compared with that at 31 March 2022.

There were no time deposits as at the end of the Reporting Year, which is consistent with the previous year.

## Trade and Other Payables

As at the end of the Reporting Year, trade and other payables decreased HK\$0.1 million from approximately HK\$1.0 million for the year ended 31 March 2022 to approximately HK\$0.9 million. The decrease was not significant as compared to that of previous year.

## CHARGE OF GROUP'S ASSETS

As at the end of the Reporting Year, the Group had first and second legal charges on ownership and rental right respectively of the Group's assets, namely, property at Shop B, Ground Floor, Siu Ying Commercial Building, 151–155 Queen's Road Central, 1–1B Wing Kut Street, Hong Kong and the property at Ground Floor, Mei Wah Building No. 170 Johnston Road, Wanchai, Hong Kong as securities for the banking facilities granted to the Group.

Save as disclosed above, there was no other material charge on the Group's assets for the Reporting Year.

## SIGNIFICANT INVESTMENT

There was no significant investment during the Reporting Year and as at the end of the Reporting Year, there was no significant investment held by the Group.



# MANAGEMENT DISCUSSION AND ANALYSIS

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARY, ASSOCIATES AND JOINT VENTURES

There were no material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Year.

## CAPITAL STRUCTURE

The shares of the Company (the “**Shares**”) were listed on GEM of the Stock Exchange on 16 April 2018. There has been no change in the capital structure of the Group since then and share capital of the Group only comprises of ordinary Shares. As at the end of the Reporting Year, the Company had 361,450,000 ordinary shares in issue.

### Equity

Equity attributable to owners of the Company amounted to approximately HK\$20.7 million as at the end of the Reporting Year (2022: HK\$20.4 million), representing an increase of approximately HK\$0.3 million or 1.7%.

## TREASURY POLICY

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

## FOREIGN EXCHANGE EXPOSURE

Since all of the assets and liabilities are situated in Hong Kong and almost all of the revenue is generated from Hong Kong, the functional and reporting currency is Hong Kong dollar. There were no hedging instruments except bank deposit and cash in hand of RMB7,000 (2022: RMB181,000). For payment of purchases in Renminbi or US dollars, the Directors considered that the foreign exchange exposure was fairly covered as purchases in Renminbi represented 14.3% (2022: 4.8%) of the total purchases, and in US dollars a mere 2.0% of the total purchase (2022: Nil).

## EMPLOYEES AND REMUNERATION POLICIES

As at the end of the Reporting Year, the Group had 55 employees (2022: 52 employees) working in Hong Kong. Employees are remunerated based on their qualifications, position and performance. The remuneration offered to employees generally includes salaries, allowances and discretionary bonus. Various training was provided to the employees. The total staff costs including remuneration of the Directors, mandatory provident fund contributions and provision for long service payment for the Reporting Year amounted to approximately HK\$14.2 million (2022: HK\$13.3 million). The Group has also adopted a share option scheme whereby qualified participants may be granted options to acquire Shares. During the Reporting Year, none of share options granted to the Directors and employees (2022: HK\$Nil).

### Defined Contribution Plan

The Group operates a defined contribution retirement benefit plan (the “**MPF Scheme**”) for all of its employees in Hong Kong in accordance with the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). All employees in Hong Kong are required to join the MPF Scheme and the employees and their employer are each required to contribute 5% of their gross earnings with a current ceiling of HK\$1,500 per month to the MPF Scheme. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme. The contributions charged to the consolidated statement of profit or loss and other comprehensive income represents the contributions payable to the funds by the Group. The Group does not forfeit any contributions on behalf of its employees who leave the scheme prior to full vesting. Accordingly, there is no forfeited contribution available for the Group to reduce the existing level of contributions.



# MANAGEMENT DISCUSSION AND ANALYSIS

## CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at the end of the Reporting Year (2022: Nil).

## COMMITMENTS

The contract commitments mainly involve rental payable by the Group in respect of certain shops, concessionary counters, office and warehouse premises under operating leases arrangements. As at the end of Reporting Year, the Group's operating lease commitments were approximately HK\$0.4 million (2022: HK\$0.2 million). No other contractual commitments as at the end of the Reporting Year (2022: HK\$0.1 million).

## DIVIDENDS

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

During the Reporting Year, the Group did not declare any interim dividend (2022: Nil) to shareholders.

## GEARING RATIO

The debt to equity ratio is calculated by dividing bank borrowings by total equity.

As at the end of the Reporting Year, the debt to equity ratio of the Group stood at 229.2% (2022: 237.1%). The decrease was mainly due to decrease in bank borrowings.

## CAPITAL EXPENDITURE

For the Reporting Year, the Group's capital expenditure amounted to approximately HK\$51,000 (2022: approximately HK\$0.2 million), mainly for machinery and equipment.

## FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS AND THEIR EXPECTED SOURCES OF FUNDING

Future plan for material investments or capital assets and their expected sources of funding for the forthcoming year are set out on pages 231 to 241 under the heading "FUTURE PLANS AND USE OF PROCEEDS" in the prospectus of the Company dated 23 March 2018 (the "Prospectus"). Due to prevailing economic uncertainty, the Group decided not to open any shop or concessionary counter until situation improves.

## USE OF PROCEEDS

The net proceeds from the issue of new shares of the Group at the time of its listing on GEM on 16 April 2018 through the share offer of 90,000,000 shares in the share capital of the Group at the price of HK\$0.54 per share, after deduction of the underwriting commission and actual expenses paid by the Group in connection thereto, were approximately HK\$25.2 million. All proceeds had been utilized as of at the end of the Reporting Year.

During the year ended 31 March 2021, the Board resolved to change the use of the net proceeds and allocated additional unutilized net proceeds as general working capital to enable the Group to have more flexibility in responding to the uncertainty in the retail market caused by the COVID-19 pandemic. For details of the change in use of proceeds, please refer to the annual report of the Company for the year ended 31 March 2021 and the announcement of the Company dated 22 July 2020.



## MANAGEMENT DISCUSSION AND ANALYSIS

As at the end of the Reporting Year, the Group's planned application and actual utilization of the net proceeds are set out below:

<b>Use of Proceeds</b>	<b>Planned applications before change of use in proceeds in July 2020</b> HK\$'000	<b>Planned application after change of use in proceeds in July 2020</b> HK\$'000	<b>Actual usage up to the end of the Reporting Year</b> HK\$'000
Opened new retail points in Hong Kong	12,551	6,056	6,056
Enhanced management capability and efficiency through improvement of information system	3,377	3,377	3,377
Expanded human resources	655	655	655
Repaid bank loan	3,780	3,780	3,780
Renovation of office and warehouse	2,420	1,371	1,371
General working capital	2,420	9,964	9,964
<b>Total</b>	<b>25,203</b>	<b>25,203</b>	<b>25,203</b>

# MANAGEMENT DISCUSSION AND ANALYSIS



## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives of the Group as set out in the Prospectus with the Group's actual business progress for the Reporting Year is set out below:

Business Objectives	Actual Business Progress
Open new retail points in Hong Kong	
<ul style="list-style-type: none"><li>Locate and renovate premises for tea leaves retail shop and payment of rental related expenses</li></ul>	The Company opened one beverage shop in Tsim Sha Tsui (" <b>Shop 13</b> ") during the year ended 31 March 2020.
<ul style="list-style-type: none"><li>Recruit sales staff for new shop and payment of salary</li></ul>	The Company did not use the net proceeds for (i) location and renovation for Shop 13 and payment of rental related expenses, and (ii) recruitment of sales staff for Shop 13 and payment of salary.  At the end of the Reporting Year, HK\$6.1 million of the fund available has been utilised. The unutilised portion has been reallocated to general working capital of which approximately HK\$6.5 million has been utilized.
Enhance management capability and efficiency through improvement of information system	
<ul style="list-style-type: none"><li>Engage third party to enhance the existing information system in the areas of accounting, procurement, customer relationship management, inventory and human resources</li></ul>	The Company engaged service providers to enhance the existing information system in the areas of accounting, procurement, customer relationship management, inventory and human resources.  As at the end of the Reporting Year, 100% of the fund available has been utilised.



# MANAGEMENT DISCUSSION AND ANALYSIS

Business Objectives	Actual Business Progress
Expand our human resources	
<ul style="list-style-type: none"><li>Payment of salary for the accounting officer</li></ul>	All of the HK\$655,000 has been used to recruit accounting personnel.
Repay bank loan	
<ul style="list-style-type: none"><li>Repay outstanding loan under the banking facilities with a bank</li></ul>	100% of fund available has been used as at the end of the Reporting Year.
Renovation of our office and warehouse	
<ul style="list-style-type: none"><li>Payment for renovating our office and warehouse in Siu Sai Wan</li></ul>	Approximately HK\$1.4 million, being approximately 56.7% of fund available for renovation of office and warehouse in the amount of approximately HK\$2.4 million has been used. Renovation has been completed.  The unutilised portion has been reallocated to general working capital, of which approximately HK\$1.0 million has been utilised as at the end of the Reporting Year.

# MANAGEMENT DISCUSSION AND ANALYSIS



## PRINCIPAL RISKS AND UNCERTAINTIES

### Credit Risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that only well-established customers will be considered for open account terms and the approval of credit terms is subject to stringent credit check procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

### Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to its bank borrowings. However, the interest rate risk was low, as the interest rate fluctuations during the Reporting Year were small due to the weak global economy.

### Liquidity Risk

The Group monitors its risk to a shortage of funds using monthly cash flow forecast. The Group's objective is to maintain a balance between continuity of funding and flexibility through cash from funds generated from operations.

Please refer to note 26 to the consolidated financial statements for further details of financial risks faced by the Group.

## RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

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

## EVENTS AFTER THE END OF THE REPORTING YEAR

### Extension of maturity date of the promissory notes

Two promissory notes (the "Promissory Notes") dated 25 March 2020 were issued by the Company in the principal sum of HK\$25.0 million and HK\$25.5 million for settlement of part of the consideration for the acquisition of (a) Shop B on Ground Floor, Siu Ying Commercial Building, Nos. 151–155 Queen's Road Central, Hong Kong and (b) Ground Floor, Mei Wah Building, No. 170 Johnston Road, Wan Chai, Hong Kong respectively. With part of the Promissory Notes in the aggregate principal amount of HK\$10 million being repaid by the Company, on 8 June 2023, the maturity date of the Promissory Notes in the outstanding aggregate principal amount of HK\$40.5 million was extended for 3 years to 25 March 2026. For details of the acquisition and extension maturity date of the Promissory Notes, please refer to the circular of the Company dated 28 February 2020 and the announcements of the Company dated 4 February 2020, 24 February 2020, 25 March 2020 and 8 June 2023.

Save as disclosed above and in this annual report, the Directors are not aware of any significant event taking place after 31 March 2023 and up to the date of this annual report requiring disclosure.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## OBJECTIVES

The Board is pleased to present the Environmental, Social and Governance (“ESG”) Report (the “Report”) for the Reporting Year.

This Report is prepared with a view to complying with the mandatory disclosure requirements and the “comply or explain” provisions of the ESG Reporting Guide as set out in Appendix 20 to the GEM Listing Rules.

## REPORTING BOUNDARY

The Group is principally engaged in the retail trading of tea products, including Chinese tea leaves, tea wares and tea gifts set. The scope of ESG reporting for the Reporting Year is same as that for the year ended 31 March 2022.

## GOVERNANCE STRUCTURE, STRATEGY AND MANAGEMENT APPROACH

The Board has overall responsibility for evaluating the Group’s ESG risks and overseeing the management in the design, implementation and monitoring of the risk management and internal control systems to address the ESG issues. The management is delegated by the Board with the following roles and responsibilities in managing ESG matters:

- directing, reviewing and developing ESG policies and strategies;
- identifying and assessing ESG risks and opportunities;

- developing actions on responses to ESG risks and opportunities;
- setting ESG performance targets/key performance indicators (“KPIs”);
- developing actions to achieve ESG performance targets;
- reviewing progress of achieving ESG performance targets;
- directing and reviewing the identification and prioritisation of the materiality of ESG issues; and
- reviewing and approving the Report on an annual basis to monitor and review the ESG performance.

## SUSTAINABLE DEVELOPMENT GOALS AND TARGETS

The Group is committed to the long-term sustainability of the environment, employment and labour practices, operating practices, for communities as part of its business strategy. Environment goals and targets are set based upon current performance and future business development. The Group endeavours to reduce resource consumption with a view to lowering greenhouse gas emissions as the core strategy for responding to the related ESG issues.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## STAKEHOLDERS ENGAGEMENT

The Group recognises that the expectations and feedback of its stakeholders are vital to sustainable development of the Group. Therefore, the Group maintains regular engagement and opens dialogue with its stakeholders through various communication channels to understand their concerns, in order to promote and adjust the direction of sustainable development. The Group’s key stakeholders, communication channels, their interests and concerns are set out below.

Stakeholder Group	Communication Channels	Interests and Concerns
Employees	<ul style="list-style-type: none"> <li>Regular performance evaluations</li> <li>Training</li> <li>Team meetings</li> <li>Internal email</li> </ul>	<ul style="list-style-type: none"> <li>Career development</li> <li>Remuneration and benefits</li> <li>Equal opportunities</li> <li>Working environment in health and safety</li> </ul>
Shareholders and Investors	<ul style="list-style-type: none"> <li>Annual General Meeting and other shareholders meetings</li> <li>Annual Reports, Interim Reports, Quarterly Reports, Circulars and Announcements</li> <li>Corporate website</li> </ul>	<ul style="list-style-type: none"> <li>Business strategies</li> <li>Sustainable operations</li> <li>Financial performance</li> <li>Corporate governance</li> </ul>
Customers	<ul style="list-style-type: none"> <li>Corporate website</li> <li>Hotline and email</li> <li>In-person meeting</li> <li>Social media platforms</li> </ul>	<ul style="list-style-type: none"> <li>Products and services quality, food safety in particular</li> <li>Customer data and privacy protection</li> <li>Responsible marketing</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Regular performance evaluations</li> <li>Site visits</li> </ul>	<ul style="list-style-type: none"> <li>Payment schedule</li> <li>Fair and open selection process</li> <li>Business integrity and ethics</li> </ul>
Industries players	<ul style="list-style-type: none"> <li>Collaboration</li> </ul>	<ul style="list-style-type: none"> <li>Fair competition</li> <li>Industry development</li> </ul>
Governmental regulators	<ul style="list-style-type: none"> <li>Annual Reports, Interim Reports, Quarterly Reports, Circulars and Announcements</li> <li>Social media platforms</li> </ul>	<ul style="list-style-type: none"> <li>Performance in compliance with relevant laws and regulations</li> <li>Business integrity and ethics</li> </ul>
Community	<ul style="list-style-type: none"> <li>Donations and participation</li> <li>Social media platforms</li> </ul>	<ul style="list-style-type: none"> <li>Business integrity and ethics</li> <li>Environmental protection</li> <li>Community engagement</li> </ul>



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## MATERIALITY ASSESSMENT

ESG issues are assessed and identified through the abovementioned stakeholder engagement on an annual basis. The Group considered that customers and employee are the most valuable assets of the Group. As such, employee health and safety, product safety and quality, customer service and communication were identified as key ESG issues of the Group during the Reporting Year. In view of the capricious outbreak of the COVID-19 in the world, employee health and safety were given top priority as highly material ESG issues. Effective internal control systems and procedures on these areas were reinforced with a view to safeguarding health and safety of employees, enhancing efficiency of operation and generating the environmental and social benefits to the stakeholders.

## REVIEW OF ESG PERFORMANCE

The management assesses the ESG performance of the Group through regular review of the achievement of KPIs. The ESG performance is reported to the Board by management on an annual basis. The Board evaluates the ESG performance of the Group through the review of written reports prepared by an external advisory service consultant which is engaged by the Group in providing assistance to the Board and management in conducting regular risk assessment exercises and the assessment on the Group's risk management and internal control systems. The INEDs assist the Board with their experience and expertise in overseeing the review on the achievement of ESG objectives, the progress and effectiveness of implementing the ESG strategy. In order to ensure the long-term sustainability of the Group's business, the Board will continue to oversee the risks brought by material ESG issues and guide the management in formulating corresponding ESG goals and targets in response to the Group's future business development.

## REPORTING PRINCIPLES

The Group had applied the principles of materiality, quantitative, balance and consistency in accordance with the ESG Reporting Guide in the preparation of this Report. Details of the application of these reporting principles are as follows:

**Materiality:** The Group has engaged its stakeholders in the process of identifying, prioritising and determining ESG issues that are material to and should be focused on by the Group.

**Quantitative:** The ESG key performance indicators disclosed in this Report are supported by quantitative data and measurable criteria. The sources of all applicable data, calculation tools, methodologies, references and conversion factors used are disclosed in the presentation of emission data, where applicable.

**Balance:** This Report provides a complete, fair, clear and comparable overview of the Group's ESG performance.

**Consistency:** To facilitate stakeholders' comparisons of the ESG performance of the Group from year to year, the same reporting and calculation methodologies are applied as reasonably practicable in the preparation of this Report. Any material changes in the methodologies will be set out in the relevant sections in detail.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## A. ENVIRONMENTAL

### A1. Emissions

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

Notwithstanding that the production has remote impact on the environment, the Group encourages employees to take the initiative to participate in various emission reduction and energy saving measures, including electricity preservation. The Group strives to enhance energy efficiency and reduce carbon emissions within its operation. With a target of continuous improvement, the Group will regularly assess the effectiveness of carbon reduction.

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

During the Reporting Year, there were no incidents resulting in fines nor penalties being imposed on the Group for non-compliance of environmental regulations.

Air pollutants, such as nitrogen oxides (“NO<sub>x</sub>”), Sulphur oxides (“SO<sub>x</sub>”) etc., are generated from transportation directly. The data on air pollutants emission during the Reporting Year was not available to the Group as the transportation activities have been outsourced to third-party service providers.

The greenhouse gas emissions and intensity indirectly derived from the purchased electricity during the Reporting Year are as follows:

Description	Unit	Emission & Intensity	
		2023	2022
Consumption of Purchased Electricity (A)	kWh	139,529	152,236
Carbon Dioxide (CO <sub>2</sub> ) Emission (B)	kg	82,885	91,897
Area of Office, Factory Premise and Retail Shops (C)	sq. ft.	19,224	19,224*
CO <sub>2</sub> Emission Intensity per Office and Factory Premises Area (D = B/C)	kg/sq. ft.	4	5*

\* Area of office and intensity in financial year 2022 have been restated and recalculated.

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

As electricity consumption is the major source of the Group’s greenhouse gas emissions, the Group has adopted a series of measures to minimise electricity consumption, details of which are set out in the section “Use of Resources” below.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## A2. Use of Resources

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

Energy conservation is being adopted to promote efficient usage of resources and reduction of air emissions. The Group encourages employee to save electricity throughout daily operations in the office and in retail shops, such as replacing lighting equipment with energy-saving LED alternatives;

and switching off all idle lights, computers, air-conditioners and other office equipment when they are not in use.

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

The Group's consumption of electricity, water and paper and their intensity during the Reporting Year are disclosed in the following table:

Description	Purchased Electricity		Water		Paper	
	2023	2022	2023	2022	2023	2022
Resources Consumption (A)	<b>139,529</b> kWh	152,236 kWh	<b>472</b> m <sup>3</sup>	452 m <sup>3</sup>	<b>40,000</b> piece	25,000 piece
Area of Office & Factory Premise and Retail Shops (B)	<b>19,224</b> sq. ft.	19,224* sq. ft.	<b>17,739</b> sq. ft.	17,739* sq. ft.	<b>15,812</b> sq. ft.	15,812* sq. ft.
Intensity (C = A/B)	<b>7</b> kWh/sq. ft.	8* kWh/sq. ft.	<b>0.03</b> m <sup>3</sup> /sq. ft.	0.03* m <sup>3</sup> /sq. ft.	<b>2.53</b> piece/sq. ft.	1.58* piece/sq. ft.

\* Area of office and intensity in financial year 2022 have been restated and recalculated.

The consumption of purchased electricity had decreased due to the slowdown of the Group's business activities, curtailing of business hours under the COVID-19 pandemic during the Reporting Year. However, the overall consumption of water and paper had increased due to the increase in paperwork for additional exhibitions.

As the operation of the Group is based in Hong Kong, the management believes that there is no material issue in sourcing water for operation.

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



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Due to the fact that the packaging materials are light and wide in range, data on the consumption of packaging materials in terms of weight is not available. The main types and consumption of packaging materials during the Reporting Year are as follows:

Type of Package Materials		Amount of Unit (Piece)	
		2023	2022
Paper	Bags	<b>108,786</b>	109,858
	Others	<b>1,788</b>	1,855
Plastic	Bags	<b>8,400</b>	11,438
Aluminium foil		<b>3,423</b>	3,473
Gift boxes		<b>910</b>	1,171

The overall consumption of packaging materials had decreased because less customers request for bags and gift boxes.

### A3. The Environment and Natural Resources

Due to the nature of the business, the management considers that the operations of the Group do not cause any significant impact on the environment and its natural resources.

The Group will continuously monitor the possible potential impacts of its business activities on the environment, with the aim of operating an environmentally friendly business which may benefit the Group in the long term.

### A4. Climate Change

Climate change could have an adverse impact on the business of the Group. Extreme weather and natural disasters arising from climate change, such as excessive rainfall, global warming, excessive humidity, etc., may affect the quality and supply of tea leaves.

The storage life of tea leaves would be shortened in conditions of high temperature and humidity. Therefore, the quality of tea leaves and tea products could deteriorate and brand recognition could be affected. The Group is constantly monitoring the temperature and humidity levels in its store rooms and retail shops, performing physical inspection and maintaining low stock levels so as to minimise inventory spoilage and over-stocking.

Excessive rainfall and floods may cause poor tea harvest and delay the delivery schedule of tea leaves. Sustainability of tea leaves from suppliers would be impacted. As a result, the Group is diversifying its supplier base across various locations in order to maintain the high quality and the stable supply of tea leaves in response to such potential threats to the Group's business.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B. SOCIAL

### (i) Employment and Labour Practices

#### **B1. Employment**

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

All employees are treated fairly in regards to recruitment, training and development, appraisal of work performance, promotion and transfers, remuneration and benefits.

The Group aims to provide equal employment opportunities which are free from any form of discrimination or harassment, regardless of age, gender, race, religion, disability, political stance and marital status.

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

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

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

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



As at 31 March 2023, the Group had a total of 55 employees. 14 employees resigned during the Reporting Year. The distributions of total workforce and employee turnover by gender, employment type, age group, geographical region and employee category are as follows:

Category	Number of Staff	
	2023	2022
Total staff	55	52
<b>By gender</b>		
Male	18	17
Female	37	35
<b>By employment type</b>		
Full-time staff	51	49
Part-time staff	4	3
<b>By age group</b>		
Under 30 years old	–	–
30–50 years old	13	17
Over 50 years old	42	35
<b>By geographical region</b>		
Hong Kong	55	52
<b>By employee category</b>		
Management	18	17
Frontline staff	37	35

Category	Turnover Rate	
	2023	2022
Total staff	25%	29%
<b>By gender</b>		
Male	11%	12%
Female	32%	37%
<b>By employment type</b>		
Full-time staff	22%	27%
Part-time staff	75%	67%
<b>By age group</b>		
Under 30 years old	100%	–
30–50 years old	46%	41%
Over 50 years old	14%	23%
<b>By geographical region</b>		
Hong Kong	25%	29%
<b>By employee category</b>		
Management	–	12%
Frontline staff	38%	37%



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## **B2. Health and Safety**

The Group is committed to providing an injury and illness-free workplace through the implementation of effective procedures and practices on occupational health and safety.

A safety manual has been devised to assist staff in dealing with unexpected incidents, minimising discharges or hazardous outputs and mitigating their impacts. The safety measures include but are not limited to the guidelines on fire safety, handling equipment and dangerous goods, delivering heavy goods, maintenance of hygiene; provision of first-aid kits and anti-theft measures etc.

The epidemic situation has been volatile during the Reporting Year which continues to affect the Group's business. The management of the Group considers that it is their social responsibility to safeguard their staff against COVID-19 infections. Since the start of the outbreak, the Group has been implementing

preventative measures in its retail shops, concession counters and office to ensure the health and safety of its employees. The measures include requesting employees, in particular the frontline staff, to wear surgical masks properly and using hand sanitisers at work; and increasing frequency of cleaning and disinfection of the workplace to maintain good environmental hygiene. In addition, the tea tasting service in retail shops was suspended to eliminate the risk of potential viral transmissions between retail frontline staff and customers. All shops had shortened their business hours to reduce social contact. The Group will continuously pay close attention to the situation of the COVID-19 pandemic and strengthen the preventative measures if necessary.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

All employees are insured under an employee compensation policy. If any accident resulting in work injury occurs, the administrative department will promptly report the work injury to the Labour Department in the prescribed form in accordance with the Employees' Compensation Ordinance. To prevent similar work injuries from occurring, the administrative department will inspect the accident and prepare an accident report for investigation and remediation as appropriate.

The Group has maintained a healthy and safe working environment and recorded no work-related fatalities during the past three years.

During the Reporting Year, there was one case of employee injury resulting in 50 lost days.

### **B3. Development and Training**

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

The Group reviews the need for training on an ongoing basis with a view to enhancing the work efficiency of employees. Training for retail staff in relation to customer services skills, such as knowledge of tea products, sales techniques, handling of complaints, identification of bills etc. will be arranged when considered necessary.

Besides, employees are subject to performance evaluation to ascertain that their skills and abilities meet the Group's performance standard. During the Reporting Year, the Group provided on-the-job trainings to employees, so the training hours were not available for disclosure.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A summary of the relevant training-related KPIs of the Group is presented as follows:

Employees trained by gender and employee category:

Category	Number		Percentage	
	2023*	2022	2023*	2022
Total number of employees	55	52	N/A	–
Total number of trained employees	N/A	3	N/A	6%
<b>By gender</b>				
Male	N/A	3	N/A	100%
Female	N/A	–	N/A	–
<b>By employee category</b>				
Management	N/A	3	N/A	100%
Frontline staff	N/A	–	N/A	–

\* During the Reporting Year, the Group provided on-the-job trainings to employees, so the training hours were not available for disclosure.

Average training hours completed per employee by gender and employee category:

Category	Unit	Average Training Hours	
		2023*	2022
Total workforce	hours	N/A	1
<b>By gender</b>			
Male	hours	N/A	3
Female	hours	N/A	–
<b>By employee category</b>			
Management	hours	N/A	3
Frontline staff	hours	N/A	–

\* During the Reporting Year, the Group provided on-the-job trainings to employees, so the training hours were not available for disclosure.



## **B4. Labour Standards**

The Group complies with the Employment Ordinance in Hong Kong, and adopts a zero-tolerance attitude towards any forced or child labour.

During the recruitment process, the personal identity and educational background of each candidate are strictly verified. The human resources department checks the candidates' identity proof and documents to ensure that they have reached the legal working age, in order to avoid the employment of children and forced labour.

The Group enters into employment contracts with employees based on the principles of equality and voluntarism, such as protecting the right to terminate employment and offering of adequate protection in relation to minimum wages, working hours and overtime work. The Group also monitors staff performance periodically for unusual circumstances so as to protect the rights and freedoms of their staff.

During the Reporting Year, no cases of child and forced labour were noted. If any cases related to child and forced labour are discovered, the Group will immediately terminate the relevant employment and investigate into the details to find out the cause and the responsible persons. Appropriate penalties will be taken to prevent recurrence of such incidents.

## **(ii) Operating Practices**

### **B5. Supply Chain Management**

Given that the sourcing and processing of tea products do not cause a material impact on the environment, supply stability and product quality are the main focuses of the Group on supply chain management during the assessment of relevant environmental and social risks.

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

In ensuring the stable supply and high quality of tea leaves, the Group has diversified its supplier base to Hong Kong, China and Taiwan. New suppliers are selected after consideration of their brand name, reputation, cooperation history, product quality etc. Raw materials are only sourced from suppliers that meet the Group's quality requirements. In particular, the Group may from time to time request suppliers to provide inspection reports on their tea leaves.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Meanwhile, the Group carries out an annual assessment of suppliers' performance based on their product quality, delivery and post-sale services. Existing suppliers are required to provide valid registration documents and business licenses to ensure that they meet the Group's acceptable standards. Management also conducts evaluation on a need basis in consideration for suppliers' performance of social responsibility and environmental protection. If a supplier is discovered to be in serious violation of its responsibilities and operating procedures, the Group would consider to terminate the contracts with the supplier in order to mitigate the adverse impact of supply chain in terms of quality, environment and safety of tea products.

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

Region	Number of Suppliers		Portion	
	2023	2022	2023	2022
Hong Kong	15	18	71%	75%
China	4	4	19%	17%
Taiwan	2	2	10%	8%
<b>Total</b>	<b>21</b>	24	<b>100%</b>	100%

As a result of slow movement of raw materials due to the slight decrease in demand for tea products during the COVID-19 pandemic, the number of suppliers has decreased accordingly.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## B6. Product Responsibility

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

Reliable and accurate information on tea products of the Group, such as country of origin, storing time and grading, are provided to the customers to aid their decision-making process when making purchases.

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

The number of service complaint and percentage of total products sold or shipped subject to recalls for safety and health reasons were as follows:

Description	Number/Percentage	
	2023	2022
Products subject to recalls for safety and health reason	0.03%	–
Products and service related complaints received	2	–
Legal dispute case	–	–

The Group endeavours to improve its quality control system and to raise customer satisfaction continuously. Any customer feedback or complaint is recorded and handled immediately for improvement. The Group has established policies and procedures on product recall. Products may be exchanged or returned within 30 days from the date of purchase upon presentation of original sales invoice. 0.03% of total products sold were recalled for safety and health reasons during the Reporting Year.

During the Reporting Year, the Group received two complaints only in relation to customer service. The complaint has been followed-up by the management immediately and carefully so as to improve the customer satisfaction and prevent the occurrence of similar incidents.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

Without the consent of the Group, staff or distributors shall not authorise any third parties to use the registered trademark(s) of the Group for any purposes, nor shall they participate in or assist in any activity that may infringe on the intellectual property rights of the Group.

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

## ***B7. Anti-Corruption***

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

The Group adheres to stringent anticorruption policies as set out in the Company's Whistleblowing and Whistleblower Protection Policy and Anti-Fraud, Corruption and Bribery Policy.

The Group conducts periodic and systematic fraud risk assessments through internal and external audits. Suspected

cases of fraud are reported promptly to the management. All potential frauds are fully investigated and immediate corrective actions are taken to resolve substantiated frauds.

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

The Group has also put in place a Whistleblowing and Whistleblower Protection Policy to provide a system for employees and other stakeholders to raise legitimate concerns, where they have reasonable grounds for believing that there is fraud or corruption within the Group. Employees or stakeholders can raise their concerns as long as they feel comfortable to the Chief Financial Officer or the chairman of the audit committee of the Company.

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

Although no training sessions on antifraud and anti-money laundering were held during the Reporting Year, the Group's written policies on anti-corruption had been circulated to every employee in order to ensure that employees are informed and understand the policies.



## (iii) Community

### **B8. Community Investment**

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

For the fulfilment of its social responsibilities, the Group actively participates in community and charitable activities. The Group encourages its employees to participate in charitable and social services, devotes time and effort to support the local community. It creates a harmonious society and undertakes the responsibility of a good corporate citizen to contribute to the community. During the Reporting Year, the Group made the donation to The Salvation Army and Caritas Visitation and sponsorship to Po Leung Kuk in total amount of HK\$3,000 approximately.

The Group makes use of social media platforms to promote the traditional culture of tea appreciation in the community. Tea-related knowledge, such as tea classification and tea brewing theory, was regularly published on social networking sites such as Facebook, Instagram etc., throughout the Reporting Year.

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



# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICE

The Shares commenced listing on 16 April 2018 on GEM. During the Reporting Year, the Group was committed to maintaining a high standard of corporate governance, and complying with the Code of Corporate Governance Practices to the extent practicable. The Company has applied the code provisions in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 to the GEM Listing Rules. During the Reporting Year, the Company has complied, to the extent applicable and permissible, with the code provisions set out in the CG Code.

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

In this report, the references to code provisions in the CG Code have been updated with references to the CG Code as amended on 1 January 2022.

## BOARD COMPOSITION

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

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

### Executive Directors

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

During the Reporting Year and up to the date of this report, there was no change in the composition of the Board.

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

Mr. Chan Kwong Yuen is the older brother of Mr. Chan Shu Yuen and also a cousin of Mr. Chan Kun Yuen. The biographical details of the Directors, including their respective interests in the Group and relationships with other Directors, are set out on pages 47 to 48 and pages 57 to 60 of this annual report.

### Independent Non-Executive Directors

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

All of the INEDs are experienced professionals in accounting and finance. Their independent views would definitely benefit the Board and their constructive comments and recommendations to the Board would help to safeguard the interests of the shareholders and the Group as a whole.



# CORPORATE GOVERNANCE REPORT

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

## BOARD DIVERSITY POLICY

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

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

The Company currently has a single-gender Board (i.e., all of the Directors are men). In accordance with the board diversity requirement under Rule 17.104 of the GEM Listing Rules implemented with effect from 1 January 2022, the Board will take steps to enhance board diversity with the appointment of at least 1 director of a different gender by 31 December 2024. In order to cultivate a pipeline of suitable female successors to the Board, such steps will include providing existing female senior management with comprehensive training on areas such as business operation, management and corporate governance, and giving due consideration to gender diversity when recruiting or promoting candidates for senior managerial roles and/or directorship based on existing nomination and board diversity policies.

## DIRECTORS’ TRAINING AND PROFESSIONAL DEVELOPMENT

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

All Directors have participated in continuous professional development and provided a record of training they received for the Reporting Year to the Company. The training record of each Director received for the Reporting Year is summarised below:

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

Notes:

- A. attending seminars, conferences and/or forums on subjects relating to directors’ duties and corporate governance.
- B. reading newspapers, journals and updates as regards to legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties.



# CORPORATE GOVERNANCE REPORT

## APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

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

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

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

## TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

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

## ACCESS TO SUPPORT

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

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

## BOARD MEETINGS AND GENERAL MEETING

The Board held a total of five meetings during the Reporting Year and passed resolutions by way of written resolutions. Besides the four meetings held for, among other matters, approving the quarterly, interim and final results of the Group, one ad hoc meeting was held for approving continuing connected transactions.

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

# CORPORATE GOVERNANCE REPORT



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

Management of the Group has, from time to time, supplied the Board with relevant information, as well as reports relating to the operational and financial performance of the Group, with a view to enabling the Directors to make informed decisions. Members of the management who are responsible for the preparation of the documents for discussion at the Board meetings are usually invited to present the relevant documents and to take any questions or address any queries that the Directors may have on

the documents. This enables the Board to perform a comprehensive and informed evaluation as part of the Board's decision-making processes.

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

During the Reporting Year, one general meeting of the Company, being the 2022 annual general meeting held on 26 August 2022, was convened.

The attendance of individual members at Board meetings and general meetings held during the Reporting Year is set out as follows:

<b>Name of Director</b>	<b>Number of Board meetings attended</b>	<b>Number of general meetings attended</b>
<b>Executive Directors</b>		
Mr. Chan Kwong Yuen	5/5	1/1
Mr. Chan Kun Yuen	5/5	1/1
Mr. Chan Shu Yuen	5/5	0/1
<b>Independent Non-Executive Directors</b>		
Mr. Siu Chi Ming	5/5	1/1
Mr. Lee Wai Ho	5/5	1/1
Mr. Wong Chee Chung	5/5	1/1



# CORPORATE GOVERNANCE REPORT

## SECURITIES TRANSACTIONS OF DIRECTORS

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

## BOARD COMMITTEES

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

### Executive Committee

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

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

- to establish strategic planning for Board approval;

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

### Nomination Committee

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

The duties of the Nomination Committee are summarised as follows:

- to review the structure, size, composition and diversity (including without limitation, the gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; in identifying suitable individuals, the Nomination Committee shall consider individuals on merit and against the objective criteria, with due regard for the benefits of having diversity on the Board;



# CORPORATE GOVERNANCE REPORT

- to assess the independence of INEDs;
  - taking into account the Company's corporate strategy and the mix of skills, knowledge, experience and diversity required in the future, to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the CEO;
  - to review the Company's nomination policy and board diversity policy on a regular basis, and make recommendations to the Board for consideration and approval as appropriate; and
  - to monitor the implementation of the Company's nomination policy and board diversity policy and report in the Corporate Governance Report annually.
- (b) taking the lead where potential conflicts of interests arise;
  - (c) serving on the Audit Committee, the Remuneration Committee and the Nomination Committee (in the case of a candidate for non-executive Director) and other relevant Board committees, if invited;
  - (d) bringing a range of business and financial experience to the Board, giving the Board and any Board committee on which he or she serves the benefit of his or her skills, expertise, and varied background and qualifications and diversity through attendance and participation at Board meetings and/or Board committee meetings;
  - (e) scrutinizing the Company's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance;
  - (f) ensuring the Board committees on which he or she serves to perform their powers and functions conferred on them by the Board; and
  - (g) confirming any requirements, direction and regulation that may be prescribed by the Board from time to time, contained in the constitutional documents of the Company, imposed by legislation or imposed by the GEM Listing Rules, where appropriate.

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

In considering the new appointment of Directors, the Nomination Committee makes reference to certain criteria, such as the candidate's integrity, independent mindedness, experience, skill, contribution to the diversity of the Board as well as his or her ability to devote sufficient time, attention and effort to the affairs of the Company in order to carry out his or her duties and responsibilities effectively, which, in particular, consist of the following:

- (a) participating in Board meetings to contribute his or her independent judgment on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;

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



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The Nomination Committee holds at least one meeting every year. During the Reporting Year, the Nomination Committee held one meeting for, among other matters, the review of the Board's structure, size, composition and diversity, assessment of the independence of the INEDs, and making recommendation to the Board on the re-election of retiring Director at the annual general meeting of the Company held on 26 August 2022. The attendance of members at the Nomination Committee meeting held during the Reporting Year is set out as follows:

## Executive Directors

Mr. Chan Kwong Yuen	1/1
Mr. Chan Kun Yuen	1/1

## Independent Non-Executive Directors

Mr. Siu Chi Ming	1/1
Mr. Lee Wai Ho (Chairman of the Nomination Committee)	1/1
Mr. Wong Chee Chung	1/1

## Remuneration Committee

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

The duties of the Remuneration Committee are summarised as follows:

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

- to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- to determine with delegated responsibility, the remuneration packages of individual EDs and senior management (which should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment);
- to make recommendations to the Board on the remuneration of non-executive Directors;
- to consider the salaries paid by comparable companies and the time commitment, responsibilities and employment conditions elsewhere in the Group;
- to review and approve compensation payable to EDs and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive for the Company;
- to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
- to ensure that no Director or any of his/her associates is involved in deciding his or her own remuneration package.

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



# CORPORATE GOVERNANCE REPORT

The Remuneration Committee holds at least one meeting every year. During the Reporting Year, the Remuneration Committee held one meetings to discuss and review the existing policy and structure of the remuneration for the Directors and senior management and to approve the remuneration packages of senior management of the Company as well as a one-off discretionary reward to all eligible employees of the Group. The attendance of members at the Remuneration Committee meeting held during the Reporting Year is set out as follows:

## Executive Directors

Mr. Chan Kwong Yuen	1/1
Mr. Chan Kun Yuen	1/1

## Independent Non-Executive Directors

Mr. Siu Chi Ming	1/1
Mr. Lee Wai Ho	1/1
Mr. Wong Chee Chung <i>(Chairman of the Remuneration Committee)</i>	1/1

No material matters relating to share schemes (as defined under Chapter 23 of the GEM Listing Rules) were required to be reviewed or approved by the Remuneration Committee during the Reporting Year.

## Remuneration Policy of the Group

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

The emoluments payable to Directors are determined with reference to the responsibilities, qualifications and experience of each individual. The packages are reviewed annually and as required from time to time. The Group also continually spends resources on training and encourages staff to pursue self-development and improvement.

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

## Audit Committee

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

The terms of reference of the Audit Committee were prepared and adopted in accordance with the CG Code. The terms of reference of the Audit Committee are available on the Company's website at the address [www.yingkeetea.com](http://www.yingkeetea.com) and the Stock Exchange website.

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

- to act as the key representative body for overseeing the Company's relations with the external auditor, to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;



# CORPORATE GOVERNANCE REPORT

- to discuss with the external auditor the nature and scope of the audit and reporting obligations and to ensure co-ordination where more than one audit firm is engaged before the audit commences;
- to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, an “external auditor” includes any entity that is under the common control, ownership or management as the audit firm, or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally;
- to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
- to monitor the integrity of the Company’s financial statements, annual reports and accounts, half-year reports and quarterly reports, and to review significant financial reporting judgements contained in them;
- to consider any significant or unusual items that are, or may need to be, reflected in the report and accounts and to give due consideration to any matters that have been raised by the Company’s staff responsible for the accounting and financial reporting function, the compliance officer or the external auditor; and
- to review the Group’s financial reporting process, risk management and internal control systems.

The Audit Committee holds meetings at least twice a year. During the Reporting Year, the Audit Committee held four meetings to, among other matters, review the quarterly, interim and annual financial statements and the related results announcements, documents and other matters or issues raised by the Company’s auditor; make recommendations to the Board on the re-appointment of the Company’s auditor; discuss and confirm with the

management the effectiveness of the Group’s financial reporting process, risk management and internal control systems; and review the risk management and internal control systems and make appropriate recommendations to the Board. The attendance of members at the Audit Committee meetings held during the Reporting Year is set out as follows:

## Independent Non-Executive Directors

Mr. Siu Chi Ming ( <i>Chairman of Audit Committee</i> )	4/4
Mr. Lee Wai Ho	4/4
Mr. Wong Chee Chung	4/4

## Accountability and Audit

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

## Financial Reporting

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

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

- approved the adoption of the applicable Hong Kong Financial Reporting Standards;
- selected suitable accounting policies and applied them consistently throughout the period covered by the consolidated financial statements;



# CORPORATE GOVERNANCE REPORT

- made judgements and estimates that are prudent and reasonable, and ensured that the consolidated financial statements were prepared on a going concern basis; and
- ensured that the consolidated financial statements were prepared in accordance with the disclosure requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “**Companies Ordinance**”), the GEM Listing Rules and the applicable accounting standards.

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

The statement of the auditor of the Company in respect of its reporting responsibilities on the Company’s financial statements for the Reporting Year is set out in the “Independent Auditor’s Report” on pages 69 to 70 of this annual report.

## Risk Management and Internal Controls

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

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

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

### *Internal control framework*

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

#### *1. Distinct organisational structure*

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

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

#### *2. Regular risk assessment*

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



# CORPORATE GOVERNANCE REPORT

### 3. *Regulated cash/treasury management*

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

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

An external advising service company was engaged to conduct an internal control review for the fifth year consecutively. The external adviser assisted all levels of administration in the achievement of the organisational goals and objectives which strive to provide a positive impact on the:

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

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

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

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group has also adopted

and implemented inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent breaches of disclosure requirements in relation to the Group, which include:

- restricting the access to information to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality;
- putting confidentiality agreements in place when the Group enters into significant negotiations; and
- appointment of EDs as the designated persons to speak on behalf of the Company when communicating with external parties, such as the media, analysts or investors.

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

The Board, through its own reviews and the reviews conducted by the external adviser and the Audit Committee, concluded that the risk management and internal control system were effective and adequate. The Board also considered that the resources, staff qualifications and experience of relevant staff were adequate and the training programs and budget provided were sufficient.



## INTERNAL AUDIT FUNCTION

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

## AUDITOR'S REMUNERATION

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

Nature of services	2023 HK\$'000	2022 HK\$'000
Audit service	390	380
Non-audit services (agreed-upon procedures regarding to turnover statements)	5	–
Non-audit services (agreed-upon procedures on interim and quarterly result)	153	146
Total	548	526

## DIRECTORS AND SENIOR MANAGEMENT EMOLUMENTS

The remuneration of the senior management (comprising Directors) of the Company for the Reporting Year, by band is set out below:

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



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## COMPANY SECRETARY

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

### Core Duties

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

### Typical Duties Include:

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

The Company has appointed Mr. So Stephen Hon Cheung (“**Mr. So**”) as the Company Secretary.

During the Reporting Year, Mr. So has complied with the relevant training requirement under Rule 5.15 of the GEM Listing Rules. The biographical details of Mr. So are set out on page 49 in the section headed “Directors and Senior Management Profile” of this annual report.

## CORPORATE COMMUNICATION WITH STAKEHOLDERS AND INVESTOR RELATIONS

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

- the Group maintains a website on which comprehensive information about itself, its products, financial reports and public announcements are disclosed;
- the Group establishes and maintains different communication channels with its stakeholders through the publication of annual, interim and quarterly reports, announcements and press releases. To promote effective communication, the shareholders can receive corporate communication electronically via the Group’s corporate website;
- the Group conducts its affairs with close regard to the disclosure requirements under the GEM Listing Rules as well as the “Guidelines on Disclosure of Inside Information” published by the Securities and Futures Commission of Hong Kong in June 2012;
- the Group has strictly prohibited unauthorised use of confidential or inside information; and



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- the Company holds annual general meetings to provide a useful forum for the shareholders to exchange views with the Board. The Chairman of the Board, as well as the respective chairmen of the Audit Committee, the Nomination Committee and the Remuneration Committee, or in their absence, members of the respective committees are available to answer questions which may be raised by shareholders.

## SHAREHOLDERS' RIGHTS

For each general meeting:

- separate resolutions are proposed at the general meeting for each substantial issue, including the election of individual Directors;
- details of the poll voting procedures and the rights of shareholders to demand a poll are included in a circular to the shareholders dispatched 21 days prior to the date of the relevant general meeting; and
- the poll results are published on the websites of the Group ([www.yingkeetea.com](http://www.yingkeetea.com)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

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

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

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

## DIVIDEND POLICY

### Principles and Guidelines

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

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



# CORPORATE GOVERNANCE REPORT

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

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

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

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

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

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

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

## REVIEW OF THE DIVIDEND POLICY

The Board shall review the dividend policy as appropriate from time to time.

## CONSTITUTIONAL DOCUMENTS

There has been no change to the articles of association of the Company during the Reporting Year. The current version of the articles of association of the Company is available on the websites of the Stock Exchange and the Company.



## DIRECTORS AND SENIOR MANAGEMENT PROFILE

### EXECUTIVE DIRECTORS

**Mr. Chan Kwong Yuen**, aged 66, became an executive Director in October 2017. Mr. Chan Kwong Yuen is also the Chairman, a member of the Remuneration Committee and the Nomination Committee and one of the controlling shareholders of the Company (the “**Controlling Shareholders**”). He also holds directorships in all subsidiaries of the Company. Mr. Chan Kwong Yuen is responsible for overseeing the finance and investment aspects of the Group, and formulating the Group’s strategy and evaluating and negotiation leasing terms and conditions with landlords. Mr. Chan Kwong Yuen is the brother of Mr. Chan Shu Yuen and the cousin of Mr. Chan Kun Yuen. He is also a director of Profit Ocean Enterprises Limited and Coastal Lion Limited, both of which have disclosable interests in the Shares under the provisions in Divisions 2 and 3 of Part XV of the SFO.

Mr. Chan Kwong Yuen has over 25 years of experience in the tea retail industry in Hong Kong. He first joined Ying Kee Tea Company Limited (“**Ying Kee**”), a subsidiary of the Company, in January 1993 as a financial manager, responsible for overseeing the finance and investment aspects, and has been a director of Ying Kee since September 2010. Prior to that, Mr. Chan Kwong Yuen served as the General Manager of the Enamelware Division of Universal Steels Limited in Nigeria from January 1983 to December 1992. Mr. Chan Kwong Yuen received a Bachelor of Commerce with Honours from the University of British Columbia, Canada, in May 1999.

**Mr. Chan Kun Yuen**, aged 63, became an executive Director in October 2017. He is the CEO, a member of the Remuneration Committee and the Nomination Committee and one of the Controlling Shareholders. He also holds directorships in all subsidiaries of the Company. Mr. Chan Kun Yuen is responsible for overseeing the Group’s business development, marketing, and corporate strategy formulation and execution. Mr. Chan Kun Yuen is the cousin of both Mr. Chan Kwong Yuen and Mr. Chan Shu Yuen. He is also a director of Profit Ocean Enterprises Limited and Wealth City Global Limited, both of which have disclosable interests in the Shares under the provisions in Divisions 2 and 3 of Part XV of the SFO.

Mr. Chan Kun Yuen has over 18 years of experience in the tea retail industry in Hong Kong. He formally joined Ying Kee, a subsidiary of the Company, in October 2000 as a general manager working full-time, responsible for business development, marketing, and corporate strategy formulation and execution, and has been a director of Ying Kee since September 2010. Prior to that, Mr. Chan Kun Yuen served as a clerk with the shipping department of The East Asiatic Company Limited from September 1981 to June 1982. He also served as a clerk in the export department of Gibb, Livingston & Co. in June 1982 and was transferred to Gilman & Co., Ltd. in January 1983 and served until August 1986. From September 1986 to September 2000, Mr. Chan Kun Yuen was working part-time for Ying Kee as a marketing associate, responsible for formulating marketing proposals and strategies for Ying Kee. Mr. Chan Kun Yuen completed a one-year business course in office studies at Rosaryhill School in July 1981 after graduating from Hong Kong Chan Wai Chow Memorial College in November 1980.



## DIRECTORS AND SENIOR MANAGEMENT PROFILE

**Mr. Chan Shu Yuen**, aged 62, became an executive Director in October 2017. He is one of the Controlling Shareholders. He also holds directorships in all subsidiaries of the Company. Mr. Chan Shu Yuen is responsible for finding, selecting and negotiating with potential suppliers and building and maintaining relationships with them, overseeing the technical aspects of processing, monitoring quality control of final products in the warehouse, and resolving electrical and mechanical problems in processing. Mr. Chan Shu Yuen is the brother of Mr. Chan Kwong Yuen and the cousin of Mr. Chan Kun Yuen. He is also a director of Profit Ocean Enterprises Limited and Sky King Global Limited, both of which have disclosable interests in the Shares under the provisions in Divisions 2 and 3 of Part XV of the SFO.

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

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Siu Chi Ming** (“**Mr. Siu**”), aged 42, joined the Board as an independent non-executive Director in March 2018. He is also the chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee. Mr. Siu is primarily responsible for providing independent advice to the Board.

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

**Mr. Lee Wai Ho** (“**Mr. Lee**”), aged 47, joined the Board as an independent non-executive Director in March 2018. He is also the chairman of the Nomination Committee and a member of the Remuneration Committee and Audit Committee. Mr. Lee is primarily responsible for providing independent advice to the Board.

Mr. Lee has been serving as a director of Capital Partners CPA Limited since 2004, specializing in advisory, audit and assurance services. He has more than 20 years of accounting and finance experience.

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



## DIRECTORS AND SENIOR MANAGEMENT PROFILE

**Mr. Wong Chee Chung (“Mr. Wong”)**, aged 47, joined the Board as an independent non-executive Director in March 2018. He is also the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee. Mr. Wong is primarily responsible for providing independent advice to the Board.

Mr. Wong worked in PricewaterhouseCoopers (now known as PwC) at its Hong Kong office for about nine years and at its London office for about two years. He is currently serving as an executive director of Agenda Corp Limited, which is engaged in the business of providing corporate services, an executive director of Double U Limited, which is engaged in the business of providing corporate services such as accounting and other related services, and an independent non-executive director of YesAsia Holdings Limited (Stock Code: 2209), which is listed on the Main Board of the Stock Exchange. He is also an audit director at a CPA firm called Willy Wong & Co.

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

### SENIOR MANAGEMENT

**Mr. So Stephen Hon Cheung (“Mr. So”)**, aged 67, joined as the chief financial officer and company secretary of Ying Kee, a subsidiary of the Company, in June 2017 and was appointed as the Chief Financial Officer and Company Secretary of the Company in October 2017. He is primarily responsible for financial reporting, accounting, corporate governance, statutory filings and legal compliance matters of the Group.

Mr. So has over 14 years’ experience in manufacturing, wholesale and trading in the commercial sector. He is a director of the accounting firm T.M. Ho, So & Leung CPA Limited, and a fellow member of the Hong Kong Institute of Certified Public Accountants (Practising), a member of the Chartered Professional Accountants of Canada and a member of the Society of Certified Management Accountants of Canada. He holds a bachelor degree in commerce from the University of British Columbia, Canada. Mr. So has been an independent non-executive director of PINE Technology Holdings Limited (Stock Code: 1079) since September 2002, Pinestone Capital Limited (Stock Code: 804) since May 2015, and both YGM Trading Limited (Stock Code: 375) and YangtzeKiang Garment Limited (Stock Code: 294) since September 2017, the shares which are listed on the Main Board of the Stock Exchange. Mr. So was an independent non-executive director of Milan Station Holdings Limited (Stock Code: 1150) and Skyworth Digital Holdings Limited (Stock Code: 751) from April 2011 to February 2017 and March 2000 to December 2014 respectively and Teamway International Group Holdings Limited (Stock Code: 1239) from August 2017 to June 2019, the shares of which are listed on the Main Board of the Stock Exchange.

**Ms. Man Choi Ho (“Ms. Man”)**, aged 60, joined Ying Kee in June 1994. She was an administration clerk of Ying Kee until April 2005 when she was promoted to the position of administration manager. Ms. Man was appointed as the human resources and administration manager of the Company in October 2017.



# DIRECTORS' REPORT

The Directors are pleased to present their annual report and audited consolidated financial statements of the Group for the Reporting Year.

## PRINCIPAL ACTIVITIES

The Company is an investment company incorporated in Hong Kong. Details of the principal activities of the subsidiaries of the Company are set out in note 1 to the consolidated financial statements.

## BUSINESS REVIEW

The business review of the Group during the year and the discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis", the description of the principal risks and uncertainties facing the Group are set out in the section headed "Management Discussion and Analysis", the details of key performance indicators are set out in the sections headed "Management Discussion and Analysis" and "Financial Summary", the Group's environmental policies and performance are set out in the paragraph headed "Environmental Policies and Performance" below and the section headed "Environmental, Social and Governance Report", the Group's compliance with the relevant laws and regulations are set out in the paragraph headed "Compliance with Relevant Laws and Regulations" below and the section headed "Environmental, Social and Governance Report", and the Group's key relationships with employees, customers and suppliers are set out in the sections headed "Management Discussion and Analysis" and "Environmental, Social and Governance Report". The financial risk management objectives and policies of the Group are set out in note 26 to the consolidated financial statements. The above discussions form part of this Directors' Report.

## RESULTS AND APPROPRIATIONS

The results of the Group for the Reporting Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 71 of this annual report.

No interim dividend (2022: Nil) was paid to the shareholders during the year. The Directors do not recommend the payment of a final dividend to the shareholders.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 21 August 2023 to Friday, 25 August 2023 (both dates inclusive), during which period no share transfers will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting to be held on 25 August 2023 (the "**2023 AGM**"), all share transfers must be lodged with the Company's share registrar Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Friday, 18 August 2022.

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the Reporting Year, together with the financial results and of the assets and liabilities of the Group for the five years ended 31 March 2023, is set out on page 139 of this annual report. This summary does not form part of the audited consolidated financial statements.



## MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate revenue attributable to the Group's five largest customers was 1.6% (2022: 3.2%) of the Group's total revenue. The aggregate purchase attributable to the Group's five largest suppliers accounted for 76.5% (2022: 70.4%) of the Group's total purchase. The largest supplier accounted for approximately 24.4% (2022: 28.6%) of the Group's total purchase.

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

## PROPERTY, PLANT AND EQUIPMENT

During the year, the Group has acquired plant and equipment in the sum of approximately HK\$0.1 million (2022: HK\$0.2 million). Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

## SHARE CAPITAL

As at the end of the Reporting Year, the number of issued ordinary Shares was 361,450,000.

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

## RESERVES

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

## DISTRIBUTABLE RESERVES OF THE GROUP

No reserves of the Group are available for distribution to shareholders as at the end of the Reporting Year (2022: Nil).

## CONTINUING CONNECTED TRANSACTIONS

For the Reporting Year, the Group had the following continuing connected transactions that were subject to the annual review requirements under Chapter 20 of the GEM Listing Rules:

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

On 29 March 2022, Ying Kee entered into two tenancy agreements with Golden Ocean ("**2022 Golden Ocean Tenancy Agreements**"), pursuant to which Golden Ocean agreed to lease, and Ying Kee agreed to rent, the following premises owned by Golden Ocean for a term of one year from 1 April 2022 to and including 31 March 2023 at a monthly rental (excluding rates and building management fees) of HK\$173,000 and HK\$114,000, respectively:

#### *Shop 6*

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

#### *Siu Sai Wan Premises*

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

The monthly rentals payable to Golden Ocean were comparable to the market rental charge in the local property market for adjacent properties within the accessible distance and determined with reference to the valuation conducted by an independent qualified valuer.

Golden Ocean is an entity controlled by the Mr. Chan Kun Yuen, Mr. Chan Kwong Yuen, Mr. Chan Shu Yuen and Mr. Chan Tat Yuen (the "**four Chans**"). As the four Chans are Controlling Shareholders of the Company, Golden Ocean is an associate of the four Chans, and is therefore a connected person of the Company.



## DIRECTORS' REPORT

The annual cap on the rentals payable to Golden Ocean for Shop 6 and Siu Sai Wan Premises for the Reporting Year was HK\$1,368,000 and HK\$2,076,000, respectively.

For the Reporting Year, the actual rentals paid to Golden Ocean for Shop 6 and Siu Sai Wan Premises amounted to HK\$1,368,000 and HK\$2,076,000, respectively.

On 20 April 2023, Ying Kee renewed two tenancy agreements with Golden Ocean for Shop 6 and Siu Sai Wan Premises for a further term of 1 year at a monthly rental (excluding rates and building management fees) as follows:

### Shop 6

Period	Monthly Rental
1 April 2023 to 31 March 2024	HK\$131,000

### Siu Sai Wan Premises

Period	Monthly Rental
1 April 2023 to 31 March 2024	HK\$176,000

The terms of the renewed tenancy agreements are substantially the same as those set out in the 2022 Golden Ocean Tenancy Agreements.

The INEDs have reviewed the above non-exempt continuing connected transactions and confirmed that the transactions:

- (i) have been entered into in the ordinary and usual course of the Group's business;
- (ii) are on normal commercial terms or better; and
- (iii) have been carried out in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

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

- (1) nothing has come to the auditor's attention that causes it to believe that the transactions have not been approved by the Board;
- (2) nothing has come to the auditor's attention that causes it to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (3) nothing has come to the auditor's attention that causes it to believe that the transactions have exceeded the annual cap.

The Directors confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules during the Reporting Year.

## RELATED PARTY TRANSACTIONS

Save for the transactions disclosed in the paragraph headed "Continuing Connected Transactions" above, during the Reporting Year, the Group had entered into certain related party transactions but these transactions were not regarded as connected transactions or continuing connected transactions under the GEM Listing Rules or were exempt from reporting, announcement and shareholders' approval requirements under the GEM Listing Rules. Details of these related party transactions are disclosed in note 24 to the consolidated financial statements.

## DIRECTORS

The Directors of all subsidiaries during the Reporting Year and up to the date of this annual report are:

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

The Directors of the Company during the Reporting Year and up to the date of this annual report are:

### Executive Directors

Mr. Chan Kwong Yuen (*Chairman*)  
Mr. Chan Kun Yuen (*CEO*)  
Mr. Chan Shu Yuen

### Independent Non-Executive Directors

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

Pursuant to the Company's articles of association, Mr. Lee Wai Ho will retire and, being eligible, offer himself for re-election at the 2023 AGM.

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

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management of the Group are set out on pages 47 to 49 of the annual report.

## DIRECTORS SERVICE CONTRACTS AND APPOINTMENT LETTERS

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



## DIRECTORS' REPORT

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

Mr. Lee Wai Ho, the Director being proposed for re-election at the 2023 AGM does not have a service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

### EMOLUMENT POLICY AND FIVE HIGHEST PAID INDIVIDUALS

The emoluments of the Directors are reviewed by the Remuneration Committee from time to time with reference to the qualifications, responsibilities, experience and performance of the individual Directors, and the operating results of the Group. Details of the policy are set out in the "Corporate Governance Report" on page 38 of the annual report.

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

### SHARE OPTION SCHEME

The Company has conditionally approved and adopted a share option scheme (the "**Share Option Scheme**") by written resolutions on 14 March 2018. Further details of the Share Option Scheme are set out in the section headed "Statutory and General Information – 8. SHARE OPTION SCHEME" in Appendix IV of the Prospectus.

The purpose of the share option scheme is to enable the Company to grant options to selected eligible participants as incentives or rewards for their contribution to the Group. The Directors consider the Share Option Scheme, with its broadened basis of participation, would enable the Group to reward the employees of the Company, the Directors and other selected eligible participants for their contributions to the Group.

Pursuant to the Share Option Scheme, each option gives the holder the right to subscribe for one ordinary share in the Company. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of adoption of the Share Option Scheme. The total number of Shares issued and to be issued upon exercise of the options granted to each eligible participant (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the number of Shares in issue as at the date of grant ("**Individual Limit**"). Any further grant of options to an eligible participant which would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such eligible participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of grant of such further options exceeding the Individual Limit shall be subject to shareholders' approval in advance, with such eligible participant and his close associates (such term having the same meaning as the term "associate" under Rule 1.01 of the GEM Listing Rules in relation to any director, chief executive or substantial shareholder (being an individual)) (or his associates if such eligible participant is a connected person) abstaining from voting. An offer for the grant of an option shall remain open for acceptance for a period of 7 days from the date of the offer. HK\$1.00 is payable by the grantee to the Company on acceptance of the offer of the option. The exercise price for a share in respect of any particular option granted under the Share Option Scheme (which shall be payable upon exercise of the option) shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of (i) the official closing price of the shares as stated in the daily quotation sheets of the Stock Exchange on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

On 9 September 2019, the Company granted to certain participants entitled under the Share Option Scheme, subject to their acceptance, a maximum of share options to subscribe for a total of 32,300,000 ordinary shares of the Company under the Share Option Scheme. Details of movements of the share options granted under the Share Option Scheme for the Reporting Year are as follows:

Name or category of participants	Date of grant of share options	Exercisable period	Vesting period	Exercise	Outstanding at 1 April 2022	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding at 31 March 2023
				price of share options (HK\$)						
<b>Directors</b>										
Mr. Chan Kwong Yuen	9 September 2019	1 June 2020 to 31 May 2023	No	0.189	3,200,000	-	-	-	-	3,200,000
Mr. Chan Kun Yuen	9 September 2019	1 June 2020 to 31 May 2023	No	0.189	3,200,000	-	-	-	-	3,200,000
Mr. Chan Shu Yuen	9 September 2019	1 June 2020 to 31 May 2023	No	0.189	3,200,000	-	-	-	-	3,200,000
Mr. Siu Chi Ming	9 September 2019	1 June 2020 to 31 May 2023	No	0.189	200,000	-	-	-	-	200,000
Mr. Lee Wai Ho	9 September 2019	1 June 2020 to 31 May 2023	No	0.189	200,000	-	-	-	-	200,000
Mr. Wong Chee Chung	9 September 2019	1 June 2020 to 31 May 2023	No	0.189	200,000	-	-	-	-	200,000
Sub-total					10,200,000	-	-	-	-	10,200,000
<b>Substantial Shareholder</b>										
Mr. Chan Tat Yuen	9 September 2019	1 June 2020 to 31 May 2023	No	0.189	3,200,000	-	-	-	-	3,200,000
Other Employees, consultants and advisers	9 September 2019	1 June 2020 to 31 May 2023	No	0.189	15,050,000	-	-	-	(100,000)	14,950,000
Total					28,450,000	-	-	-	(100,000)	28,350,000



## DIRECTORS' REPORT

The numbers of options available for grant under the Share Option Scheme on 1 April 2022 and 31 March 2023 are 3,700,000 and 3,700,000 respectively. The numbers of Shares that may be issued in respect of options granted under the Share Option Scheme during the Reporting Year divided by the weighted average number of Shares in issue for the Reporting Year is 7.8%. After the end of the Reporting Year and as at the date of this report, (i) 200,000 share options were exercised by the Directors; and (ii) 28,150,000 share options granted under the Share Option Scheme were lapsed. The total number of Shares available for issue under the Share Option Scheme is 3,700,000 Shares, representing approximately 1.02% of the issued Shares as at the date of this report.

The Share Option Scheme is effective for a period of 10 years commencing on the date of the adoption of the Share Option Scheme by written resolutions of the Company dated 14 March 2018. Accordingly, the remaining life of the Share Option Scheme is approximately 5 years.

### **DIRECTOR'S MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS**

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

### **PERMITTED INDEMNITY PROVISION**

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions brought against its Directors and senior management arising out of corporate activities. As required by section 470 of the Companies Ordinance, the Directors confirm that the permitted indemnity provision was in force for the benefit of the Directors during the year and is still in force as at the date of on which this Directors' Report was approved in accordance with section 391(1)(a) of the Companies Ordinance.

### **MANAGEMENT CONTRACTS**

As at the end of the Reporting Year, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

No rights to acquire benefits by means of acquisition of shares in, or debentures of the Company were granted to any Director or their respective spouse or children under 18 years of age at any time during the year, nor were any such rights exercised by them, nor was the Company or any of the Company's subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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

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

### Long Positions in Ordinary Shares and Underlying Shares of the Company

Name of Director/ Chief Executive	Capacity/Nature of interest	Number of Shares/ underlying Shares held/ interested	Approximate percentage of shareholding
Chan Kwong Yuen	Interested in a controlled corporation	270,000,000 (Note 1)	74.70%
	Beneficial owner	3,200,000 (Note 2)	0.89%
Chan Kun Yuen	Interested in a controlled corporation	270,000,000 (Note 1)	74.70%
	Beneficial owner	3,200,000 (Note 2)	0.89%
Chan Shu Yuen	Interested in a controlled corporation	270,000,000 (Note 1)	74.70%
	Beneficial owner	3,200,000 (Note 2)	0.89%
Siu Chi Ming	Beneficial owner	200,000 (Note 2)	0.06%
Lee Wai Ho	Beneficial owner	200,000 (Note 2)	0.06%
Wong Chee Chung	Beneficial owner	200,000 (Note 2)	0.06%

Notes:

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

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

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



## DIRECTORS' REPORT

### Long positions in ordinary shares of associated corporations

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

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

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

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

### Long Positions in Ordinary Shares and Underlying Shares of the Company

Name of Shareholder	Nature of interest and capacity	Number of Shares/ underlying Shares held/ interested	Approximate percentage of the total issued Shares
Profit Ocean	Beneficial owner	270,000,000	74.70%
Tri-Luck	Interest in a controlled corporation	270,000,000 (Note 1)	74.70%
Wealth City	Interest in a controlled corporation	270,000,000 (Note 1)	74.70%
Sky King	Interest in a controlled corporation	270,000,000 (Note 1)	74.70%
Coastal Lion	Interest in a controlled corporation	270,000,000 (Note 1)	74.70%
Mr. Chan Tat Yuen	Interest in a controlled corporation	270,000,000 (Note 1)	74.70%
	Beneficial owner	3,200,000 (Note 2)	0.89%
Ms. Chu Min	Interest of spouse	270,000,000 (Note 3)	74.70%
		3,200,000 (Note 3)	0.89%
Ms. Chan King Chi	Interest of spouse	270,000,000 (Note 4)	74.70%
		3,200,000 (Note 4)	0.89%
Ms. Po Miu Kuen Tammy	Interest of spouse	270,000,000 (Note 5)	74.70%
		3,200,000 (Note 5)	0.89%
Ms. Ng Wai Lam Lana Zoe	Interest of spouse	270,000,000 (Note 6)	74.70%
		3,200,000 (Note 6)	0.89%



# DIRECTORS' REPORT

## Notes:

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

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

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

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

As at the end of the Reporting Year, the Controlling Shareholders did not pledge any of the shares to any party. The Company did not breach any loan agreement that is significant to the Group's operations nor enter into any loan agreements with covenants relating to specific performance of the Controlling Shareholders. Moreover, neither the Company nor its subsidiaries provided any financial assistance and guarantees to affiliated companies of the Company.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

The Shares were listed on GEM on 16 April 2018. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Year.



## PRE-EMPTIVE RIGHTS

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

## COMPETITION AND CONFLICT OF INTERESTS

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

## DEED OF NON-COMPETITION

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

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

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

Each of the covenantors also gave certain non-competition undertakings under the Deed of Non-Competition as set out in the paragraph headed "Relationship with our Controlling Shareholders – Non-Competition Undertaking" in the Prospectus.

The Company has received an annual written confirmation from each of the Covenantors in respect of their respective compliance with the terms of the Deed of Non-Competition during the Reporting Year.



# DIRECTORS' REPORT

The independent non-executive Directors have also reviewed and were satisfied that each of the Controlling Shareholders had complied the terms of the Deed of Non-Competition during the Reporting Year.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

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

A report on environmental, social and governance matters was set out on pages 16 to 31 of the annual report.

## CORPORATE GOVERNANCE

Details of the Group's corporate governance practices are set out in the Corporate Governance Report on pages 32 to 46 of this annual report.

## COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied with the relevant laws and regulations that may cause a significant impact on the business and operation of the Group in the event of a material breach or non-compliance. During the Reporting Year, there was no material breach or non-compliance with the applicable laws and regulations by the Group.

## EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme disclosed above, there was no equity-linked agreement entered into by the Company during the Reporting Year.

## SUFFICIENCY OF PUBLIC FLOAT

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



## AUDIT COMMITTEE

The Company established the Audit Committee on 14 March 2018 with written terms of reference in compliance with the requirements set out in Rule 5.28 of GEM Listing Rules and the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control systems of the Group. The Audit Committee currently comprises three members, being all of the independent non-executive Directors, namely Mr. Lee Wai Ho, Mr. Siu Chi Ming and Mr. Wong Chee Chung. The chairman of the Audit Committee is Mr. Siu Chi Ming. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the Reporting Year at a meeting held on 23 June 2023, which is of the view that the consolidated financial statements complied with applicable accounting standards and legal requirements, and that adequate disclosures have been made.

## AUDITOR

There has been no change in auditor since 16 April 2018, being the listing date of the Company. The consolidated financial statements for the Reporting Year have been audited by Grant Thornton Hong Kong Limited, who will retire, and being eligible, offer themselves for re-appointment at the 2023 AGM. A resolution will be proposed at the 2023 AGM to re-appoint Grant Thornton Hong Kong Limited as the auditors of the Company.

ON BEHALF OF THE BOARD

**Chan Kwong Yuen**

*Chairman*

Hong Kong, 23 June 2023



# INDEPENDENT AUDITOR'S REPORT



**To the members of Ying Kee Tea House Group Limited**

*(incorporated in Hong Kong with limited liability)*

## OPINION

We have audited the consolidated financial statements of Ying Kee Tea House Group Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 71 to 138, which comprise the consolidated statement of financial position as at 31 March 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the Companies Ordinance.

## BASIS FOR OPINION

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



## KEY AUDIT MATTERS

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

### Revenue recognition

*Refer to notes 2.13 and 5 to the consolidated financial statements*

The Key Audit Matters	How the matter was addressed in our audit
<p>The revenue is the primary financial key performance indicator of the Group. Therefore, we identified revenue recognition as a significant risk.</p>	<p>Our audit procedures in relation to the revenue recognition included:</p> <ul style="list-style-type: none"> <li>– understanding the revenue system of the Group;</li> <li>– determining whether revenue is recorded in the accounting system consistent with the accounting policy and considering the appropriateness of that policy;</li> <li>– testing the samples of sales transactions to ensure the record and postings of sales transactions were correct and properly made;</li> <li>– performing sales cut-off test to ensure the record and postings of sales transactions were made in proper accounting period;</li> <li>– performing analytical review on the gross profit to identify the trends and variances comparing with our understanding of the financial performance of the Group; and</li> <li>– performing analytical review on sales trends by location, by product type and by month to identify trends and variances that would require further substantive testing.</li> </ul>



# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS (CONTINUED)

### Assessment of the Group's ability to continue as a going concern

Refer to notes 2.1 and 4.2 to the consolidated financial statements

The Key Audit Matters	How the matter was addressed in our audit
<p>The Group had incurred net loss of HK\$6,682,000 for the year ended 31 March 2023 and, as at that date, the Group had net current liabilities of HK\$6,517,000. Note 2.1 to the consolidated financial statements explains how the directors have formed a judgement that the going concern basis is appropriate in preparing the consolidated financial statements of the Group.</p> <p>The directors evaluated the Group's ability to continue as a going concern based upon an assessment of the Group's cash position, a cash flow forecast, and its availability to obtain financing facilities and obtain financial support from a related company to finance its continuing operations. This required the exercise of significant management judgement, particularly in forecasting the Group's future revenue, gross profit, operating expenses and capital expenditure and in assessing the Group's ability to renew the existing banking facilities. Based on their assessment, the directors concluded that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern.</p> <p>We identified the assessment of the Group's ability to continue as a going concern as a key audit matter because the assessment is dependent upon certain management assumptions and judgements, in particular in relation to future revenue and the ability of the Group to obtain external financing, which may be inherently uncertain and could be subject to management bias.</p>	<p>Our audit procedures to assess whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern included:</p> <ul style="list-style-type: none"><li>– evaluating the key assumptions in the cash flow forecasts (including future revenue, gross profit, operating expense and capital expenditure) with reference to historical sales information, current performance, internal management plans and market and other external available information;</li><li>– assessing the availability of banking and other financing facilities and arrangements by inspecting underlying documentation, which included banking facility agreements signed before and after the year end, and assessing the impact of any covenants and other restrictive terms therein;</li><li>– assessing the Group's ability to renew or refinance existing banking and other financing facilities upon maturity by performing a retrospective review of past renewal or roll-over history of banking and other banking facilities in prior years;</li><li>– inspecting letter of financial support from the related company and assessing the ability of the related company to provide such financial support by inspecting available financial information; and</li><li>– evaluating the disclosures in the consolidated financial statements in respect of the going concern assumption with reference to the requirements of the prevailing accounting standards.</li></ul>



## KEY AUDIT MATTERS (CONTINUED)

### Impairment of property, plant and equipment and right-of-use assets

Refer to notes 2.15, 4.1 and 13 to the consolidated financial statements

The Key Audit Matters	How the matter was addressed in our audit
<p>The Group had significant property, plant and equipment (including the right-of-use assets) as at 31 March 2023 amounted to HK\$100,363,000 before current year impairment. These assets were allocated to the retail shops as individual cash generating units (“CGUs”) from which the sales of tea products business arose.</p> <p>The Group had reported losses in certain CGUs in the current year which indicates the carrying amount of property, plant and equipment to the corresponding CGUs may be impaired. The Group has performed an impairment assessment on these assets as at 31 March 2023 to determine the recoverable amount of each of the CGU to which the assets belongs, using value in use calculation based on the valuations performed by an independent qualified professional valuer (the “Valuer”).</p> <p>Based on the results of the assessment, it is concluded that there was impairment in respect of property, plant and equipment (including the right-of-use assets) amounted to HK\$1,576,000 for the year ended 31 March 2023.</p> <p>We identified the impairment assessment as a key audit matter because of the significance of the carrying values of the property, plant and equipment (including the right-of-use assets) amounted to HK\$98,787,000 (representing 89% of total assets) and the significant judgements and estimations involved in the assessment of their recoverable amounts.</p>	<p>Our audit procedures in relation to the impairment assessments of the carrying values of property, plant and equipment and right-of-use assets included:</p> <ul style="list-style-type: none"> <li>– discussing with management and understanding management’s impairment assessment process;</li> <li>– evaluating management’s identification of CGUs and reasonableness of the allocation of property, plant and equipment (including the right-of-use assets) to the corresponding CGUs;</li> <li>– assessing the competence, capabilities and objectivity of the Valuer, and checking the qualifications of the Valuer;</li> <li>– assessing the arithmetic accuracy of the value-in-use calculation of the cash flow forecast and the impairment loss calculation; and</li> <li>– obtaining an understanding from the Valuer about the methodologies used, the inputs and assumptions adopted, such as revenue growth rates, terminal growth rate, the discount rates and the assumptions in particular in relation to gross profit, operating expenses and capital expenditure, adopted in the valuation model and, with the assistance of our valuation experts, assessing the appropriateness of these methodologies, inputs and assumptions based on other available market data taking into account the historical performance of the Group.</li> </ul>



# INDEPENDENT AUDITOR'S REPORT



## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2023 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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



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

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

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



# INDEPENDENT AUDITOR'S REPORT



## **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

### **Grant Thornton Hong Kong Limited**

*Certified Public Accountants*

11th Floor

Lee Garden Two

28 Yun Ping Road

Causeway Bay

Hong Kong SAR

23 June 2023

Lam Kam Fung

Practising Certificate No.: P07822

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023



	Notes	2023 HK\$'000	2022 HK\$'000
<b>Revenue</b>	5	<b>37,442</b>	36,058
Cost of sales		<b>(8,696)</b>	(8,121)
<b>Gross profit</b>		<b>28,746</b>	27,937
Other income	6	<b>1,552</b>	343
Selling and distribution costs		<b>(1,986)</b>	(1,563)
Administrative expenses		<b>(31,685)</b>	(31,249)
Finance costs	7	<b>(3,324)</b>	(3,184)
<b>Loss before income tax</b>	8	<b>(6,697)</b>	(7,716)
Income tax credit/(expense)	9	<b>15</b>	(67)
<b>Loss for the year and total comprehensive expense for the year attributable to equity holders of the Company</b>		<b>(6,682)</b>	(7,783)
<b>Loss per share attributable to equity holders of the Company (expressed in HK cents per share)</b>			
Basic and diluted loss per share	12	<b>(1.85)</b>	(2.15)

The notes on pages 77 to 138 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Notes	2023 HK\$'000	2022 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	98,787	106,116
Rental deposits	15	11	357
		<b>98,798</b>	106,473
<b>Current assets</b>			
Inventories	14	6,974	6,881
Trade and other receivables	15	2,559	2,263
Cash and bank balances		2,278	1,871
		<b>11,811</b>	11,015
<b>Current liabilities</b>			
Trade and other payables	16	939	1,012
Bank borrowings	17	11,542	10,092
Lease liabilities	19	5,837	6,196
Tax payable		10	94
		<b>18,328</b>	17,394
<b>Net current liabilities</b>		<b>(6,517)</b>	(6,379)
<b>Total assets less current liabilities</b>		<b>92,281</b>	100,094
<b>Non-current liabilities</b>			
Provision for long service payment		1,149	428
Provision for reinstatement cost		854	854
Bank borrowings	17	36,000	38,250
Promissory notes	18	33,463	38,910
Lease liabilities	19	70	1,262
		<b>71,536</b>	79,704
<b>Net assets</b>		<b>20,745</b>	20,390

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023



	Notes	2023 HK\$'000	2022 HK\$'000
<b>Equity</b>			
Share capital	20	42,260	42,260
Reserves		(21,515)	(21,870)
<b>Total equity</b>		<b>20,745</b>	20,390

**Chan Kun Yuen**

*Director*

**Chan Shu Yuen**

*Director*

The notes on pages 77 to 138 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

	Share capital HK\$'000 (note 20)	Capital reserve HK\$'000 (note 21)	Share option reserve HK\$'000	Contribution reserve HK\$'000 (note 21)	Accumulated losses HK\$'000	Total equity HK\$'000
<b>Balance at 1 April 2021</b>	41,879	990	2,259	5,806	(23,036)	27,898
Exercise of share options (note 22)	381	–	(106)	–	–	275
Lapse of share options (note 22)	–	–	(73)	–	73	–
Loss for the year and total comprehensive expense for the year	–	–	–	–	(7,783)	(7,783)
<b>Balance at 31 March 2022 and 1 April 2022</b>	<b>42,260</b>	<b>990</b>	<b>2,080</b>	<b>5,806</b>	<b>(30,746)</b>	<b>20,390</b>
Lapse of share options (note 22)	–	–	(8)	–	8	–
Loss for the year and total comprehensive expense for the year	–	–	–	–	(6,682)	(6,682)
Contribution from shareholders (note)	–	–	–	7,037	–	7,037
<b>Balance at 31 March 2023</b>	<b>42,260</b>	<b>990</b>	<b>2,072</b>	<b>12,843</b>	<b>(37,420)</b>	<b>20,745</b>

Note: Contribution reserve represents the deemed contribution by controlling shareholders, in the issuance of non-interest bearing promissory notes to Chan Sing Hoi Enterprises Limited (“**Chan Sing Hoi Enterprises**”) in 2020. The contribution reserve represents the difference between the fair value of assets acquired and the fair value of the non-interest bearing promissory notes issued in 2020, and the difference of fair value change of promissory notes extended in 2023, details of which are set in note 18.

The notes on pages 77 to 138 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2023



	2023 HK\$'000	2022 HK\$'000
<b>Cash flows from operating activities</b>		
Loss before income tax	(6,697)	(7,716)
Adjustments for:		
Depreciation on property, plant and equipment	4,301	4,410
Depreciation on right-of-use assets	6,247	5,973
Amortisation of reinstatement cost	46	47
Interest income	(3)	(3)
Interest expenses	3,324	3,184
Write-back of other payable	(43)	(155)
Impairment loss of property, plant and equipment	1,576	379
Rent concessions	–	(112)
Operating profit before working capital changes	8,751	6,007
Changes in working capital:		
Inventories	(93)	(265)
Trade and other receivables	50	2,239
Trade and other payables	(30)	(100)
Provision for long service payment	721	–
Cash generated from operations	9,399	7,881
Income taxes paid	(69)	–
<i>Net cash generated from operating activities</i>	<b>9,330</b>	7,881
<b>Cash flows from investing activities</b>		
Interest received	3	3
Purchase of property, plant and equipment	(51)	(166)
<i>Net cash used in investing activities</i>	<b>(48)</b>	(163)



# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2023



	2023 HK\$'000	2022 HK\$'000
<b>Cash flows from financing activities</b>		
Interest paid	(1,734)	(1,632)
Proceeds from new bank borrowings	10,000	1,000
Payment of lease liabilities	(6,341)	(5,993)
Repayment of bank borrowings	(10,800)	(3,408)
Proceeds from shares issuance under share options scheme	–	275
<i>Net cash used in financing activities</i>	<b>(8,875)</b>	(9,758)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>407</b>	(2,040)
<b>Cash and cash equivalents at the beginning of the year</b>	<b>1,871</b>	3,911
<b>Cash and cash equivalents at the end of the year, represented by cash and bank balances</b>	<b>2,278</b>	1,871

The notes on pages 77 to 138 are an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023



## 1. GENERAL INFORMATION

Ying Kee Tea House Group Limited (the “**Company**”) was incorporated in Hong Kong with limited liability on 14 September 2017. The address of its registered office was 8/F., Wah Shing Centre, 5 Fung Yip Street, Siu Sai Wan, Hong Kong and its principal place of business is Hong Kong.

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

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the retail trading of tea products. As at the reporting date, the Company’s holding company is Profit Ocean Enterprises Limited (“**Profit Ocean**”), a company incorporated in the British Virgin Islands (“**BVI**”).

These consolidated financial statements for the year ended 31 March 2023 were approved for issue by the board of directors on 23 June 2023.

The financial information relating to the years ended 31 March 2019 to 2023 included in these financial statements as comparative information does not constitute the statutory annual consolidated financial statements of the Company for those years, but is derived from those consolidated financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

- The Company has delivered the statutory annual consolidated financial statements for the years ended 31 March 2019 to 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance, and will deliver the financial statements for the year ended 31 March 2023 to the Registrar of Companies within the prescribed time limit.
- The Company’s independent auditor, Grant Thornton Hong Kong Limited has reported on those financial statements. The independent auditor’s reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the accounting principles generally accepted in Hong Kong. The consolidated financial statements also comply with the applicable requirement of the Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group’s consolidated financial statements, if any, are disclosed in note 3.

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

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

In preparing the consolidated financial statements of the Group, the directors have given consideration to the future liquidity of the Group in light of its net loss of approximately HK\$6,682,000 (2022: HK\$7,783,000) incurred for the year ended 31 March 2023 and, as at that date, the Group had net current liabilities of approximately HK\$6,517,000 (2022: HK\$6,379,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation (Continued)

The directors have reviewed the current performance and cash flow forecast prepared by management as part of their assessment of the Group's ability to continue as a going concern, and after carefully considering the matters described below, the directors have a reasonable expectation that the Group is able to continue as a going concern for at least the next twelve months from the end of the reporting period and to meet its obligations, as and when they fall due, having regard to the following:

- (i) the Group generated net cash inflows from operating activities of approximately HK\$9,330,000 during the year ended 31 March 2023 and expects to continue to improve its working capital management and generate sufficient cash flows to meet its liabilities as and when they fall due in the next twelve months;
- (ii) at 31 March 2023, the Group had available unutilised bank facilities of HK\$6,244,000;
- (iii) the Group has the ability to obtain new banking and other financing facilities and has the ability to renew or refinance the banking facilities upon maturity; and
- (iv) the related company, Golden Ocean International Holdings Limited ("**Golden Ocean**"), an entity controlled by the substantial shareholders of the Company, has undertaken to provide continuing financial support to the Group for a period of twelve months from the date of approval of the consolidated financial statements by the directors in order to maintain the Group as a going concern.

Consequently, the directors have concluded that the Group has adequate resources to continue in operational existence for the foreseeable future and that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern.

Should the going concern assumption be inappropriate, adjustments may have to be made to write down the values of assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

### 2.2 Basis of consolidation

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Basis of consolidation (Continued)

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

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

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

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

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

### 2.3 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Foreign currency translation

The consolidated financial statements are presented in Hong Kong dollars (HK\$), which is also the functional currency of the Company.

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

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

### 2.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost (other than cost of right-of-use assets as described in note 2.10) includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Depreciation is recognised so as to write off the cost of assets less their residual values (if any) over their estimated useful lives, using the reducing balance method, at the following rates per annum, except for reinstatement cost and leasehold land and buildings which are amortised over the shorter of its estimated useful life or lease term using the straight-line method:

Machinery and equipment	20%
Leasehold improvement and furniture and fixtures	20%
Leasehold land and buildings	Over the shorter of its estimated useful life or unexpired period of the lease of land

Accounting policy for depreciation of right-of-use assets is set out in note 2.10.

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.5 Property, plant and equipment (Continued)

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

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

### 2.6 Financial instruments

#### *Recognition and derecognition*

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

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

#### *Financial assets*

##### *Classification and initial measurement of financial assets*

Trade receivables that do not contain a significant financing component are measured at the transaction price in accordance with HKFRS 15 "Revenue from Contracts with Customers".

Financial assets are classified into at amortised cost.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

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



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.6 Financial instruments (Continued)

#### **Financial assets (Continued)**

##### *Subsequent measurement of financial assets*

##### *Debt investments*

Financial assets at amortised cost

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

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

#### **Financial liabilities**

##### *Classification and measurement of financial liabilities*

The Group's financial liabilities include bank borrowings, lease liabilities, trade and other payables and promissory notes.

Financial liabilities (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs.

Subsequently, financial liabilities (other than lease liabilities) are measured at amortised cost using the effective interest method.

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

Accounting policy for lease liabilities are set out in note 2.10.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.6 Financial instruments (Continued)

#### *Financial liabilities (Continued)*

##### *Classification and measurement of financial liabilities (Continued)*

##### *Bank borrowings*

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

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

##### *Other financial liabilities*

Both trade and other payables and promissory notes are recognised initially at their fair values and subsequently measured at amortised costs, using the effective interest method.

### 2.7 Impairment of financial assets

HKFRS 9's impairment requirements use forward-looking information to recognise ECL – the “ECL model”. Instruments within the scope included financial assets measured at amortised cost and trade receivables.

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

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

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (“**Stage 1**”) and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (“**Stage 2**”).

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.7 Impairment of financial assets (Continued)

#### *Trade receivables*

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

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

#### *Other financial assets measured at amortised cost*

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

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in regulatory, business, financial, economic conditions, or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and
- an actual or expected significant deterioration in the operating results of the debtor.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.7 Impairment of financial assets (Continued)

#### *Other financial assets measured at amortised cost (Continued)*

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

For internal credit risk management, the Group considers an event of default occurs when (i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group); or (ii) the financial asset is 90 days past due.

Detailed analysis of the ECL assessment of trade receivables and other financial assets measured at amortised cost are set out in note 26.4.

### 2.8 Inventories

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

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 2.9 Cash and cash equivalents

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.10 Leases

#### *Definition of a lease and the Group as a lessee*

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

For contracts that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

#### *Measurement and recognition of leases as a lessee*

At lease commencement date, the Group recognises a right-of-use assets and a lease liability on the consolidated statement of financial position. The right-of-use assets is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use assets or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use assets for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.10 Leases (Continued)

#### ***Definition of a lease and the Group as a lessee (Continued)***

##### *Measurement and recognition of leases as a lessee (Continued)*

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

The Group remeasures lease liabilities whenever:

- there are changes in lease term or in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments changes due to changes in market rental rates following a market rent review/ expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

For lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification. The only exception is any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 "Leases". In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use assets, or profit and loss if the right-of-use assets is already reduced to zero.

The Group has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less.

On the consolidated statement of financial position, right-of-use assets have been included in "property, plant and equipment", the same line as it presents the underlying assets of the same nature that it owns.

Refundable rental deposits paid are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.11 Provisions

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

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

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

### 2.12 Share capital

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

### 2.13 Revenue recognition

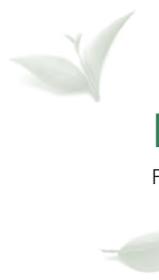
Revenue arises mainly from sales of tea products.

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

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

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.13 Revenue recognition (Continued)

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

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

Interest income is recognised on a time proportion basis using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount.

### 2.14 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate.

Government grants relating to income are presented in gross under other income in the consolidated statement of profit or loss and other comprehensive income.

### 2.15 Impairment of non-financial assets

The Group's property, plant and equipment (including right-of-use assets) and the Company's interests in subsidiaries are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

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

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit ("CGU")). As a result, some assets are tested individually for impairment and some are tested at CGU level. Corporate assets are allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

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

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



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.16 Employee benefits

#### *Retirement benefits*

Retirement benefits to employees are provided through defined contribution plans.

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

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

#### *Long service payment*

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

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

The Employment & Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “**Amended Ordinance**”) was gazetted on 17 June 2022, which will eventually abolish the use of the accrued benefits of employers’ mandatory contributions under the MPF System to offset severance payment (“SP”) and LSP. The amendment will come into effect prospectively from a date to be determined by the Hong Kong Government, which is expected to be in 2025 (the “**Transition Date**”). Under the Amended Ordinance, the mandatory MPF contributions, plus/minus any positive/negative returns thereof after the Transition Date can only be applied to offset the pre-Transition Date LSP obligation but no longer eligible to offset the post-Transition Date LSP obligation. Furthermore, the LSP obligations before the Transition Date will be grandfathered and calculated based on the last monthly wages immediately preceding the Transition Date.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.16 Employee benefits (Continued)

#### *Short-term employee benefits*

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

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

#### *Share-based compensation*

The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the equity instruments awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in the "share option reserve" in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

At the time when the share options are exercised, the amount previously recognised in "share option reserve" will be transferred to "share capital". After vesting date, when the vested share options are later forfeited or are still not exercised at the expiry date, the amount previously recognised in "share option reserve" will be transferred to "accumulated losses".

### 2.17 Borrowing costs

Borrowing costs are recognised in profit or loss in which they are incurred.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.18 Accounting for income taxes

Income tax comprises current tax and deferred tax.

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

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

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

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

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

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

- income or loss excluding reversals of temporary differences; and
- reversals of existing temporary differences.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.18 Accounting for income taxes (Continued)

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

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - (i) the same taxable entity; or
  - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### 2.19 Segment reporting

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.20 Related parties

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

- (a) the party is a person or a close member of that person's family and if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group.
- (b) the party is an entity and if any of the following conditions applies:
  - (i) the entity and the Group are members of the same group.
  - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) the entity and the Group are joint ventures of the same third party.
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (vi) the entity is controlled or jointly controlled by a person identified in (a).
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023



## 3. ADOPTION OF NEW AND AMENDED HKFRSs

### Amended HKFRSs that are effective for annual periods beginning on 1 April 2022

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 April 2022:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018–2020
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination

Except for those mentioned below, the adoption of the amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

### ***Amendments to HKFRS 3 “Reference to the Conceptual Framework”***

The amendments update the reference in HKFRS 3 to the latest version of “Conceptual Framework for Financial Reporting” issued in March 2018, and add an exception to the requirement for an entity to refer to “Conceptual Framework for Financial Reporting” to determine what constitutes an asset or liability.

Besides, the exception also specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” or HK(IFRIC)-Int 21 “Levies” if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should apply the criteria in HKAS 37 or HK(IFRIC)-Int 21 respectively (instead of the “Conceptual Framework for Financial Reporting”) to determine whether a present obligation exists at the acquisition date.

Furthermore, the amendments also explicitly state that contingent assets do not qualify for recognition at the acquisition date.

Amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 April 2022 and apply prospectively. The amendments have no impact on the consolidated financial statements because there are no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the year ended 31 March 2023.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023



## 3. ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)

### **Amended HKFRSs that are effective for annual periods beginning on 1 April 2022 (Continued)**

#### ***Amendments to HKAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”***

The amendments prohibit an entity from deducting from the cost of property, plant and equipment any proceeds received from selling items produced before that asset is available for use (i.e. any proceeds from selling items produced while bringing the asset to the location and condition necessary for it to be capable of operating in manner intended by management). Instead, an entity should recognise such sales proceeds and related costs in profit or loss. The entity should measure the cost of those items in accordance with HKAS 2 “Inventories”.

Besides, the amendments also clarify the meaning of “testing whether an asset is functioning properly” and require additional disclosures for the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity’s ordinary activities.

In accordance with the transitional provisions, the Group has applied the amendments to HKAS 16 apply retrospectively to property, plant and equipment made available for use on or after the beginning of 1 April 2021.

The amendments have no impact on the consolidated financial statements as there are no sales of such items produced by property, plant and equipment made available for use on or after 1 April 2021.

#### ***Amendments to HKAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”***

The amendments clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g. direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

In accordance with the transitional provisions, the Group applied the amendments to contracts for which it has not yet fulfilled all its obligations at 1 April 2022 (i.e. date of initial application). The amendments have no impact on the consolidated financial statements as there are no onerous contracts during the year ended 31 March 2023.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023



## 3. ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)

### Amended HKFRSs that are effective for annual periods beginning on 1 April 2022 (Continued)

#### *Annual Improvements to HKFRS Standards 2018–2020*

The Annual Improvements to HKFRS Standards 2018–2020 include a number of amendments to various HKFRSs, which are summarised below.

Amendments to HKFRS 1 provide an option for a subsidiary to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of its parent company (based on the parent company's date of transitions to HKFRSs) if a subsidiary adopts HKFRSs later than its parent company and applies paragraph D16(a) of HKFRS 1.

Amendments to HKFRS 9 clarify that, for the purpose of applying the “10 per cent” test for derecognition of financial liability, the borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the entity or the lender on the other's behalf, in the assessment.

Amendments to HKFRS 16 remove the illustration of the reimbursement of leasehold improvements by the lessor from the illustrative example 13 as the example is not clear as to why such payments are not a lease incentive, which in turn remove any potential confusion regarding the treatment of lease incentives that might arise.

Amendments to HKAS 41 remove a requirement to exclude cash flows from taxation when measuring fair value of a biological asset, thereby aligning the fair value measurement requirements in HKAS 41 with those in HKFRS 13.

Amendments to HKFRS 1, HKFRS 9 and HKAS 41 are effective for annual period beginning on or after 1 April 2022. The amendments to HKFRS 16 only regard an illustrative example, so no effective date is stated. The annual improvements have no impact on the consolidated financial statements.

#### ***Accounting Guideline 5 (Revised) “Merger Accounting for Common Control Combination”***

Accounting Guideline 5 was revised to clarify why a common control transaction involving inserting a shell company between a parent entity and a single subsidiary or between a parent entity and a group of subsidiaries is not common control combination in the Accounting Guideline 5 and why, in practice, a principle similar to that for a reverse acquisition is applied to those transactions.

Besides, Accounting Guideline 5 was also revised to:

- clarify the accounting for change in non-controlling interests as a result of common control by providing more guidance in the illustrative example;
- include additional disclosure requirements for the common control transactions; and
- update the terminologies and references in Accounting Guideline 5 to align with existing HKFRSs.

Accounting Guideline 5 (Revised) is effective for common control combinations that occur on or after the beginning of the first annual reporting period beginning on or after 1 April 2022. The revision has no impact on the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023



## 3. ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)

### Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group:

HKFRS 17	Insurance Contracts and related amendments <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>2</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related to amendments to Hong Kong Interpretation 5 <sup>2</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>3</sup> Effective date not yet determined

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023



## 3. ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)

### Issued but not yet effective HKFRSs (Continued)

#### ***Amendments to HKAS 1 “Classification of Liabilities as Current or Non-current” and related amendments to Hong Kong Interpretation 5 and Amendments to HKAS 1 “Non-current Liabilities with Covenants” (“2022 Amendments”)***

The amendments provide further guidance to clarify how to classify debt and other liabilities as current or non-current which are summarised as follows:

- It clarifies that a liability is non-current if an entity has a right (instead of unconditional right as stated before the amendments) to defer settlement of the liability for at least twelve months from the end of the reporting period. This right has to be existed at the end of the reporting period, regardless of whether the lender tests for compliance at the date or at a later date;
- Any expectations about events after the reporting period do not impact the assessment made at the end of the reporting period as to the classification of the liability; and
- “Settlements” are newly defined as a transfer to the counterparty that results in the extinguishment of the liability. The transfer could be of cash, other economic resources (e.g. goods or services), or entity’s own equity instruments. Thus, if the counterparty conversion option is classified as liability under HKAS 32 “Financial Instruments: Presentation”, the transfer of equity instruments by exercising the conversion option constitute settlement of liability for the purpose of current or non-current classification of liabilities. One exception to the definition is that if the counterparty conversion option is classified as equity in accordance with HKAS 32, the transfer of equity instruments by exercising the conversion option does not constitute settlement of liability and would be disregarded when determining whether the liability is current or non-current.

2022 Amendments issued in 2022 clarified that only covenants of a liability arising from a loan arrangement, which an entity must comply with on or before the reporting date (even if the covenant is only assessed after the reporting date) affect the classification of that liability as current or non-current. Those covenants to be complied with after the reporting date do not affect the classification of loan arrangements as current or non-current at the reporting date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023



## 3. ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)

### Issued but not yet effective HKFRSs (Continued)

#### ***Amendments to HKAS 1 “Classification of Liabilities as Current or Non-current” and related amendments to Hong Kong Interpretation 5 and Amendments to HKAS 1 “Non-current Liabilities with Covenants” (“2022 Amendments”) (Continued)***

Besides, the 2022 Amendments required an entity to provide additional disclosure when a liability arising from a loan agreement is classified as non-current and the entity’s right to defer settlement is contingent on compliance with future covenants within twelve months. The information provided should enable users of financial statements to understand the risk that the liability could become repayable within twelve months of the reporting period, including:

- the carrying amount of the related liabilities;
- information about the covenants (including the nature of the covenants and when the entity is required to comply with them); and
- facts and circumstances, if any, that indicate that an entity may have difficulty complying with covenants. Such facts and circumstances could also include the fact that the entity would not have complied with the covenants based on its circumstances at the end of the reporting period.

The 2022 Amendments also deferred the effective date of the 2020 Amendments to the annual reporting periods beginning on or after 1 January 2024, in which both amendments are to be applied as a package and apply retrospectively. Earlier application is permitted. The directors of the Group expect that the amendments have no material impact on the consolidated financial statements.

#### ***Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies”***

The amendments to HKAS 1 require entities to disclose material accounting policy information instead of significant accounting policies in its financial statements. The amendments also provide some guidance on how material policy information are being identified and provide some examples of when accounting policy information is likely to be material.

In March 2021, the HKICPA issued HKFRS Practice Statement 2 “Making Materiality Judgements” to provide entities with non-mandatory guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with HKFRS. HKFRS Practice Statement 2 was subsequently revised to provide guidance and examples on how to apply the concept of materiality to accounting policy disclosures.

The amendments to HKAS 1 are effective for annual reporting period beginning on or after 1 January 2023 and are applied prospectively. Earlier application is permitted. Except for the disclosures of accounting policies in note 2 to consolidated financial statements may need to be revised to cope with the above changes, the directors expect that the amendments have no other material impact on the consolidated financial statements.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023



## 3. ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)

### Issued but not yet effective HKFRSs (Continued)

#### *Amendments to HKAS 8 “Definition of Accounting Estimates”*

The amendments clarify how entities should distinguish changes in accounting policies from changes in accounting estimates by introducing a definition for accounting estimates, which is now defined as “monetary amounts in the financial statements that are subject to measurement uncertainty”.

Besides, the amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. Accounting estimates typically involve the use of judgements or assumptions based on latest available reliable information. A change in accounting estimate that results from new information or new development is not correction of an error. Therefore, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. In addition, two illustrative examples are added to illustrate how to apply the new definition of accounting estimates.

The amendments are effective for annual reporting period beginning on or after 1 January 2023 and are applied prospectively. Earlier application is permitted. The directors expect that the amendments have no material impact on the consolidated financial statements.

#### *Amendments to HKAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”*

The amendments clarify that the initial recognition exemption of deferred tax in HKAS 12 “Income Taxes” does not apply to transactions that give rise to equal taxable and deductible temporary differences, such as lease contracts that give rise to the recognition of a lease liability and the corresponding right-of-use assets and contracts that give rise to the recognition of decommissioning obligations and corresponding amounts recognised as assets. Instead, entities are required to recognise the related deferred tax asset and liability on initial recognition, with the recognition of any deferred tax asset being subject to the recoverability criteria in HKAS 12 “Income Taxes”.

The amendments are effective for annual reporting period beginning on or after 1 January 2023. Earlier application is permitted. As the Group did not have any deferred tax assets, the directors expect that the amendments have no other material impact on the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023



## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

### 4.1 Estimation uncertainty

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

#### ***Net realisable value of inventories***

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition, the ageing of the inventories and the historical experience of selling products of similar nature. Management reassess these estimates at the reporting date to ensure inventories are carried at the lower of cost and net realisable value. If the market condition was to deteriorate, resulting in a lower net realisable value of such inventories, additional allowances may be required. The carrying amounts of inventories at each reporting date are disclosed in note 14.

#### ***Estimation of impairment of trade and other receivables within the scope of ECL under HKFRS 9***

The Group makes allowances on items subjects to ECL, including trade and other receivables, based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period as set out in note 2.7. The carrying amounts of trade and other receivables at each reporting date are disclosed in note 15.

When the actual future cash flows are different from expected, such difference will impact the carrying amount of trade receivables and other receivables within the scope of ECL under HKFRS 9 and credit losses in the periods in which such estimate has been changed.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023



## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### 4.1 Estimation uncertainty (Continued)

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

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

#### *Impairment of non-financial assets*

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management make assumptions about future revenue, gross profit, operating expense and capital expenditure. These assumptions relate to future events and circumstances and the actual results may vary.

Determining the appropriate discount rate involves estimating the appropriate adjustment for market. Details of the impairment of property, plant and equipment and right-of-use assets are disclosed in note 13.

During the year ended 31 March 2023, the Group has incurred impairment loss of approximately HK\$1,576,000 (2022: HK\$379,000) on property, plant and equipment.

#### *Deferred tax*

The Group recognises tax/deferred tax assets and liabilities for anticipated tax based on estimates of when the tax/deferred tax will be paid or recovered. When the final outcome of these matters is different from the amounts initially recorded, such differences impact the period in which the determination is made. Critical accounting estimates relate to the profit forecasts used to determine the extent to which deferred tax assets are recognised from available losses and the period over which they are estimated.



## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### 4.2 Critical accounting judgements

#### *Going concern basis*

As disclosed in note 2.1, the consolidated financial statements have been prepared on a going concern basis. The appropriateness of the going concern basis is assessed after taking into consideration all relevant available information about future of the Group, including the Group's cash position, its availability to obtain financing facilities and financial support from a related company to finance its continuing operations and the cash flow forecasts of the Group. Such assessment inherently involves uncertainties. Actual results could differ significantly and hence render the adoption of the going concern basis inappropriate.

#### *Determination of the lease term in lease contracts and discount rate*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension options, or not exercise a termination option. Factors considered include:

- contractual terms and conditions for the optional periods compared with market rates (e.g. whether the amount of payments in the optional periods is below the market rates);
- the extent of leasehold improvements undertaken by the Group; and
- costs relating to termination of the lease (e.g. relocation costs, costs of identifying another underlying asset suitable for the Group's needs).

Extension options are only included in the lease term if the lease is reasonably certain to be extended, which in turn affect the carrying amounts of lease liabilities and corresponding right-of-use assets.

During the years ended 31 March 2023 and 2022, the Group entered into several modified contracts with lessors to revise the monthly rental and extend the lease terms of the leases, resulted in an additional amount of HK\$4,790,000 (2022: HK\$5,903,000) of right-of-use assets included in property, plant and equipment and lease liabilities recognised.

In determining the discount rate, the Group exercised considerable judgement in relation to determining the discount rate taking into account the nature of the underlying assets and the terms and conditions of the leases, at both the commencement date and effective date of the modification.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 5. REVENUE AND SEGMENT REPORTING

### 5.1 Revenue

	2023 HK\$'000	2022 HK\$'000
Sales of tea products	37,442	36,058

#### *Disaggregation of revenue from contracts with customers*

The Group derives revenue from the transfer of goods at a point in time in the following types of customer and good:

	2023 HK\$'000	2022 HK\$'000
<b>Type of customer</b>		
– Individuals	36,127	34,337
– Corporate	1,315	1,721
	37,442	36,058

	2023 HK\$'000	2022 HK\$'000
<b>Type of goods</b>		
– Tea leaves	36,147	34,826
– Tea wares	1,090	1,030
– Tea gift sets	205	202
	37,442	36,058

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023



## 5. REVENUE AND SEGMENT REPORTING (CONTINUED)

### 5.2 Segment information

The Group has determined the operating segments based on the information reported to the executive directors, the chief operating decision maker. During the years ended 31 March 2023 and 2022, the chief operating decision maker regards the Group's sales of tea products business as a single reportable and operating segment and assesses the operating performance and allocates the resources of the Group as a whole. Accordingly, no segment information is presented.

#### *Geographical information*

No separate analysis of segment information by geographical segment is presented as all of the Group's revenue are derived from Hong Kong based on the location of customers and all of the Group's non-current assets are located in Hong Kong.

#### *Information about major customers*

During the years ended 31 March 2023 and 2022, none of the Group's customers contributed over 10% of the Group's revenue.

## 6. OTHER INCOME AND OTHER GAIN OR LOSS

	2023 HK\$'000	2022 HK\$'000
Bank interest income	3	3
Sundry income	219	73
Write-back of other payable	43	155
Rent concessions	–	112
Government subsidies (note)	1,287	–
	1,552	343

Note: During the year ended 31 March 2023, the Group has received funding support amounting to HK\$1,287,000 from the Employment Support Scheme ("ESS") under the Anti-epidemic Fund, set up by Hong Kong Special Administrative Region ("HKSAR") Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the ESS, the Group was required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees. There were neither unfulfilled conditions nor other contingencies attached to the receipt of those grants. There is no assurance that the Group will continue to receive such grant in the future. There was no government grant received during the year ended 31 March 2022.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 7. FINANCE COSTS

	2023 HK\$'000	2022 HK\$'000
Interest charges on bank loans	1,593	1,464
Imputed interest expenses from promissory notes	1,590	1,552
Finance charges on lease liabilities	141	168
	<b>3,324</b>	3,184

## 8. LOSS BEFORE INCOME TAX

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

	2023 HK\$'000	2022 HK\$'000
Depreciation of property, plant and equipment	4,301	4,410
Depreciation of right-of-use assets	6,247	5,973
Total depreciation	<b>10,548</b>	10,383
Amortisation of reinstatement cost	46	47
Total amortisation	<b>46</b>	47
Lease charges in respect of premises		
– short term leases	311	221
– variable lease payments	1,819	1,674
– Covid-19-Related Rent Concessions received (note)	–	(112)
Total lease charges	<b>2,130</b>	1,783
Auditor's remuneration	548	526
Cost of inventories recognised as an expense	7,428	6,870
Exchange losses, net	2	1
Impairment loss of property, plant and equipment	<b>1,576</b>	379

Note: During the year ended 31 March 2022, the Group has adopted Amendment to HKFRS 16 "Covid-19-Related Rent Concessions" and Amendment to HKFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021", and applied the practical expedients introduced by the amendments to all eligible rent concessions received by the Group. The rent concessions received by the Group are in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to prevent the spread of COVID-19. There was no rent concession received during the year ended 31 March 2023.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023



## 9. INCOME TAX (CREDIT)/EXPENSE

	2023 HK\$'000	2022 HK\$'000
<b>Current tax</b>		
Hong Kong profits tax		
– Current year	52	94
– Over provision in respect of prior years	(67)	(27)
Income tax (credit)/expense	<b>(15)</b>	67

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits subject to Hong Kong Profits Tax for the year ended 31 March 2023.

The provision for Hong Kong Profits Tax for the year ended 31 March 2022 are calculated at 16.5% of the estimated assessable profits for the years, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying entities are taxed at 8.25%, and the profits above HK\$2 million are taxed at 16.5%.

Reconciliation between income tax (credit)/expenses and accounting loss at applicable tax rate is as follow:

	2023 HK\$'000	2022 HK\$'000
Loss before income tax	<b>(6,697)</b>	(7,716)
Tax on loss before income tax at profits tax rate of 16.5% (2022: 16.5%)	<b>(1,105)</b>	(1,273)
Tax effect on two-tiered tax regime	–	(37)
Tax effect of non-deductible expenses	<b>1,511</b>	1,614
Tax effect of non-taxable income	<b>(213)</b>	(85)
Tax effect of temporary differences not recognised	<b>(18)</b>	(24)
Utilisation of tax losses previously not recognised	<b>(123)</b>	(101)
Over provision in respect of prior years	<b>(67)</b>	(27)
Income tax (credit)/expense	<b>(15)</b>	67

No deferred tax asset has been recognised in relation to unrecognised tax losses of approximately HK\$5,209,000 (2022: HK\$5,955,000) as at 31 March 2023 due to the unpredictability of future profit streams. These tax losses do not expire under current legislation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

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

### 10.1 Employee benefit expenses

	2023 HK\$'000	2022 HK\$'000
Salaries, allowances and other benefits	13,131	12,897
Retirement scheme contributions (note)	433	440
Provision for long service payment	721	–
	<b>14,285</b>	13,337

Note: At 31 March 2023, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2022: HK\$Nil).

### 10.2 Directors' emoluments

Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules, section 383(1) of the Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

#### Year ended 31 March 2023

	Fees HK\$'000	Salaries, allowances and other benefits HK\$'000	Retirement scheme contributions HK\$'000	Share- based payment HK\$'000	Total HK\$'000
<b>Executive directors</b>					
Chan Kwong Yuen (note)	203	–	1	–	204
Chan Kun Yuen (note)	203	–	10	–	213
Chan Shu Yuen	203	–	10	–	213
	<b>609</b>	–	<b>21</b>	–	<b>630</b>
<b>Independent non-executive directors</b>					
Siu Chi Ming	180	–	–	–	180
Lee Wai Ho	120	–	–	–	120
Wong Chee Chung	120	–	–	–	120
	<b>420</b>	–	–	–	<b>420</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023



## 10. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (CONTINUED)

### 10.2 Directors' emoluments (Continued)

Year ended 31 March 2022

	Fees HK\$'000	Salaries, allowances and other benefits HK\$'000	Retirement scheme contributions HK\$'000	Share- based payment HK\$'000	Total HK\$'000
<b>Executive directors</b>					
Chan Kwong Yuen (note)	203	–	10	–	213
Chan Kun Yuen (note)	203	–	10	–	213
Chan Shu Yuen	203	–	10	–	213
	609	–	30	–	639
<b>Independent non-executive directors</b>					
Siu Chi Ming	180	–	–	–	180
Lee Wai Ho	120	–	–	–	120
Wong Chee Chung	120	–	–	–	120
	420	–	–	–	420

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 10. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (CONTINUED)

### 10.3 Five highest paid individuals' emoluments

The five individuals whose emoluments were the highest in the Group for the year do not include the directors during the years ended 31 March 2023 and 2022, whose emoluments are disclosed in note 10.2. The aggregate of the emoluments payable to the five (2022: five) individuals are as follows:

	2023 HK\$'000	2022 HK\$'000
Salaries, allowances and other benefits	2,272	2,204
Discretionary bonuses	153	154
Retirement scheme contributions	62	63
	<b>2,487</b>	2,421

The above individuals' emoluments are within the following bands:

	2023	2022
Nil to HK\$1,000,000	4	4
HK\$1,000,001 to HK\$1,500,000	1	1

During the years ended 31 March 2023 and 2022, no emolument was paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. No directors or five highest paid individuals has waived or agreed to waive any emoluments during the years ended 31 March 2023 and 2022.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023



## 11. DIVIDENDS

No dividend has been paid or declared by the Group during the years ended 31 March 2023 and 2022, nor has any dividend been proposed since the end of the reporting period.

## 12. LOSS PER SHARE

The basic loss per share is calculated based on the loss attributable to equity holders of the Company and on the weighted average number of 361,450,000 ordinary shares (2022: 361,251,000 ordinary shares) for the year ended 31 March 2023.

	2023 HK\$'000	2022 HK\$'000
Loss for the year attributable to equity holders of the Company for the purposes of basic loss per share	<b>(6,682)</b>	(7,783)

For the years ended 31 March 2023 and 2022, diluted loss per share is the same as basic loss per share. The potential shares arising from the conversion of the Company's share options would decrease the loss per share attributable to equity holders of the Company and is not taken into account as they had anti-dilutive effects.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Machinery and equipment HK\$'000	Leasehold improvement and furniture and fixtures HK\$'000	Total HK\$'000
At 1 April 2021				
Cost	119,136	1,854	6,322	127,312
Accumulated depreciation, amortisation and impairment loss	(10,900)	(1,163)	(4,393)	(16,456)
<b>Net book amount</b>	<b>108,236</b>	<b>691</b>	<b>1,929</b>	<b>110,856</b>
Year ended 31 March 2022				
Opening net book amount	108,236	691	1,929	110,856
Additions	–	166	–	166
Modification of lease term (note (ii))	5,903	–	–	5,903
Depreciation/amortisation	(9,853)	(166)	(411)	(10,430)
Impairment loss (note (i))	(379)	–	–	(379)
<b>Closing net book amount</b>	<b>103,907</b>	<b>691</b>	<b>1,518</b>	<b>106,116</b>
At 31 March 2022 and 1 April 2022				
Cost	125,039	2,020	6,322	133,381
Accumulated depreciation, amortisation and impairment loss	(21,132)	(1,329)	(4,804)	(27,265)
<b>Net book amount</b>	<b>103,907</b>	<b>691</b>	<b>1,518</b>	<b>106,116</b>
<b>Year ended 31 March 2023</b>				
Opening net book amount	<b>103,907</b>	<b>691</b>	<b>1,518</b>	<b>106,116</b>
Additions	–	<b>51</b>	–	<b>51</b>
Modification of lease term (note (ii))	<b>4,790</b>	–	–	<b>4,790</b>
Depreciation/amortisation	<b>(10,112)</b>	<b>(146)</b>	<b>(336)</b>	<b>(10,594)</b>
Impairment loss (note (i))	<b>(1,574)</b>	<b>(2)</b>	–	<b>(1,576)</b>
<b>Closing net book amount</b>	<b>97,011</b>	<b>594</b>	<b>1,182</b>	<b>98,787</b>
<b>At 31 March 2023</b>				
Cost	<b>129,829</b>	<b>2,071</b>	<b>6,322</b>	<b>138,222</b>
Accumulated depreciation, amortisation and impairment loss	<b>(32,818)</b>	<b>(1,477)</b>	<b>(5,140)</b>	<b>(39,435)</b>
<b>Net book amount</b>	<b>97,011</b>	<b>594</b>	<b>1,182</b>	<b>98,787</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023



## 13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes:

- (i) As at 31 March 2023 and 2022, the property, plant and equipment (including right-of-use assets) were allocated to the retail shops as individual CGUs from which the sales of tea products business arose. There were certain CGUs performed below budget in both years and thus, the Group engaged the Valuer to conduct impairment assessments on these CGUs. The recoverable amounts of each CGU has been determined based on value in use or fair value less costs of disposal, whichever is higher.

The value in use calculations of the CGUs were based on the cash flow projections based on the latest financial budgets approved by the Company's management covering a five-year period. Management determines revenue growth rate to be a key assumption as it is the main driver for revenue and costs in each period. The revenue growth rate is based on past historical sales information, current performance, internal management plans and market available information. The pre-tax discount rate used for the calculation was 12.13% (2022: 13.44%) and reflects specific risks relation to the relevant business.

The recoverable amounts of the two properties in the respective CGUs were determined by fair value less costs of disposal basing on valuations performed by the Valuer. The valuations were based on comparable market transactions and evidence and considered adjustments to reflect differences in transaction timing, location and tenure. The recoverable amounts of the two properties were level 2 fair value measurement.

Based on the above, the total recoverable amounts of the Group's CGUs was amounted approximately HK\$126,798,000 (2022: HK\$141,181,000) as at 31 March 2023 of which the recoverable amounts of the two properties in the respective CGUs that were subject to impairment loss was amounted approximately HK\$92,000,000 (2022: HK\$96,600,000). Accordingly, the Group has made provision for impairment on property, plant and equipment HK\$1,576,000 (2022: HK\$379,000) for the year ended 31 March 2023.

- (ii) During the years ended 31 March 2023 and 2022, the Group entered into modified contracts with lessors to revise the monthly rental and extend the lease terms of the leases. As the modification does not add the right to use one or more underlying assets, it is not accounted for as a separate lease. Accordingly, the Group recognised an additional amount of HK\$4,790,000 (2022: HK\$5,903,000) of right-of-use assets included in leasehold land and buildings and lease liabilities respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 March 2023 and 2022, included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

	HK\$'000
<b>Leasehold land and buildings carried at cost</b>	
As at 1 April 2021	7,375
Modification of lease term	5,903
Depreciation for the year	(5,973)
At 31 March 2022 and 1 April 2022	<b>7,305</b>
Modification of lease term	<b>4,790</b>
Depreciation for the year	<b>(6,247)</b>
<b>At 31 March 2023</b>	<b>5,848</b>

As at 31 March 2023, leasehold land and buildings with a carrying amount of HK\$91,163,000 (2022: HK\$96,600,000) was pledged to secure general banking facilities granted to the Group. The details in relation to these leases are set out in note 19.

## 14. INVENTORIES

	2023 HK\$'000	2022 HK\$'000
Tea leaves	3,152	3,034
Canned/packed tea products for sale	2,340	2,086
Tea wares	494	810
Sundries and packaging materials	988	951
	<b>6,974</b>	6,881

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023



## 15. TRADE AND OTHER RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
<b>Trade receivables</b>	<b>614</b>	576
Less: ECL allowance	–	–
	<b>614</b>	576
<b>Deposits, prepayments and other receivables</b>		
Rental and other deposits	<b>1,610</b>	1,653
Other receivables	–	83
Prepayments	<b>346</b>	308
Less: ECL allowance	–	–
	<b>2,570</b>	2,620
Less: non-current portion		
Rental deposits	<b>(11)</b>	(357)
	<b>2,559</b>	2,263

The directors of the Group consider that the fair values of trade and other receivables are not materially different from their carrying amounts and the ECL are considered as insignificant because these balances have short maturity periods on their inception.

The Group's sales to customers are mainly on cash basis. The Group also grants credit terms of 0 to 75 days (2022: 0 to 75 days) to certain corporate customers. Based on the invoice dates (or date of revenue recognition if earlier), the ageing analysis of the trade receivables, net of ECL allowance, was as follows:

	2023 HK\$'000	2022 HK\$'000
0–30 days	<b>585</b>	383
31–60 days	<b>24</b>	93
61–90 days	<b>3</b>	79
Over 90 days	<b>2</b>	21
	<b>614</b>	576



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023



## 16. TRADE AND OTHER PAYABLES

	2023 HK\$'000	2022 HK\$'000
Trade payables	314	357
Accrued charges and other payables	625	655
	<b>939</b>	1,012

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

	2023 HK\$'000	2022 HK\$'000
0–30 days	314	357

All amounts are short-term and hence the carrying amounts of trade and other payables are considered to be a reasonable approximation of fair values.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023



## 17. BANK BORROWINGS

At 31 March 2023 and 2022, the Group's bank loans were repayable as follows:

	2023 HK\$'000	2022 HK\$'000
Carrying amount repayable:		
Within one year	11,542	10,092
In the second year	2,250	2,250
In the third to fifth years	33,750	36,000
	<b>47,542</b>	48,342
Less: carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	<b>(9,292)</b>	(7,842)
Less: amounts shown under current liabilities	<b>(2,250)</b>	(2,250)
Amounts shown under non-current liabilities	<b>36,000</b>	38,250
Secured (note (i) and (ii))	<b>43,250</b>	43,500
Unsecured (note (iii))	<b>4,292</b>	4,842
	<b>47,542</b>	48,342

Notes:

- (i) At 31 March 2023 and 2022, the balances were secured by certain property, plant and equipment as set out in note 13.
- (ii) At 31 March 2023, the amount of HK\$5,000,000 (2022: HK\$3,000,000) included in the secured borrowings were guaranteed by certain subsidiaries of the Company.
- (iii) At 31 March 2023, the amount of HK\$4,292,000 (2022: HK\$4,842,000) included in the unsecured borrowings were guaranteed by HKSAR government under SME Financing Guarantee Scheme and cross personal guarantees given by Chan Shu Yuen, Chan Kwong Yuen, Chan Kun Yuen and Chan Tat Yuen, the controlling shareholders of the Group.

The effective interest rates range from 2.75% to 5.14% (2022: 2.31% to 3.00%) per annum.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023



## 18. PROMISSORY NOTES

	2023 HK\$'000	2022 HK\$'000
At beginning of year	38,910	37,358
Fair value of promissory notes at remeasurement date	33,463	–
Derecognition of original promissory notes	(40,500)	–
Imputed interest charged (note 7)	1,590	1,552
At end of year	33,463	38,910

On 25 March 2020, the Company issued two promissory notes with principal amounts of HK\$25,500,000 and HK\$25,000,000 respectively to Chan Sing Hoi Enterprises as part of the consideration for the acquisition of the two properties used as retail shops for business operation (note 13). The promissory notes were issued at a discounted value which is calculated by the Group's effective interest rate of 4.16% per annum to discount the value of the promissory notes into their fair value at inception date amounting to approximately HK\$44,694,000.

The promissory notes were unsecured and interest-free on its principal sum. The promissory notes would be matured in 3 years from the date of issue, being 25 March 2023 (the "Maturity Date") and the Company may, at its sole and absolute discretion, further extend the Maturity Date for another three years. The promissory notes were further extended to 25 March 2026 upon its maturity and therefore, the outstanding balance is classified as non-current liabilities. Effective interest rate on the remaining principal balance was revised to 6.57% per annum.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023



## 19. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2023 HK\$'000	2022 HK\$'000
Total minimum lease payments:		
Due within one year	5,930	6,336
Due in the second to fifth years	71	1,279
	<b>6,001</b>	7,615
Future finance charges on lease liabilities	<b>(94)</b>	(157)
Present value of lease liabilities	<b>5,907</b>	7,458

	2023 HK\$'000	2022 HK\$'000
Present value of minimum lease payments:		
Due within one year	5,837	6,196
Due in the second to fifth years	70	1,262
	<b>5,907</b>	7,458
Less: Portion due within one year included under current liabilities	<b>(5,837)</b>	(6,196)
Portion due after one year included under non-current liabilities	<b>70</b>	1,262

As at 31 March 2023 and 2022, lease liabilities amounted to HK\$5,907,000 (2022: HK\$7,458,000) are effectively secured by the related underlying assets as the rights to the leased asset would be reverted to the lessor in the event of default by repayment by the Group.

During the year ended 31 March 2023, the total cash outflows for the leases are HK\$8,612,000 (2022: HK\$8,056,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 19. LEASE LIABILITIES (CONTINUED)

### Details of the lease activities

As at 31 March 2023 and 2022, the Group has entered into leases for office premise, car park and retails shops as follows:

Types of right-of-use assets	Financial statements items of right-of-use assets included in	Number of leases	Range of remaining lease term	Particulars
Office premise	Leasehold land and buildings in "property, plant and equipment"	1 (2022: 1)	1 year (2022: 1 year)	Only subject to monthly fixed rental payment
Carpark	Leasehold land and buildings in "property, plant and equipment"	1 (2022: 1)	1.75 years (2022: 0.75 year)	Only subject to monthly fixed rental payment
Retails shops	Leasehold land and buildings in "property, plant and equipment"	7 (2022: 7)	0.25 to 1 years (2022: 0.75 to 2 years)	Some of the contracts contain additional variable lease payments depends on the turnover rent during the contract period

## 20. SHARE CAPITAL

	2023		2022	
	Number of shares	Share capital HK\$'000	Number of shares	Share capital HK\$'000
Issued and fully paid:				
At 1 April	<b>361,450,000</b>	<b>42,260</b>	360,000,000	41,879
Employee share option scheme (note)	–	–	1,450,000	381
At 31 March	<b>361,450,000</b>	<b>42,260</b>	361,450,000	42,260

Note: On 20 April 2021, 3 May 2021, 20 May 2021 and 6 October 2021, the issued share capital of the Company was increased by HK\$123,000, HK\$76,000, HK\$38,000 and HK\$38,000 due to the exercise of 650,000, 400,000, 200,000 and 200,000 share options by the directors and senior management respectively. The total consideration received of HK\$275,000 was credited to the share capital account. An amount of HK\$106,000 has been transferred from the share option reserve to the share capital account in accordance with the policy set out in note 2.16.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023



## 21. RESERVES

### (a) Capital reserve

It represents the excess of nominal value of shares of Ying Kee Tea Company Limited (“**Ying Kee**”) over the nominal value of shares allotted by the Company arising from reorganisation.

### (b) Contribution reserve

It represents the deemed contribution by controlling shareholders, in the issuance of non-interest bearing promissory notes to Chan Sing Hoi Enterprises in 2020. The promissory notes have been further extended to next three years upon its maturity. The contribution reserve represents the difference between the fair value of assets acquired and the fair value of the non-interest bearing promissory notes issued in 2020, and the difference of fair value change of promissory notes extended in 2023, details of which are set out in note 18.

## 22. SHARE-BASED COMPENSATION

The Company has a share option scheme which was adopted on 14 March 2018 whereby the directors are authorised, at their discretion, to invite employees, consultants and advisers (“**participants**”) of the Group, including directors of any companies in the Group, to take up options at nil consideration for each participant to subscribe for shares of the Company. Each option gives the holder the right to subscribe for one ordinary share in the Company.

All share-based compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company’s ordinary shares.

Movements of share options and weighted average exercise price for the year are as follows:

Directors and other employees	2023		2022	
	Number '000	Exercise price per share HK\$	Number '000	Exercise price per share HK\$
Outstanding at 1 April	23,600	0.189	25,400	0.189
Lapsed	(100)	0.189	(1,000)	0.189
Exercised	–	0.189	(800)	0.189
<b>Outstanding at 31 March</b>	<b>23,500</b>	<b>0.189</b>	23,600	0.189

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 22. SHARE-BASED COMPENSATION (CONTINUED)

Consultants and advisers	2023		2022	
	Number '000	Exercise price per share HK\$	Number '000	Exercise price per share HK\$
Outstanding at 1 April	4,850	0.189	5,500	0.189
Exercised	–	0.189	(650)	0.189
<b>Outstanding at 31 March</b>	<b>4,850</b>	<b>0.189</b>	4,850	0.189

On 9 September 2019, the Company granted 32,300,000 share options to certain of its participants for HK\$1 consideration per personal at an exercise price of HK\$0.189 per share. The fair value of the share options granted amounted to HK\$2,361,000 at grant date.

The options were fully vested on 1 June 2020 and then exercisable within a period of three years (31 May 2023). The total number of shares which may be issued upon exercise of all options to be granted under the share option scheme must not in aggregate exceed 10% of the share capital of the Company in issue as at 9 September 2019, i.e. 32,300,000 shares. During the year ended 31 March 2023, 100,000 (2022: 1,000,000) share options were lapsed, resulting in a transfer of HK\$8,000 (2022: HK\$73,000) from share option reserve to accumulated losses.

During the years ended 31 March 2023 and 2022, there were no share-based compensation expense recognised in profit or loss and credited to share option reserve correspondingly. No liabilities were recognised due to share-based compensation transactions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023



## 23. COMMITMENTS

### (a) Capital commitments

Capital commitments of the Group outstanding at 31 March 2023 and 2022 not provided for are as follows:

	2023 HK\$'000	2022 HK\$'000
Contracted but not provided for:		
– Machinery and equipment	–	50

### (b) Lease commitments

#### *As lessee*

At the end of the reporting period, the lease commitments for short-term leases are as follows:

	2023 HK\$'000	2022 HK\$'000
Within one year	436	166

In addition to the above, variable payments are charged on certain retail shops and concession counters based on pre-determined percentages of realised sales, but generally with a basic or minimum lease payments as agreed of the respective leases.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 24. RELATED PARTY TRANSACTIONS

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

### 24.1 Names and relationship

Name of related party	Relationship with the Group
Chan Kwong Yuen	Director of the Company
Chan Kun Yuen	Director of the Company
Chan Tat Yuen	Director of the Company
Chan Sing Hoi Enterprises	An entity controlled by substantial shareholders of the Company
Golden Ocean	An entity controlled by substantial shareholders of the Company

### 24.2 Related party transactions

	2023 HK\$'000	2022 HK\$'000
<b>Lease payment:</b>		
Golden Ocean	3,444	3,996
<b>Finance charges on lease liabilities:</b>		
Golden Ocean	51	64
<b>Sales of goods to:</b>		
Chan Kun Yuen	19	7
Chan Kwong Yuen	7	3
Chan Tat Yuen	48	13
<b>Imputed interest expense:</b>		
Chan Sing Hoi Enterprises	1,590	1,552

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023



## 24. RELATED PARTY TRANSACTIONS (CONTINUED)

### 24.2 Related party transactions (Continued)

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

The imputed interest would be amortised to interest expenses over the three years term of the promissory notes.

As at 31 March 2023 and 2022, the controlling shareholders of the Group, Chan Shu Yuen, Chan Kwong Yuen, Chan Kun Yuen and Chan Tat Yuen, have provided cross personal guarantees to the bank for banking facilities granted to the Group as set out in note 17. As at 31 March 2023 and 2022, no corporate guarantees to the banks for banking facilities granted to the Group.

Outstanding balances arising from leasing of retails shops and the office premise included in leases liabilities are as follows:

	2023 HK\$'000	2022 HK\$'000
Payable to a related party – Golden Ocean	3,630	3,393

### 24.3 Key management personnel remunerations

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

	2023 HK\$'000	2022 HK\$'000
Salaries, allowances and other benefits	3,504	3,369
Discretionary bonuses	153	199
Retirement scheme contributions	93	93
	3,750	3,661

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 25. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities for the years ended 31 March 2022 and 2023, including both cash and non-cash changes.

	Promissory notes HK\$'000	Bank borrowings HK\$'000	Leases liabilities HK\$'000	Total HK\$'000
At 1 April 2021	37,358	50,750	7,565	95,673
Cash-flows:				
Interest element of lease rentals paid	–	–	(168)	(168)
Capital element of lease rentals paid	–	–	(5,993)	(5,993)
Proceeds from bank borrowings	–	1,000	–	1,000
Repayments of bank borrowings	–	(3,408)	–	(3,408)
Non-cash:				
Modification of lease term	–	–	5,903	5,903
Covid-19 related rent concessions received (note 6)	–	–	(17)	(17)
Interest expenses recognised (note 7)	–	–	168	168
Imputed interest expenses recognised (note 7)	1,552	–	–	1,552
<b>At 31 March 2022 and 1 April 2022</b>	<b>38,910</b>	<b>48,342</b>	<b>7,458</b>	<b>94,710</b>
Cash-flows:				
Interest element of lease rentals paid	–	–	(141)	(141)
Capital element of lease rentals paid	–	–	(6,341)	(6,341)
Proceeds from bank borrowings	–	10,000	–	10,000
Repayments of bank borrowings	–	(10,800)	–	(10,800)
Non-cash:				
Fair value of promissory notes at remeasurement date (note 18)	33,463	–	–	33,463
Modification of lease term	–	–	4,790	4,790
Interest expenses recognised (note 7)	–	–	141	141
Imputed interest expenses recognised (note 7)	1,590	–	–	1,590
Derecognition of original promissory notes (note 18)	(40,500)	–	–	(40,500)
<b>At 31 March 2023</b>	<b>33,463</b>	<b>47,542</b>	<b>5,907</b>	<b>86,912</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023



## 26. FINANCIAL RISK MANAGEMENT

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

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

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

### 26.1 Categories of financial assets and financial liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities:

	2023 HK\$'000	2022 HK\$'000
<b>Financial Assets</b>		
<i>Financial assets at amortised cost</i>		
– Trade and other receivables	2,224	2,312
– Cash and bank balances	2,278	1,871
	4,502	4,183
<b>Financial Liabilities</b>		
<i>Financial liabilities measured at amortised cost</i>		
– Trade and other payables	939	1,012
– Bank borrowings	47,542	48,342
– Promissory notes	33,463	38,910
– Lease liabilities	5,907	7,458
	87,851	95,722

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 26.2 Foreign currency risk

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

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

	2023 HK\$'000	2022 HK\$'000
Cash and bank balances	8	215

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

	Sensitivity rate	Increase in loss for the year HK\$'000	Decrease in equity HK\$'000
As at 31 March 2023	8%	—*	—*
As at 31 March 2022	8%	14	14

\* The amount is less than HK\$1,000.

The same percentage depreciation in the functional currency of respective group entities against RMB would have the same magnitude on the Group's loss after income tax for the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023



## 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 26.3 Interest rate risk

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

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

	2023		2022	
	Increase in loss for the year HK\$'000	Decrease in equity HK\$'000	Increase in loss for the year HK\$'000	Decrease in equity HK\$'000
Interest rate:				
Increase by 50 basis point	189	189	194	194

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

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate over the next twelve months period.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023



## 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 26.4 Credit risk

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

The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position at 31 March 2023 and 2022 is the carrying amount as disclosed in note 26.1.

For trade and other receivables, the exposures to credit risk are monitored such that any outstanding debtors are reviewed and followed up on an ongoing basis. As at 31 March 2023, 27% (2022: 20%) was due from the largest debtor and 75% (2022: 70%) was due from the five largest debtors of the Group. The Group does not hold any collateral from its debtors.

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

#### (i) *Trade receivables*

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023



## 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 26.4 Credit risk (Continued)

#### (i) Trade receivables (Continued)

The following table provides information about the Group's exposure to credit risk and ECL for trade receivables as at 31 March 2023 and 2022 was determined as follows:

#### 31 March 2023

	Current and past due within 3 months HK\$'000	More than 3 months but less than 12 months past due HK\$'000	Over 1 year but less than 2 years past due HK\$'000	Over 2 years but less than 3 years past due HK\$'000	Over 3 years past due HK\$'000	Total HK\$'000
ECL rate	0.9%	1.3%	21.3%	47.0%	100%	
Gross carrying amount – trade receivables	612	2	–	–	–	614

#### 31 March 2022

	Current and past due within 3 months HK\$'000	More than 3 months but less than 12 months past due HK\$'000	Over 1 year but less than 2 years past due HK\$'000	Over 2 years but less than 3 years past due HK\$'000	Over 3 years past due HK\$'000	Total HK\$'000
ECL rate	0.8%	1.2%	20.4%	45.0%	100%	
Gross carrying amount – trade receivables	555	21	–	–	–	576

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023



## 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 26.4 Credit risk (Continued)

#### (ii) *Other financial assets at amortised cost*

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

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

The credit risks for bank balances are considered negligible as the counterparties are reputable international banks with high quality external credit ratings.

### 26.5 Liquidity risk

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023



## 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 26.5 Liquidity risk (Continued)

The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities.

	Weighted average interest rate %	Within 1 year on demand HK\$'000	Over 1 year but within 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Discount HK\$'000	Carrying amount HK\$'000
<b>At 31 March 2023</b>							
Non-interest bearing:							
Trade and other payables	N/A	939	–	–	939	–	939
Promissory notes (note (i))	N/A	–	40,500	–	40,500	7,037	33,463
Interest bearing:							
Bank borrowings (note (ii))	3.95%	13,195	38,945	–	52,140	4,598	47,542
Lease liabilities	3.35%	5,930	71	–	6,001	94	5,907
		<b>20,064</b>	<b>79,516</b>	<b>–</b>	<b>99,580</b>	<b>11,729</b>	<b>87,851</b>
<b>At 31 March 2022</b>							
Non-interest bearing:							
Trade and other payables	N/A	1,023	–	–	1,023	–	1,023
Promissory notes (note (i))	N/A	40,500	–	–	40,500	1,590	38,910
Interest bearing:							
Bank borrowings (note (ii))	2.93%	11,806	42,311	–	54,117	5,775	48,342
Lease liabilities	3.01%	6,336	1,279	–	7,615	157	7,458
		<b>59,665</b>	<b>43,590</b>	<b>–</b>	<b>103,255</b>	<b>7,522</b>	<b>95,733</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 26. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 26.5 Liquidity risk (Continued)

Notes:

- (i) Promissory notes are included in the “Over 1 year but within 5 years” time band in the above maturity analysis. As at 31 March 2023, the aggregate carrying amounts of these promissory notes amounted to HK\$33,463,000 (2022: HK\$38,910,000). The management of the Group has exercised its discretionary rights to further extend the Maturity Date for another three years when the promissory notes matured at 25 March 2023. The management believe that such promissory notes will be repaid after the reporting period in accordance with the table below:

	Within 1 year on demand HK\$'000	Over 1 year but within 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Discount HK\$'000	Carrying amount HK\$'000
<b>At 31 March 2023</b>	–	<b>40,500</b>	–	<b>40,500</b>	<b>7,037</b>	<b>33,463</b>
At 31 March 2022	–	40,500	–	40,500	1,590	38,910

- (ii) Borrowings with a repayment on demand are included in the “Within 1 year on demand” time band in the above maturity analysis. As at 31 March 2023, the aggregate carrying amounts of these borrowings amounted to HK\$9,292,000 (2022: HK\$7,842,000). Taking into account the Group’s financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such borrowings will be repaid after the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

	Within 1 year on demand HK\$'000	Over 1 year but within 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Discount HK\$'000	Carrying amount HK\$'000
<b>At 31 March 2023</b>	<b>5,994</b>	<b>3,319</b>	<b>515</b>	<b>9,828</b>	<b>536</b>	<b>9,292</b>
At 31 March 2022	3,780	3,319	1,272	8,371	529	7,842

## 27. CAPITAL MANAGEMENT

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

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital by regularly reviewing the capital structure. The capital structure of the Group consist of net debt (which include bank borrowings, lease liabilities and promissory notes), less cash and bank balances and equity attributable to owners of the Company. In order to maintain an optimal capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, raise new debt financing or sell assets to reduce debt.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023



## 28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 HK\$'000	2022 HK\$'000
<b>ASSETS AND LIABILITIES</b>		
<b>Non-current assets</b>		
Interests in subsidiaries	20	20
<b>Current assets</b>		
Prepayments	89	149
Amount due from subsidiaries	51,918	58,251
Cash and bank balances	151	243
	<b>52,158</b>	58,643
<b>Current liabilities</b>		
Other payables	50	7
Net current assets	<b>52,108</b>	58,636
<b>Total assets less current liabilities</b>	<b>52,128</b>	58,656
<b>Non-current liabilities</b>		
Promissory notes	33,463	38,910
<b>Net assets</b>	<b>18,665</b>	19,746
<b>EQUITY</b>		
Share capital	42,260	42,260
Reserves (note)	(23,595)	(22,514)
<b>Total equity</b>	<b>18,665</b>	19,746

Approved and authorised for issue by the board of directors on 23 June 2023.

**Chan Kun Yuen**  
Director

**Chan Shu Yuen**  
Director

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

## 28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

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

	Share option reserve HK\$'000	Contribution reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
As at 1 April 2021	2,259	5,806	(19,045)	(10,980)
Exercised share option (note 22)	(106)	–	–	(106)
Lapse of share option (note 22)	(73)	–	73	–
Loss for the year and total comprehensive expense for the year	–	–	(11,428)	(11,428)
As at 31 March 2022 and 1 April 2022	2,080	5,806	(30,400)	(22,514)
Lapse of share option (note 22)	(8)	–	8	–
Contribution from shareholders (note 18)	–	7,037	–	7,037
Loss for the year and total comprehensive expense for the year	–	–	(8,118)	(8,118)
<b>At 31 March 2023</b>	<b>2,072</b>	<b>12,843</b>	<b>(38,510)</b>	<b>(23,595)</b>

## 29. INTERESTS IN SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 March 2023 and 2022 are as follows:

Name of Company	Place of incorporation and business	Particulars of issued and paid up capital	Percentage of equity interest directly held by the Company		Principal activities
			2023	2022	
Ying Kee	Hong Kong	HK\$1,000,000	100%	100%	Retail trading of tea products
iTea. Ying Kee Limited	Hong Kong	HK\$1	100%	100%	Inactive
New Vantage (Hong Kong) Limited	Hong Kong	HK\$1	100%	100%	Trademark holding
Sing Hoi Properties Limited	Hong Kong	HK\$10,000	100%	100%	Property holding
Union Lucky Limited	Hong Kong	HK\$1	100%	100%	Property holding



## RESULTS

	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue	<b>37,442</b>	36,058	36,092	37,148	44,915
Cost of sales	<b>(8,696)</b>	(8,121)	(8,291)	(8,756)	(9,900)
Gross profit	<b>28,746</b>	27,937	27,801	28,392	35,015
Other income	<b>1,552</b>	343	3,712	721	608
Loss on early repayment of promissory notes	–	–	(912)	–	–
Selling and distribution costs	<b>(1,986)</b>	(1,563)	(1,566)	(1,641)	(2,055)
Administrative expenses	<b>(31,685)</b>	(31,249)	(34,560)	(39,594)	(35,422)
Finance costs	<b>(3,324)</b>	(3,184)	(3,605)	(182)	(46)
Loss before income tax	<b>(6,697)</b>	(7,716)	(9,130)	(12,304)	(1,900)
Income tax expense	<b>15</b>	(67)	(12)	–	(852)
Loss for the year and total comprehensive expense for the year	<b>(6,682)</b>	(7,783)	(9,142)	(12,304)	(2,752)
Loss per share attributable to equity holders of the Company (expressed in HK cents per share)	<b>(1.85)</b>	(2.15)	(2.54)	(3.42)	(0.77)

## ASSETS AND LIABILITIES

	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Total consolidated assets	<b>110,609</b>	117,488	126,147	140,201	44,463
Total consolidated liabilities	<b>89,864</b>	97,098	(98,249)	(103,689)	(3,231)
Net assets	<b>20,745</b>	20,390	27,898	36,512	41,232
Equity attributable to equity holders of the Company	<b>20,745</b>	20,390	27,898	36,512	41,232

# FINANCIAL SUMMARY

## FINANCIAL REVIEW

	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
<b>OPERATING RESULTS</b>					
Revenue	<b>37,442</b>	36,058	36,092	37,148	44,915
Operating loss (EBIT)	<b>(3,373)</b>	(4,532)	(5,525)	(12,122)	(1,854)
Loss attributable to equity holders of the Company	<b>(6,682)</b>	(7,783)	(9,142)	(12,304)	(2,752)
<b>KEY STATISTICS</b>					
Equity attributable to equity holders of the Company	<b>20,745</b>	20,390	27,898	36,512	41,232
Working capital	<b>(6,517)</b>	(6,379)	(2,503)	14,862	37,721
Cash position*	<b>2,278</b>	1,871	3,911	16,805	26,172
Bank loans	<b>47,542</b>	48,342	50,750	55,000	–
Trade and other receivable	<b>2,559</b>	2,263	4,407	3,641	4,753
Inventories	<b>6,974</b>	6,881	6,616	7,360	7,383
Capital expenditure**	<b>52</b>	166	295	108,470	2,399
Depreciation and amortisation	<b>10,594</b>	10,430	10,359	2,882	1,151
<b>KEY RATIOS</b>					
Return on equity holders of the Company (ROE) (%)	<b>(32%)</b>	(38%)	(33%)	(34%)	(7%)
Return on total assets (ROA) (%)	<b>(6%)</b>	(7%)	(7%)	(9%)	(6%)
Debt to equity***	<b>229%</b>	237%	182%	231%	0%
Current ratio (times)	<b>0.64</b>	0.63	0.86	2.08	26.38
Trade receivable turnover period (days)	<b>6</b>	8	7	9	8
Inventories turnover period (days)****	<b>291</b>	303	308	307	253
Gross margin (%)	<b>77%</b>	77%	77%	76%	78%
Earnings/loss before interest, taxation, depreciation and amortization (EBITDA) margin (%)	<b>19%</b>	16%	13%	(25%)	(3%)
Loss before interest and taxation (EBIT) margin (%)	<b>(9%)</b>	(13%)	(15%)	(33%)	(5%)
Profits margin (%)	<b>(18%)</b>	(22%)	(25%)	(33%)	(6%)

\* Cash position refers to bank balances and cash and structured bank deposits

\*\* Capital expenditure represented the additions to property, plant and equipment

\*\*\* Calculation based on bank loans/equity attributable to equity holders of the Company at year end

\*\*\*\* Calculation based on average inventory/cost of sales