

**YING KEE TEA HOUSE GROUP LTD:  
THINGS ARE EXPECTED TO GET MUCH WORSE  
BEFORE THEY CAN IMPROVE ... IF AT ALL !**

Without question, the oldest company, still selling Chinese tea leaves in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), is Ying Kee Tea House Group Ltd ().

The Company earns almost 100 percent of its Gross Revenue from selling Chinese tea leaves to consumers of the HKSAR.

With a history of about 137 years, dating back to 1881, at the time that Ying Kee Tea House was founded in Guangzhou, the PRC, proper, being separate and distinct from the HKSAR of the PRC, one would have thought that senior Management of this Company would have an intimate knowledge as to how to earn more than just a crust, making full use of the expertise that it has gleaned over its many years of operations as a purveyor of Chinese tea leaves.

But, sadly, one might be tempted to state, in respect of the Financial Year, ended March 31, 2018, the Company will be recording a material Loss Attributable to Shareholders.

This is made abundantly clear in the Share Offer Prospectus of the Company, published and disseminated in the HKSAR on March 23, 2018.

**The Initial Public Offering (IPO) Of Ying Kee Tea House Group Ltd**

Ying Kee Tea House Group Ltd (Code: 8241, The **G**rowth **E**nterprise **M**arket [the **GEM**], The Stock Exchange of Hongkong Ltd) Offered a total of 90 million, no Par Value Shares at the Indicative Offer Price Per Share, ranging from a low of 48 cents to a high of 54 cents.

Of the total number of Shares on Offer, nine million Shares were designated as being ‘*Public Offer Shares*’ (this tranche, obviously, is intended as sales to individual investors of the HKSAR) and 81 million Shares were designed as being the ‘*Placing Shares*’ (this Share tranche, similarly, is intended as sales of the Company’s Shares to select investors that are known to be well heeled, such as institutions and/or professional investors).

At Pages 238 and 239 of the Share Offer Prospectus, prospective shareholders were told that, at the Offer Price Per Share of 51 cents, being the midpoint of the Indicative Offer Price Per Share, Management anticipated netting approximately \$HK22.70 million out of the Gross Proceeds of about \$HK45.90 million.

On April 13, 2018, Management announced that the Offer Price Per Share had been struck at 54 cents – the highest level of the Indicative Offer Price Range.

The Net Proceeds from the IPO were anticipated to be about \$HK25.30 million – \$HK2.60 million more than had been, originally, been calculated by Management.

The Net Proceeds from this call for cash from the investing public was intended to be utilised as follows:

- a) Approximately, 49.80 percent, that is about \$HK12.60 million, ‘*will be used for opening new retail points in Hong Kong*’;
- b) Approximately, 13.40 percent, that is about \$HK3.40 million, ‘*will be used for improving the information system of our Group*’;
- c) Approximately, 2.60 percent, that is about \$HK0.70 million, ‘*will be used for recruitment*’;
- d) Approximately, 9.60 percent, that is about \$HK2.40 million, ‘*will be used for the renovation of our office and warehouse*’;
- e) Approximately, 15.00 percent, that is about \$HK3.80 million, ‘*will be used for the partial repayment of bank loan. Our interest-bearing banking facilities was increased to HK\$20 million by a bank (the “Bank”) with effect from September 2017 with an interest rate of 2.25% per annum over the bank’s cost of funds at the absolute discretion of the bank or 2.25% per annum over the applicable HIBOR rate at the absolute discretion of the Bank. The banking facilities were secured by (i) personal guarantee provided by the Controlling Shareholders and (ii) corporate guarantee provided by a related company, Chan Sing Hoi Enterprises (Chan Sing*

Hoi Enterprises Ltd []), *an entity controlled by the Controlling Shareholders. Our Directors advised that the banking facilities had been utilised for working capital, listing expenses and/or renovation of shops. The said corporate guarantee and the personal guarantee will be released subject to the successful listing of our Company and other conditions including but not limited to corporate guarantee from our Company and time deposit of not less than HK\$20 million. As at the Latest Practicable Date (March 13, 2018), we had outstanding bank borrowings of HK\$9.0 million under the banking facilities and our unutilized banking facilities for funding to our Group amounted to HK\$11.0 million. As at 31 March 2016 and 2017 and 30 September 2017, the bank loans bear interest at fixed rate of 2.50%, variable rates of 2.73% to 3.25% and 2.93% to 2.97% per annum, respectively*; and,

- f) Approximately, 9.60 percent, that is about \$HK2.40 million, *‘will be used for our general working capital’*.

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