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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

CHARACTERISTICS OF GEM (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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*This announcement, 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 announcement 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 announcement misleading.*

INTERIM RESULTS

The board of Directors (the “**Board**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 September 2023 (the “**Reporting Period**”), together with the unaudited comparative figures for the corresponding period in 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2023

		Three months ended 30 September		Six months ended 30 September	
		2023	2022	2023	2022
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	4	6,449	7,259	13,489	14,451
Cost of sales		<u>(1,579)</u>	<u>(1,671)</u>	<u>(3,188)</u>	<u>(3,306)</u>
Gross profit		4,870	5,588	10,301	11,145
Other income	5	28	643	29	1,507
Selling and distribution costs		(241)	(435)	(506)	(565)
Administrative expenses		(6,937)	(6,982)	(13,951)	(14,128)
Finance costs	6	(1,096)	(817)	(2,174)	(1,620)
Loss before income tax	7	(3,376)	(2,003)	(6,301)	(3,661)
Income tax expense	8	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loss and total comprehensive expense for the period attributable to equity holders of the Company		<u>(3,376)</u>	<u>(2,003)</u>	<u>(6,301)</u>	<u>(3,661)</u>
Loss per share attributable to equity holders of the Company (expressed in HK cents per share)					
Basic and diluted loss per share	10	<u>(0.93)</u>	<u>(0.55)</u>	<u>(1.74)</u>	<u>(1.01)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

		As at 30 September 2023 <i>HK\$'000</i> (Unaudited)	As at 31 March 2023 <i>HK\$'000</i> (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	95,266	98,787
Rental deposits	12	244	11
		<u>95,510</u>	<u>98,798</u>
Current assets			
Inventories		7,995	6,974
Trade and other receivables	12	2,657	2,559
Cash and bank balances		1,060	2,278
		<u>11,712</u>	<u>11,811</u>
Current liabilities			
Trade and other payables	13	2,474	939
Bank borrowings	14	14,193	11,542
Lease liabilities	15	3,787	5,837
Tax payable		10	10
		<u>20,464</u>	<u>18,328</u>
Net current liabilities		<u>(8,752)</u>	<u>(6,517)</u>
Total assets less current liabilities		<u>86,758</u>	<u>92,281</u>

		As at 30 September 2023	As at 31 March 2023
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
Non-current liabilities			
Provision for long service payment		1,149	1,149
Provision for reinstatement cost		854	854
Bank borrowings	14	34,875	36,000
Promissory notes	16	34,575	33,463
Lease liabilities	15	823	70
		<u>72,276</u>	<u>71,536</u>
Net assets		<u>14,482</u>	<u>20,745</u>
EQUITY			
Share capital		42,312	42,260
Reserves		(27,830)	(21,515)
Total equity		<u>14,482</u>	<u>20,745</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2023

	Share capital <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i> <i>(Note (i))</i>	Share options reserve <i>HK\$'000</i>	Contribution reserve <i>HK\$'000</i> <i>(Note (ii))</i>	Accumulated losses <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
As at 1 April 2023	42,260	990	2,072	12,843	(37,420)	20,745
Exercise of share options	52	-	(14)	-	-	38
Lapse of share options	-	-	(2,058)	-	2,058	-
Loss and total comprehensive expense for the period	-	-	-	-	(6,301)	(6,301)
As at 30 September 2023 (Unaudited)	<u>42,312</u>	<u>990</u>	<u>-</u>	<u>12,843</u>	<u>(41,663)</u>	<u>14,482</u>
As at 1 April 2022	42,260	990	2,080	5,806	(30,746)	20,390
Lapse of share options	-	-	(7)	-	7	-
Loss and total comprehensive expense for the period	-	-	-	-	(3,661)	(3,661)
As at 30 September 2022 (Unaudited)	<u>42,260</u>	<u>990</u>	<u>2,073</u>	<u>5,806</u>	<u>(34,400)</u>	<u>16,729</u>

Notes:

- (i) Capital reserve represented the excess of nominal value of shares of Ying Kee Tea Company Limited over the nominal value of shares allotted by the Company arising from reorganisation.
- (ii) 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 changes of promissory notes extended in 2023, details of which are set out in note 16.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2023

	Six months ended	
	30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Loss before income tax	(6,301)	(3,661)
Adjustments for:		
– Depreciation	5,274	5,277
– Amortisation of reinstatement cost	19	23
– Interest income	(2)	–
– Interest expenses	2,174	1,620
– Loss on disposal of property, plant and equipment	28	–
	<hr/>	<hr/>
Operating profit before working capital changes	1,192	3,259
Changes in working capital:		
– Inventories	(1,021)	(1,070)
– Trade and other receivables	(331)	(90)
– Trade and other payables	1,535	995
	<hr/>	<hr/>
<i>Cash generated from operations</i>	1,375	3,094
Income taxes paid	–	(5)
	<hr/>	<hr/>
<i>Net cash from operating activities</i>	1,375	3,089
	<hr/>	<hr/>
Cash flows from investing activities		
Interest received	2	–
Purchases of property, plant and equipment	(85)	(48)
	<hr/>	<hr/>
<i>Net cash used in investing activities</i>	(83)	(48)
	<hr/>	<hr/>
Cash flows from financing activities		
Exercise of share options	38	–
Interest paid	(1,062)	(824)
Proceeds from new bank borrowings	8,000	5,000
Payment of lease liabilities	(3,012)	(3,064)
Repayment of bank borrowings	(6,474)	(4,322)
	<hr/>	<hr/>
<i>Net cash used in financing activities</i>	(2,510)	(3,210)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(1,218)	(169)
Cash and cash equivalents at the beginning of the period	2,278	1,871
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period, represented by cash and bank balances	<u>1,060</u>	<u>1,702</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 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 end of the reporting period, the Company’s holding company is Profit Ocean Enterprises Limited, a company incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 September 2023 (“**Interim Period**”) have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange, including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

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

The unaudited condensed consolidated financial statements for the Interim Period have been prepared in accordance with the accounting policies adopted in the Group’s annual consolidated financial statements for the year ended 31 March 2023, except for the adoption of the amended Hong Kong Financial Reporting Standards (“**HKFRSs**”) which are effective for the annual period beginning on 1 April 2023.

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 Interim 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\$1,400,000 during the Interim Period 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) as at 30 September 2023, the Group had available unutilised bank facilities of HK\$4,931,000 (2022: HK\$13,244,000);
- (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 unaudited condensed 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.

The preparation of the unaudited condensed consolidated financial statements for the Interim Period in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim results announcement contains the unaudited condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the annual financial statements for the year ended 31 March 2023. The unaudited condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statement prepared in accordance with HKFRSs.

The condensed consolidated financial statements for the Interim Period are unaudited, but have been reviewed by the Company's audit committee and authorised for issue by the board of directors on 10 November 2023.

The financial information relating to the financial year ended 31 March 2023 that is included in the unaudited condensed consolidated financial statements for the Interim Period as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 March 2023 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

3. ADOPTION OF NEW AND AMENDED HKFRSs

Amended HKFRSs that are effective for annual period beginning on 1 April 2023

The unaudited condensed consolidated financial statements for the Interim Period have been prepared in accordance with the accounting policies adopted in the Group's annual consolidated financial statements for the year ended 31 March 2023, except for the adoption of the following amended HKFRSs which are effective for the annual period beginning on 1 April 2023.

HKFRS 17	Insurance Contracts with related amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

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.

Issued but not yet effective HKFRSs

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ¹
Amendments to HKAS 21	Lack of Exchangeability ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after 1 January 2025

³ 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. The new and amended HKFRSs are expected to have no material impact on the unaudited condensed consolidated financial statements for the Interim Period.

4. REVENUE AND SEGMENT REPORTING

4.1 Revenue

	Three months ended		Six months ended	
	30 September		30 September	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sales of tea products	<u>6,449</u>	<u>7,259</u>	<u>13,489</u>	<u>14,451</u>

4.2 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 six months ended 30 September 2023 and 2022, the chief operating decision maker regards the Group's sales of tea products as a single 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

During the six months ended 30 September 2023 and 2022, no separate analysis of segment information by geographical segment is presented as all the Group's revenue are derived from Hong Kong based on the location of customers and the Group's non-current assets are located in Hong Kong.

Information about major customers

During the six months ended 30 September 2023 and 2022, none of the Group's customers contributed over 10% of the Group's revenue.

5. OTHER INCOME

	Three months ended		Six months ended	
	30 September		30 September	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Bank interest income	1	–	2	–
Government grants (<i>Note</i>)	–	423	–	1,287
Sundry income	27	220	27	220
	<u>28</u>	<u>643</u>	<u>29</u>	<u>1,507</u>

Note: The Group received the government grants from Hong Kong Special Administrative Region Government under the “Anti-epidemic Fund” during the six months ended 30 September 2022. 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 six months ended 30 September 2023.

6. FINANCE COSTS

	Three months ended		Six months ended	
	30 September		30 September	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on bank borrowings and overdrafts	514	374	986	731
Imputed interest expenses from promissory notes	544	402	1,112	796
Finance charges on lease liabilities	38	41	76	93
	<u>1,096</u>	<u>817</u>	<u>2,174</u>	<u>1,620</u>

7. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	Three months ended		Six months ended	
	30 September		30 September	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	1,063	1,076	2,123	2,150
Depreciation of right-of-use assets	1,520	1,564	3,151	3,127
Total depreciation	<u>2,583</u>	<u>2,640</u>	<u>5,274</u>	<u>5,277</u>
Amortisation of reinstatement cost	8	12	19	23
Lease charges in respect of premises				
– short term leases	364	163	509	308
– variable lease payments (Note)	73	359	172	544
Total lease charges	<u>437</u>	<u>522</u>	<u>681</u>	<u>852</u>
Auditor's remuneration	100	100	200	200
Cost of inventories recognised as an expense	1,286	1,390	2,580	2,741
Loss on disposal of property, plant and equipment	–	–	28	–
	<u>–</u>	<u>–</u>	<u>28</u>	<u>–</u>

Note: The contingent rentals are charged based on pre-determined percentages of realised sales less the minimum lease payments of the respective leases.

8. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been provided as the Group incurred taxation losses for the six months ended 30 September 2023 and 2022.

	Three months ended 30 September		Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Current tax				
Hong Kong Profits Tax				
– Current period	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

No deferred tax asset has been recognised in relation to unrecognised tax losses as at 30 September 2023 and 2022 due to the unpredictability of future profit streams. These tax losses do not expire under current legislation.

9. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2023 and 2022.

10. 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 361,578,000 ordinary share (six months ended 30 September 2022: 361,450,000) for the Interim Period.

	Three months ended 30 September		Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Loss				
Loss for the period attributable to equity holders of the Company for the purpose of basic loss per share	<u>(3,376)</u>	<u>(2,003)</u>	<u>(6,301)</u>	<u>(3,661)</u>
Number of shares				
Weighted average number of ordinary shares used in calculating diluted loss per share (in thousands)	<u>361,578</u>	<u>361,450</u>	<u>361,578</u>	<u>361,450</u>

For the six months ended 30 September 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.

11. PROPERTY, PLANT AND EQUIPMENT

For the Interim Period, the Group acquired property, plant and equipment valued at approximately HK\$85,000 (six months ended 30 September 2022: HK\$48,000).

For the six months ended 30 September 2023, 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\$1,715,000 of right-of-use assets included in leasehold land and buildings and lease liabilities respectively.

For the six months ended 30 September 2022, the Group did not recognise right-of-use assets in property, plant and equipment and lease liabilities in relation to retail shops through the tenancy agreements. The Group made fixed payments during the contract period.

As at 30 September 2023, the carrying amount of the Group's right-of-use assets in relation to properties was HK\$4,412,000 (31 March 2023: HK\$5,848,000).

As at 30 September 2023, leasehold land and buildings with a carrying amount of HK\$89,261,000 (31 March 2023: HK\$91,163,000) was pledged to secure general banking facilities granted to the Group. The details in relation to these borrowings are set out in note 14.

12. TRADE AND OTHER RECEIVABLES

	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
Trade receivables	617	614
Less: ECL allowance	—	—
	<u>617</u>	<u>614</u>
Deposits, prepayments and other receivables		
Rental and other deposits	1,764	1,610
Other receivables	2	—
Prepayments	518	346
Less: ECL allowance	—	—
	<u>2,901</u>	<u>2,570</u>
Less: non-current portion		
Rental deposits	<u>(244)</u>	<u>(11)</u>
	<u>2,657</u>	<u>2,559</u>

The directors consider that the fair value of trade and other receivables are not materially different from their carrying amount 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 (31 March 2023: 0 to 75 days) to certain corporate customers. Based on the invoice dates (or date of revenue recognition if earlier), the ageing analysis of trade receivables, net of ECL allowance, was as follows:

	As at 30 September 2023 <i>HK\$'000</i> (Unaudited)	As at 31 March 2023 <i>HK\$'000</i> (Audited)
0 – 30 days	527	585
31 – 60 days	50	24
61 – 90 days	13	3
Over 90 days	27	2
	<u>617</u>	<u>614</u>

13. TRADE AND OTHER PAYABLES

	As at 30 September 2023 <i>HK\$'000</i> (Unaudited)	As at 31 March 2023 <i>HK\$'000</i> (Audited)
Trade payables	1,092	314
Accrued charges and other payables	1,382	625
	<u>2,474</u>	<u>939</u>

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

	As at 30 September 2023 <i>HK\$'000</i> (Unaudited)	As at 31 March 2023 <i>HK\$'000</i> (Audited)
0 – 30 days	418	314
31 – 60 days	627	–
61 – 90 days	47	–
	<u>1,092</u>	<u>314</u>

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

14. BANK BORROWINGS

	As at 30 September 2023 <i>HK\$'000</i> (Unaudited)	As at 31 March 2023 <i>HK\$'000</i> (Audited)
Carrying amount repayable:		
Within one year	14,193	11,542
In the second year	2,250	2,250
In the third to fifth years	32,625	33,750
	<u>49,068</u>	<u>47,542</u>
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)	(11,943)	(9,292)
Less: Carrying amount of bank loans that are repayable within one year	<u>(2,250)</u>	<u>(2,250)</u>
Amounts shown under current liabilities	<u>(14,193)</u>	(11,542)
Amounts shown under non-current liabilities	<u>34,875</u>	<u>36,000</u>
Secured (<i>Notes i & ii</i>)	45,125	43,250
Unsecured (<i>Note iii</i>)	3,943	4,292
	<u>49,068</u>	<u>47,542</u>

Notes:

- (i) As at 30 September 2023 and 31 March 2023, the balances were secured by property, plant and equipment as set out in note 11.
- (ii) As at 30 September 2023, the amount of HK\$8,000,000 (31 March 2023: HK\$5,000,000) included in the secured borrowings were guaranteed by certain subsidiaries of the Company.
- (iii) As at 30 September 2023, the amount of HK\$3,943,000 (31 March 2023: HK\$4,292,000) included in the unsecured borrowings were guaranteed by Hong Kong Special Administrative region 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 7.39% (31 March 2023: 2.75% to 5.14%) per annum.

15. LEASE LIABILITIES

	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
Total minimum lease payments:		
Due within one year	3,863	5,930
Due in the second to fifth years	<u>850</u>	<u>71</u>
	4,713	6,001
Future finance charges on leases liabilities	<u>(103)</u>	<u>(94)</u>
Present value of leases liabilities	<u>4,610</u>	<u>5,907</u>
	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
Present value of minimum lease payments:		
Due within one year	3,787	5,837
Due in the second to fifth years	<u>823</u>	<u>70</u>
	4,610	5,907
Less: Portion due within one year included under current liabilities	<u>(3,787)</u>	<u>(5,837)</u>
Portion due after one year included under non-current liabilities	<u>823</u>	<u>70</u>

As at 30 September 2023, lease liabilities amounted to HK\$4,610,000 (31 March 2023: HK\$5,907,000) were 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.

For the Interim Period, the total cash outflows for the leases (including short-term leases) were HK\$3,769,000 (six months ended 30 September 2022: HK\$4,009,000).

16. PROMISSORY NOTES

	As at 30 September 2023 <i>HK\$'000</i> (Unaudited)	As at 31 March 2023 <i>HK\$'000</i> (Audited)
At beginning of period/year	33,463	38,910
Fair value of promissory notes at remeasurement date	–	33,463
Derecognition of original promissory notes	–	(40,500)
Imputed interest charged	1,112	1,590
At the end of period/year	<u>34,575</u>	<u>33,463</u>

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 the related company, Chan Sing Hoi Enterprises, as part of the consideration for the acquisition of two properties used as retail shops for business operation (note 11). 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.

17. LEASE COMMITMENTS

As lessee

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

	As at 30 September 2023 HK\$'000 (Unaudited)	As at 31 March 2023 HK\$'000 (Audited)
Within one year	145	436

In addition to the above, variable payments were 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.

18. RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the unaudited condensed consolidated financial statements, the Group entered into the following material related party transactions for the six months ended 30 September 2023 and 2022:

18.1 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

18.2 Related party transactions

	Six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Lease payment:		
Golden Ocean	1,842	1,722
Finance charges on lease liabilities:		
Golden Ocean	38	37
Sales of goods to:		
Chan Kun Yuen	6	4
Chan Kwong Yuen	3	4
Chan Tat Yuen	16	22
Imputed interest expense:		
Chan Sing Hoi Enterprises	1,112	796

Rental expenses paid to related party were negotiated on an arm's length basis with reference to the market rentals.

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 30 September 2023 and 31 March 2023, 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 14 and 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 as at 30 September 2023 and 31 March 2023 were as follows:

	As at	As at
	30 September	31 March
	2023	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Payable to a related party		
– Golden Ocean	1,827	3,630

18.3 Key management personnel remunerations

Key management personnel remunerations in the Group including amounts paid to the Company's directors for the six months ended 30 September 2023 and 2022 were as follows:

	Six months ended	
	30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Salaries, allowances and other benefits	1,697	1,733
Retirement scheme contributions	37	46
	<u>1,734</u>	<u>1,779</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

	For the six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue	13,489	14,451
Gross profit	10,301	11,145
Loss before taxation	(6,301)	(3,661)
Income tax expense	–	–
Loss attributable to shareholders	(6,301)	(3,661)
Loss per share	<u>(HK1.74 cents)</u>	<u>(HK1.01 cents)</u>

BUSINESS AND OPERATIONAL REVIEW

For the Reporting Period, the Group experienced reduction in revenue attributable to the weak retail sentiment arising from high interest rate in the borrowing market. The overall retail environment remains uncertain in light of the interest rate hike caused by the global economy and ongoing geopolitical events, coupled with the lowering of demand on non-essential products in the consumer market.

FINANCIAL REVIEW

Revenue, gross profit and net loss

The consolidated revenue of the Group for the Reporting Period amounted to approximately HK\$13.5 million (six months ended 30 September 2022: approximately HK\$14.5 million), representing a decrease of approximately 6.9%. The gross profit for the Reporting Period amounted to approximately HK\$10.3 million (six months ended 30 September 2022: approximately HK\$11.1 million), decreasing by approximately 7.2%. Gross profit margin was approximately 76.4% (six months ended 30 September 2022: approximately 77.1%), representing a decrease of approximately 0.9% compared with that of the last corresponding period. Net loss for the Reporting Period was approximately HK\$6.3 million (six months ended 30 September 2022: net loss of approximately HK\$3.7 million). The increase in net loss for the Reporting Period relative to the corresponding period in 2022 was mainly due to decrease in revenue, absence of government subsidy, temporary cease of business of a retail outlet due to revamp of premise by the shopping centre and increase in interest rate.

Selling and distribution costs

Selling and distribution costs decreased by approximately 16.7% to approximately HK\$0.5 million (six months ended 30 September 2022: approximately HK\$0.6 million) primarily because of reduction in sales.

Administrative expenses

Administrative expenses decreased slightly from approximately HK\$14.1 million for the six months ended 30 September 2022 to approximately HK\$14.0 million for the Reporting Period, representing a mere decrease of approximately 0.7%.

Finance expenses

Finance charges for the Reporting Period amounted to HK\$2.2 million (six months ended 30 September 2022: HK\$1.6 million), and were mainly interests on bank borrowings and promissory notes.

OUTLOOK AND PROSPECT

The Group continued to operate in a bleak economic environment under the aftermath of global and local interest rate fluctuations. Household purchase of retail expendable products remain relatively low. Influx of foreign tourists, though escalating gradually, are reluctant to buy traditional souvenirs such as tea leaves. The Group will actively explore avenues to boost sales and look for possible ventures to arouse people's awareness about the health benefits of tea consumption. The Group will continue to participate in promotional events and fairs in order to promote the brand and maintain the positive image of the Group.

LIQUIDITY AND CASH FLOW MANAGEMENT

The Group has adopted a prudent financial policy in order to maintain a healthy financial position under the uncertainty of the economic situation. The Group has funded the liquidity and capital requirements principally from cash generated from operations.

As at the end of the Reporting Period, the Group's net current liabilities amounted to approximately HK\$8.8 million (31 March 2023: net current liabilities of approximately HK\$6.5 million), which was an increase of approximately HK\$2.3 million or 35.4% due to impairment loss on property, decrease in cash and cash equivalent, increase in accruals, trade and other payables and increase in current portion of bank borrowings. Cash and bank balances amounted to approximately HK\$1.1 million (31 March 2023: approximately HK\$2.3 million), a decrease of approximately HK\$1.2 million or 52.2%.

As at the end of the Reporting Period, current assets amounted to approximately HK\$11.7 million (31 March 2023: approximately HK\$11.8 million) and current liabilities amounted to approximately HK\$20.5 million (31 March 2023: approximately HK\$18.3 million). Current ratio was approximately 0.57 times as at the end of the Reporting Period (31 March 2023: approximately 0.64 times).

GEARING RATIO

Gearing ratio is calculated as total liabilities divided by the total equity as at the respective reporting date.

The gearing ratio as at the end of the Reporting Period was approximately 640.4% (31 March 2023: approximately 433.2%) because of the loss and increase in bank borrowings.

CAPITAL EXPENDITURE

For the Reporting Period, the Group's capital expenditure amounted to approximately HK\$85,000 (six months ended 30 September 2022: approximately HK\$48,000), mainly for plant and equipment.

FOREIGN EXCHANGE EXPOSURE

Since all of the assets and liabilities of the Group are situated in Hong Kong and denominated in Hong Kong dollars, and almost all of the revenue is generated from Hong Kong, the functional and reporting currency is the Hong Kong dollar. There were no hedging instruments except for cash and bank balances of approximately RMB3,800 as at the end of the Reporting Period (31 March 2023: approximately RMB7,000). For payment of purchases in Renminbi, the Directors considered that the foreign exchange exposure was fairly covered as purchases in Renminbi only constituted a minor percentage of total purchases and their settlement within 60 days would not cause any material foreign exchange risk.

PRINCIPAL RISKS AND UNCERTAINTIES

Credit risk

The Group trades only with recognized 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

As at the end of the Reporting Period, the Group had bank borrowings and interest rate risk was present. The Group had strived to negotiate with the bank to lower the lending rates to a more favourable level for the forthcoming period.

Liquidity risk

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

EMPLOYEES AND REMUNERATION POLICIES

As at the end of the Reporting Period, the Group had 55 employees (30 September 2022: 57) 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 during the Reporting Period. The total staff costs (excluding the remuneration of Directors) for the Reporting Period amounted to approximately HK\$5.6 million (six months ended 30 September 2022: approximately HK\$5.6 million).

DIVIDENDS

The Board has resolved not to declare any dividend for the Reporting Period (six months ended 30 September 2022: Nil).

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at the end of the Reporting Period.

USE OF PROCEEDS

During the financial year of the Company ended 31 March 2023, the Group had utilised approximately HK\$0.5 million out of the net proceeds raised and brought forward from the Group's listing on the GEM of the Stock Exchange in 2018. Such proceeds were utilised by the Company to engage service providers to enhance the existing information system in the areas of accounting, procurement, customer relationship management, inventory and human resources in order to enhance the management's capability and efficiency, and accordingly, all proceeds raised as such had been utilised.

CHARGE ON THE GROUP'S ASSETS

As at the end of the Reporting Period, the Group has first and second legal charges on ownership and rental rights 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 property at Ground Floor, Mei Wah Building, No. 170 Johnston Road, 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 during the Reporting Period.

EVENT AFTER THE REPORTING PERIOD

Save as disclosed above, there were no material events after the Reporting Period that would affect the result of the Group for the Reporting Period.

OTHER INFORMATION

Corporate Government Practices and Compliance

During the Reporting Period, 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 Period and to the best knowledge of the Board, the Company has complied with the relevant provisions under the CG Code.

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

SECURITIES TRANSACTIONS OF DIRECTORS

The Group has adopted a code of conduct regarding securities transactions by Directors (the “**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 Group having made specific enquiries with all of the Directors, all of the Directors confirmed that they have complied with the Code of Conduct during the Reporting Period.

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

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

DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

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

Long positions in ordinary Shares and underlying Shares of the Company

Name of Director/ chief executive	Capacity/Nature of interest	Number of shares/ underlying shares held/interested	Approximate percentage of shareholding
Mr. Chan Kwong Yuen	Interested in a controlled corporation	270,000,000 (Note 1)	74.66%
Mr. Chan Kun Yuen	Interested in a controlled corporation	270,000,000 (Note 1)	74.66%
Mr. Chan Shu Yuen	Interested in a controlled corporation	270,000,000 (Note 1)	74.66%
Mr. Wong Chee Chung	Beneficial owner	200,000	0.06%

Notes:

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

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

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	Percentage of shareholding
Mr. Chan Kwong Yuen	Profit Ocean	Interest in a controlled corporation	250	25%
	Coastal Lion	Beneficial owner	100	100%
Mr. Chan Kun Yuen	Profit Ocean	Interest in a controlled corporation	250	25%
	Wealth City	Beneficial owner	100	100%
Mr. Chan Shu Yuen	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 Period, none of the Directors or chief executives 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 as referred to 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 chief executives of the Company, as at the end of the Reporting Period, the following persons/entities (other than the Directors and chief executives of the Company) had or were deemed to have an interest or a short position in the Shares or the underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Long positions in ordinary Shares and underlying Shares of the Company

Name of Shareholder	Nature of interest and capacity	Number of Shares/ underlying Shares held/interested	Approximate percentage of the total issued Shares
Profit Ocean	Beneficial owner	270,000,000	74.66%
Tri-Luck	Interest in a controlled corporation	270,000,000 <i>(Note 1)</i>	74.66%
Wealth City	Interest in a controlled corporation	270,000,000 <i>(Note 1)</i>	74.66%
Sky King	Interest in a controlled corporation	270,000,000 <i>(Note 1)</i>	74.66%
Coastal Lion	Interest in a controlled corporation	270,000,000 <i>(Note 1)</i>	74.66%
Mr. Chan Tat Yuen	Interest in a controlled corporation	270,000,000 <i>(Note 1)</i>	74.66%
Ms. Chu Min	Interest of spouse	270,000,000 <i>(Note 2)</i>	74.66%
Ms. Chan King Chi	Interest of spouse	270,000,000 <i>(Note 3)</i>	74.66%
Ms. Po Miu Kuen Tammy	Interest of spouse	270,000,000 <i>(Note 4)</i>	74.66%
Ms. Ng Wai Lam Lana	Interest of spouse	270,000,000 <i>(Note 5)</i>	74.66%

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. Ms. Chu Min is the spouse of Mr. Chan Tat Yuen. For purposes of the SFO, Ms. Chu Min is deemed to be interested in the Shares held by Mr. Chan Tat Yuen.
3. Ms. Chan King Chi is the spouse of Mr. Chan Kun Yuen. For purposes of the SFO, Ms. Chan King Chi is deemed to be interested in the Shares held by Mr. Chan Kun Yuen.
4. Ms. Po Miu Kuen Tammy is the spouse of Mr. Chan Shu Yuen. For purposes of the SFO, Ms. Po Miu Kuen Tammy is deemed to be interested in the Shares held by Mr. Chan Shu Yuen.
5. Ms. Ng Wai Lam Lana Zoe is the spouse of Mr. Chan Kwong Yuen. For purposes of the SFO, Ms. Ng Wai Lam Lana Zoe is deemed to be interested in the Shares held by Mr. Chan Kwong Yuen.

Save as disclosed above, as at the end of the Reporting Period, no person, other than the Directors whose interests are set out in the section “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares or Debentures 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 of the Company that was required to be recorded pursuant to section 336 of the SFO.

As at the end of the Reporting Period, the controlling shareholders did not pledge any of the Shares to any party. The Company did not breach any loan agreement that is significant to the Group’s operations nor enter into loan agreements with covenants relating to specific performance of the controlling shareholders. Moreover, none of the Company nor its subsidiaries provided any financial assistance and guarantees to affiliated companies of the Company.

SHARE OPTION SCHEME

The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants (including, among others, full-time employees, consultants, advisers and directors, and any distributor, contractor, supplier, agent, customer, business partner and service provider of any member of the Group) as incentives or rewards for their contribution to the Group. The Company conditionally approved and adopted the Share Option Scheme by written resolutions on 14 March 2018. Further details of the Share Option Scheme are set in the section headed “Statutory and General Information – 8. SHARE OPTION SCHEME” in Appendix IV of the prospectus of the Company dated 23 March 2018.

Details of the movement in the share options granted under the Share Option Scheme for the Reporting Period are as follows:

Name or category of participants	Date of grant of share options	Exercisable period	Exercise price of share options (HKD)	Outstanding at 1 April 2023	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding at 30 September 2023
Directors									
Mr. Chan Kwong Yuen	9 September 2019	1 June 2020 to 31 May 2023	0.189	3,200,000	-	-	-	(3,200,000)	-
Mr. Chan Kun Yuen	9 September 2019	1 June 2020 to 31 May 2023	0.189	3,200,000	-	-	-	(3,200,000)	-
Mr. Chan Shu Yuen	9 September 2019	1 June 2020 to 31 May 2023	0.189	3,200,000	-	-	-	(3,200,000)	-
Mr. Siu Chi Ming	9 September 2019	1 June 2020 to 31 May 2023	0.189	200,000	-	-	-	(200,000)	-
Mr. Lee Wai Ho	9 September 2019	1 June 2020 to 31 May 2023	0.189	200,000	-	-	-	(200,000)	-
Mr. Wong Chee Chun	9 September 2019	1 June 2020 to 31 May 2023	0.189	200,000	-	(200,000)	-	-	-
Sub-total				<u>10,200,000</u>	<u>-</u>	<u>(200,000)</u>	<u>-</u>	<u>(10,000,000)</u>	<u>-</u>
Substantial Shareholder									
Mr. Chan Tat Yuen	9 September 2019	1 June 2020 to 31 May 2023	0.189	3,200,000	-	-	-	(3,200,000)	-
Other Employees, consultants and advisors	9 September 2019	1 June 2020 to 31 May 2023	0.189	14,950,000	-	-	-	(14,950,000)	-
Total				<u>28,350,000</u>	<u>-</u>	<u>(200,000)</u>	<u>-</u>	<u>(28,150,000)</u>	<u>-</u>

The numbers of options available for grant under the Share Option Scheme on 1 April 2023 and 30 September 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 Period divided by the weighted average number of Shares in issue for the Reporting Period is 7.8%.

COMPETING INTERESTS

The Directors were not aware of any business or interest of the Directors or the controlling shareholders of the Company or any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group during the Reporting Period.

CHANGES IN INFORMATION OF DIRECTORS

The changes in Directors' information during the Reporting Period and up to the date of this announcement, as required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules, are set out below:

Name of Director: Mr. Siu Chi Ming (“**Mr. Siu**”)

Details of Change: Resigned as an independent non-executive Director, the chairman and member of the audit committee of the Company (the “**Audit Committee**”) and member of each of the nomination committee (the “**Nomination Committee**”) and remuneration committee (the “**Remuneration Committee**”) of the Company with effect from 6 September 2023.

Save for the information above, the Company is not aware of any other change in Directors' information which are required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules subsequent to the date of this announcement.

NON-COMPLIANCE WITH THE GEM LISTING RULES

The Board further announces that following the resignation of Mr. Siu, the Company will only have two Independent non-executive Directors. The number and composition of independent non-executive Directors fail to meet the requirements under (i) Rule 5.05(1) of the GEM Listing Rules which requires the Board must include at least 3 independent non-executive directors; (ii) Rule 5.28 of the GEM Listing Rules which requires the Audit Committee to comprise a minimum of three members; (iii) Rule 5.34 of the GEM Listing Rules which requires the Remuneration Committee to comprise a majority of independent non-executive directors; and (iv) Rule 5.36A of the GEM Listing Rules which requires the Nomination Committee to comprise a majority of independent non-executive directors.

For details of the non-compliance with GEM listing rules requirement, please refer to the announcement of the Company dated 6 September 2023.

The Company is using its best endeavours to identify suitable candidate to fill the vacancy with the expectation within 3 months from the effective date of the resignation of Mr. Siu. The Company will make further announcement(s) as and when appropriate.

AUDIT COMMITTEE

The Audit Committee was established on 14 March 2018 with written terms of reference in compliance with the requirements as set out in Rule 5.28 of the GEM Listing Rules and the CG Code.

The principal 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 all two independent non-executive Directors, namely Mr. Lee Wai Ho and Mr. Wong Chee Chung.

The Audit Committee has reviewed the unaudited condensed consolidated results of the Company for the Reporting Period and is of the opinion that such results complied with the applicable accounting standards and the requirements under the GEM Listing Rules, and that adequate disclosures have been made.

By order of the Board
Ying Kee Tea House Group Limited
Chan Kwong Yuen
Chairman

Hong Kong, 10 November 2023

As at the date of this announcement, the Board comprises Mr. Chan Kwong Yuen, Mr. Chan Kun Yuen and Mr. Chan Shu Yuen as executive Directors; and Mr. Wong Chee Chung and Mr. Lee Wai Ho as independent non-executive Directors.

This announcement will remain on the Stock Exchange website at www.hkexnews.hk on the “Latest Listed Company Information” page for at least 7 days from the date of its posting and on the website of the Company at www.yingkeetea.com.