TARGET

Intelligence Report

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YING KEE TEA HOUSE GROUP LTD: THE LEFT HAND ALWAYS HELPS THE RIGHT HAND

Not very much has been heard, or even written, about the business of Ying Kee Tea House Group Ltd (英記茶莊集團有限公司) (Code: 8241, The **G**rowth **E**nterprise **M**arket [the **GEM**], The Stock Exchange of Hongkong Ltd) since the Company sought and obtained a listing of its entire Issued and Fully Paid-Up Share Capital on the secondary equity market of the **H**ong**k**ong **S**pecial **A**dministrative **R**egion (**HKSAR**) of the **P**eople's **R**epublic of **C**hina (**PRC**).

There is good and valid reasons for this obvious lack of interest in this Company.

To begin with, since the Company's entire Issued and Fully Paid-Up Share Capital was listed on the GEM, on or about April 16, 2018, Management has yet even to recommend the payment of a dividend to shareholders.

Secondly, the Company has yet to record a profit since the day of its listing on the GEM, the net Losses Attributable to Shareholders with regard to the 63 months, ended June 30, 2022, aggregated $HK36,814,000.00.

Thirdly, as at March 31, 2022, the Debt-To-Equity Ratio stood at 237.10 percent, an increase, Year-On-Year, of about 30.27 percent (a Debt-To-Equity Ratio is calculated by dividing bank borrowing by total equity).

The business of Ying Kee Tea House Group Ltd is, primarily, the sales of Chinese tea leaves to retail customers, mostly through the Company's shops.

The 2021-2022 Annual Report Of Ying Kee Tea House Group Ltd

On June 28, 2022, Management of Ying Kee Tea House Group Ltd published and disseminated its Annual Report in the HKSAR in respect of the Financial Year, ended March 31, 2022.

At Page Four of this Annual Report, the Chairman of the Board of Directors of the Company, Mr Chan Kwong Yuen (陳廣源), explained the problems that had beset the Company, during Year under review:

> ‘*The Novel Coronavirus (“**COVID-19**”), with its various strains including Delta and Omicron, has plagued the local community fast and in great number of confirmed cases. During the year ended 31 March 2022, the Hong Kong Government imposed stricter rules for number of people in gatherings and dining up to six o’clock; prohibited the operation of cinemas, bars, swimming pools, karaoke establishment, etc. This weakened people’s desire to shop and dine, thus distressing the retail block in terms of revenue and profits.*
>
> ‘*Revenue of the Group for the year ended 31 March 2022 amounted to HK$36.1 million, as compared to HK$36.1 million for the year ended 31 March 2021, remained stable with 0%. The Board considers that without the resumption of tourism in town, the revenue would remain approximately the same 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 2022, Ying Kee Tea Company Limited* (英記茶莊有限公司) *(“**Ying Kee**”) had 11 retail shops and concession counters selling more than 80 products…*
>
> ‘*The Group recorded a net loss attributable to the owners of the Group of approximately HK$7.8 million for the year ended 31 March 2022, while the net loss in previous year was approximately HK$9.1 million. Indirect sales through HKTVMall continued to climb to compensate part of the loss of sales in conventional shops and concessionary counters. Notwithstanding the stable sales amount, there was no material disruption to the supply chain and processing activities during the year ended 31 March 2022…’.*

Under the heading, ‘***OUTLOOK***’, Chairman Chan Kwong Yuen made it very clear that certain matters had to be resolved in order to sort out his Company’s major problems:

> ‘*Not until the Hong Kong Government further relieves the restrictions on gatherings, the retail market remains bleak. 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.’*

Ergo: The pandemic, COVID-19, and the (unreasonable?) Hongkong Government’s previous actions, have been the chief reasons for the insurmountable problems that have plagued Ying Kee Tea House Group Ltd, during the 2021-2022 Financial Year, Chairman Chan Kwong Yuen would have the world believe.

But, one might be tempted to ask:

'What about those earlier Financial Years when the pandemic had not been discovered and, thusly, as such, it could not have been plaguing the HKSAR … or cause problems with regard to the financials of Ying Kee Tea House Group Ltd?'

The Financials Of Ying Kee Tea House Group Ltd

At Page 70 of the 2021-2022 Annual Report of Ying Kee Tea House Group Ltd, the '***CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME***' was presented:

	For The Year, Ended March 31		**Percentage Increase/(Decrease)***
	2022	2021	
	All Figures Are Denominated In $HK'000 (except where otherwise stipulated)		
Revenue	**36,058**	36,092	**(0.09)**
Gross Profit	**27,937**	27,801	**0.49**
Gross Profit Margin*	**77.48 percent**	77.03 percent	**0.58**
Loss Before Income Tax	**(7,716)**	(9,130)	**(15.49)**
Loss For The Year And Total Comprehensive Expense For The Year Attributable To Equity Holders Of The Company	**(7,783)**	(9,142)	**(14.87)**
Net Loss Attributable To Equity Holders Of The Company	**(2.15) cents**	(2.54) cents	**(15.35)**

* These are ***TARGET***'s calculations.

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