

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**LongRun**  
龍潤

**LONGRUN TEA GROUP COMPANY LIMITED**  
**龍潤茶集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2898)**

**ANNOUNCEMENT OF FINAL RESULTS**  
**FOR THE YEAR ENDED 31 MARCH 2021**

The board of directors (the “Board”) of Longrun Tea Group Company Limited (the “Company”) announces the consolidated final results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2021, together with the comparative figures for the year ended 31 March 2020, as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the year ended 31 March 2021*

	<i>Notes</i>	<b>2021</b> <b>HK\$’000</b>	2020 <i>HK\$’000</i>
<b>Revenue</b>	4	<b>56,127</b>	57,120
Cost of sales		<u>(31,333)</u>	<u>(33,367)</u>
Gross profit		<b>24,794</b>	23,753
Other income and gains	4	<b>1,547</b>	1,182
Net provision for expected credit loss allowance on trade receivables		<b>(2,849)</b>	(13,203)
Net provision for expected credit loss allowance on other receivables		<b>(4,079)</b>	–
Selling and distribution expenses		<b>(26,558)</b>	(48,054)
Administrative expenses		<b>(43,295)</b>	(33,053)
Finance costs	6	<u><b>(331)</b></u>	<u>(557)</u>

	<i>Notes</i>	<b>2021</b> <b><i>HK\$'000</i></b>	2020 <i>HK\$'000</i>
<b>Loss before tax</b>	<i>5</i>	<b>(50,771)</b>	(69,932)
Income tax expense	<i>7</i>	<u>—</u>	<u>(750)</u>
<b>Loss for the year</b>		<b><u>(50,771)</u></b>	<b><u>(70,682)</u></b>
<b>Loss attributable to owners of the Company</b>		<b><u>(50,771)</u></b>	<b><u>(70,682)</u></b>
<b>Loss per share attributable to owners of the Company</b>	<i>9</i>		
Basic and diluted		<b><u>HK(3.50) cents</u></b>	<b><u>HK(4.87) cents</u></b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2021

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
<b>Loss for the year</b>	<b>(50,771)</b>	(70,682)
<b>Other comprehensive income/(loss)</b>		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	<u>2,576</u>	<u>(5,732)</u>
<b>Other comprehensive income/(loss) for the year, net of income tax</b>	<u>2,576</u>	<u>(5,732)</u>
<b>Total comprehensive loss for the year</b>	<b><u>(48,195)</u></b>	<b><u>(76,414)</u></b>
<b>Total comprehensive loss attributable to owners of the Company</b>	<b><u>(48,195)</u></b>	<b><u>(76,414)</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	<i>10</i>	<b>2,383</b>	4,134
Right-of-use assets	<i>11</i>	<b>1,235</b>	3,981
Prepayment and deposits		<b>2,103</b>	3,117
<b>Total non-current assets</b>		<b>5,721</b>	11,232
<b>Current assets</b>			
Inventories		<b>626</b>	1,022
Trade receivables	<i>12</i>	<b>35,809</b>	26,892
Prepayments, deposits and other receivables		<b>8,779</b>	14,632
Cash and cash equivalents	<i>13</i>	<b>19,840</b>	51,146
<b>Total current assets</b>		<b>65,054</b>	93,692
<b>Current liabilities</b>			
Trade payables	<i>14</i>	<b>8,117</b>	1,354
Other payables, accruals and deposits from customers	<i>15</i>	<b>37,906</b>	30,507
Contract liabilities	<i>15</i>	<b>2,828</b>	3,686
Lease liabilities		<b>1,452</b>	2,752
Income tax payables		<b>712</b>	712
Due to related companies		<b>166</b>	185
Due to directors of the Company		<b>6,066</b>	2,433
<b>Total current liabilities</b>		<b>57,247</b>	41,629
<b>Net current assets</b>		<b>7,807</b>	52,063
<b>Total assets less current liabilities</b>		<b>13,528</b>	63,295

	<i>Notes</i>	<b>2021</b> <b><i>HK\$'000</i></b>	2020 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Lease liabilities		<b>28</b>	1,550
Contract liabilities	<i>15</i>	<u><b>25</b></u>	<u>75</u>
<b>Total non-current liabilities</b>		<u><b>53</b></u>	<u>1,625</u>
<b>Net assets</b>		<u><b>13,475</b></u>	<u>61,670</u>
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	<i>16</i>	<b>72,576</b>	72,576
Reserves		<u><b>(59,101)</b></u>	<u>(10,906)</u>
<b>Total equity</b>		<u><b>13,475</b></u>	<u>61,670</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2021*

## 1. CORPORATE AND GROUP INFORMATION

Longrun Tea Group Company Limited (the “Company”) is a public limited liability company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Trading in the shares of the Company has been suspended since 15 June 2017. The address of its registered office and the principal place of business of the Company are located at Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands and Room 3007A-B, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong respectively. During the year, the Company and its subsidiaries (collectively referred as the “Group”) were involved in the trading and distribution of pharmaceutical products, tea products and other food products.

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND PRINCIPAL ACCOUNTING POLICIES

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

The Group’s recorded a net loss of approximately HK\$50,771,000 and net cash used in operating activities of approximately HK\$32,698,000 during the year ended 31 March 2021. As at 31 March 2021, the Group has account payables, other payables, accruals and deposits from customers, due to related companies, due to directors of the Company and lease liabilities of aggregately approximately HK\$46,781,000, which are repayable on demand or within 1 year. These events and conditions indicate the existence of material uncertainties may cast significant doubt on the Group’s ability to continue as going concern.

The directors of the Company have taken the following measures to mitigate the liquidity pressure and to improve its financial position:

- (i) Implementing policies to monitor cash flows through cutting costs and capital expenditure;
- (ii) Executing active measures to expedite collections of outstanding receivables; and
- (iii) Obtained a loan facility from an independent financial institution.

Based on the Group's cash flow projections, approved by the management, taking account of effectiveness and feasibility of the above measures covering a period of twelve months from the date of approval of these consolidated financial statements, the directors of the Company consider the Group would be able to finance its operations and to meet its financial obligations as and when they fall due within the forecast period. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying amounts of the Group's assets to their recoverable amounts, to provide for any future liabilities that may arise and to re-classify non-current assets and liabilities as current assets and liabilities, respectively. The effect of these adjustments have not been reflected in the consolidated financial statements.

These consolidated financial statements have been prepared on the historical cost convention. These consolidated financial statements are presented in HK\$, which is also the Company's functional currency, and all values are rounded to the nearest thousand except when otherwise indicated.

The principal accounting policies and methods of computation used by the Group in the preparation of the consolidated financial statements for the year ended 31 March 2021 are consistent with those adopted in the consolidated financial statements for the year ended 31 March 2020, except for the adoption of the new and revised HKFRSs as explained below. The Group has not applied any new standard that is not yet mandatorily effective for the current accounting period.

Impacts of the adoption of new and revised HKFRSs are discussed below.

#### **Adoption of new and revised HKFRSs**

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKAS 1 (Revised) and HKAS 8 Amendments	Definition of Material
HKFRS 9, HKAS 39 and HKFRS 7 Amendments	Interest Rate Benchmark Reform
HKFRS 3 (Revised) Amendments	Definition of a Business

The adoption of the above new and revised standards has had no significant effect on the consolidated financial statements of the Group.

### 3. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- (a) the “Distribution of pharmaceutical products” segment engages in the trading and distribution of pharmaceutical products; and
- (b) the “Distribution of tea and other food products” segment engages in the trading and distribution of tea and other food products.

The directors of the Company monitor the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment loss, which represents the loss from each segment without allocation of bank interest income, finance costs, gain on disposal of financial assets at FVTPL, as well as head office and corporate expenses.

Segment assets exclude cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude lease liabilities, income tax payables and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.



(a) Operating segments

	Distribution and trading of pharmaceutical products <i>HK\$'000</i>	Distribution and trading of tea and other food products <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Year ended 31 March 2021</b>			
<b>Segment revenue:</b>			
Sales to external customers	2,857	53,270	56,127
Other income	588	796	1,384
	<u>3,445</u>	<u>54,066</u>	<u>57,511</u>
<b>Segment results</b>	<b>(6,955)</b>	<b>(26,922)</b>	<b>(33,877)</b>
<i>Reconciliation:</i>			
Bank interest income			163
Corporate and other unallocated expenses			(16,726)
Finance costs			(331)
Loss before tax			<u>(50,771)</u>
<b>As at 31 March 2021</b>			
<b>Segment assets</b>	<b>1,928</b>	<b>48,769</b>	<b>50,697</b>
<i>Reconciliation:</i>			
Cash and cash equivalents			19,840
Corporate and other unallocated assets			238
Total assets			<u>70,775</u>
<b>Segment liabilities</b>	<b>1,067</b>	<b>34,268</b>	<b>35,335</b>
<i>Reconciliation:</i>			
Lease liabilities			1,480
Income tax payables			712
Corporate and other unallocated liabilities			19,773
Total liabilities			<u>57,300</u>
<b>Year ended 31 March 2021</b>			
<b>Other segment information:</b>			
Reversal of provision for obsolete inventories recognised in the consolidated statement of profit or loss	(28)	–	(28)
Provision for expected credit loss (“ECL”) allowance on trade receivables recognised in the consolidated statement of profit or loss	–	6,804	6,804
Reversal of ECL allowance on trade receivables recognised in the consolidated statement of profit or loss	–	(3,955)	(3,955)
Provision for ECL allowance on other receivables recognised in the consolidated statement of profit or loss	39	4,155	4,194
Reversal of ECL allowance on other receivables recognised in the consolidated statement of profit or loss	–	(115)	(115)
Depreciation of property, plant and equipment	59	2,143	2,202
Depreciation of right-of-use assets	1,168	1,765	2,933
Capital expenditure*	10	205	215

\* Capital expenditure consists of addition of property, plant and equipment.

	Distribution and trading of pharmaceutical products <i>HK\$'000</i>	Distribution and trading of tea and other food products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2020			
<b>Segment revenue:</b>			
Sales to external customers	2,882	54,238	57,120
Other income	–	617	617
	<u>2,882</u>	<u>54,855</u>	<u>57,737</u>
<b>Segment results</b>	(7,875)	(46,079)	(53,954)
<i>Reconciliation:</i>			
Bank interest income			565
Corporate and other unallocated expenses			(15,986)
Finance costs			<u>(557)</u>
Loss before tax			<u>(69,932)</u>
As at 31 March 2020			
<b>Segment assets</b>	2,875	50,621	53,496
<i>Reconciliation:</i>			
Cash and cash equivalents			51,146
Corporate and other unallocated assets			<u>282</u>
Total assets			<u>104,924</u>
<b>Segment liabilities</b>	3,133	27,975	31,108
<i>Reconciliation:</i>			
Lease liabilities			82
Income tax payables			712
Corporate and other unallocated liabilities			<u>11,352</u>
Total liabilities			<u>43,254</u>
Year ended 31 March 2020			
<b>Other segment information:</b>			
Provision for obsolete inventories recognised in the consolidated statement of profit or loss	37	–	37
Provision for ECL allowance on trade receivables recognised in the consolidated statement of profit or loss	–	15,217	15,217
Reversal of ECL allowance on trade receivables recognised in the consolidated statement of profit or loss	–	(2,014)	(2,014)
Depreciation of property, plant and equipment	77	1,905	1,982
Depreciation of right-of-use assets	1,455	3,301	4,756
Capital expenditure*	<u>5</u>	<u>1,578</u>	<u>1,583</u>

\* *Capital expenditure consists of additions to property, plant and equipment.*

(b) **Geographical information**

(i) **Revenue from external customers:**

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
The People's Republic of China (the "PRC"), excluding Hong Kong (Country of domicile)	51,067	51,623
Hong Kong	2,857	2,882
Elsewhere in Asia	2,203	2,615
	<u>56,127</u>	<u>57,120</u>

The revenue information above is based on the location of the customers.

(ii) **Non-current assets:**

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
The PRC, excluding Hong Kong	5,028	9,329
Hong Kong	693	1,903
	<u>5,721</u>	<u>11,232</u>

The non-current asset information above is based on the location of the assets.

(c) **Information about major customers**

None of the customers contributed 10% or more of the Group's revenue for the year ended 31 March 2021 and 2020.

#### 4. REVENUE AND OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, during the year.

An analysis of revenue and other income and gains is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Revenue from contract with customers within the scope of HKFRS 15</b>		
Sale of goods, recognised at point in time	<u>56,127</u>	<u>57,120</u>
<b>Other income within the scope of HKFRS 15</b>		
Franchise income, recognised over time	<u>93</u>	<u>271</u>
<b>Other income and gains from other sources</b>		
Government subsidies ( <i>Note</i> )	966	–
Gain on lease modification	95	–
Bank interest income	163	565
Others	<u>230</u>	<u>346</u>
	<u>1,454</u>	<u>911</u>
Total other income and gains	<u>1,547</u>	<u>1,182</u>

*Note:* Government grants of approximately HK\$956,000 (2020: Nil) have been received in July and November 2020 in respect of subsidy for staff costs according to the Employment Support Scheme (“ESS”) launched by The Government of the Hong Kong Special Administrative Region (“HKSAR”), which aims to provide time-limited financial support to the Group for the period from June to November 2020 to retain employees who may otherwise be redundant. The amount has been recognised as other income during the year ended 31 March 2021 due to the Group has fulfilled conditions and other contingencies attached to the receipts.

Government grants of approximately HK\$10,000 (2020: Nil) have been received in June 2020 according to the Anti-epidemic Fund launched by HKSAR, which aims to provide time-limited financial support to the Group to relieve financial burdens of the Group. The amount has been recognised as other income during the year ended 31 March 2021 due to the Group has fulfilled conditions and other contingencies attached to the receipts.

## 5. LOSS BEFORE TAX

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Promotion and advertising expenses	6,268	14,623
Cost of inventories recognised as an expense	30,659	32,681
Depreciation of property, plant and equipment	2,202	1,982
Written off of property, plant and equipment	7	–
Depreciation of right-of-use assets	2,933	4,756
Gain on lease modification	(95)	–
Minimum lease payments under operating lease of offices and shops premises	3,694	3,098
Auditors' remuneration		
– Audit services	618	840
– Non-audit services	148	185
Employee benefits expense (excluding directors' remuneration):		
Salaries, allowances and benefits in kind	22,036	25,115
Pension scheme contributions ( <i>Note</i> )		
– Provision for current year	1,007	3,083
– Over-provision in prior year	(872)	(1,961)
	<u>22,171</u>	<u>26,237</u>
 (Reversal of provision)/provision for slow-moving and obsolete inventories*	 <u>(28)</u>	 <u>37</u>

\* Included in the "Cost of sales" in the consolidated statement of profit or loss.

*Note:* During the year, the Group enjoyed a social insurance waiver launched by The State Council of the PRC.

## 6. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest in lease liabilities	<u>331</u>	<u>557</u>

## 7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year ended 31 March 2021 (2020: Nil). Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the year (2020: 25%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	–	–
Under-provision in prior year	<u>–</u>	<u>–</u>
	–	–
Current – PRC Enterprise Income Tax ("EIT")		
Charge for the year ( <i>Note</i> )	<u>–</u>	<u>750</u>
Total income tax expense for the year	<u>–</u>	<u>750</u>

*Note:* The withholding tax for the year ended 31 March 2020 of approximately HK\$750,000 was incurred and paid for the dividend paid by a wholly-owned subsidiary to its immediate Hong Kong holding company.

## 8. DIVIDEND

The directors of the Company do not recommend the payment of any dividend for the year ended 31 March 2021 (2020: Nil).

## 9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the year attributable to owners of the Company of approximately HK\$50,771,000 (2020: HK\$70,682,000), and the weighted average number of ordinary shares of approximately 1,451,520,000 (2020: 1,451,520,000) in issue during the year.

The computation of diluted loss per share for the year does not assume the Company's exercise of outstanding share options since their assumed exercises would result in a decrease in loss per share (2020: same).

## 10. PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment of approximately HK\$215,000 (2020: HK\$1,583,000).

## 11. RIGHT-OF-USE ASSETS

Right-of-use assets amounted to HK\$1,235,000 has been recognised for the year accordingly (2020: HK\$3,981,000).

## 12. TRADE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	78,220	63,571
<i>Less: ECL allowances</i>	<u>(42,411)</u>	<u>(36,679)</u>
	<u><b>35,809</b></u>	<u><b>26,892</b></u>

Details of ECL assessment of trade receivables are set out in note 18.

The Group's trading terms with its customers are mainly on credit, except for new customers of which payment in advance is normally required. The credit period generally ranges from 30 to 90 days (2020: 30 to 90 days). Due to the continuous slowdown in traditional retail sales of the consumer goods in the PRC resulted from gradually deceleration of the economic development in the PRC in recent years, the discouragement of excessive hospitality such as gifting by the PRC government and the consolidation and enhanced regulation of the PRC direct selling industry, operating performances of certain customers were adversely affected and these customers are in financial difficulties so that proportion of long aged trade receivables increased during the year. Accordingly, the Group seeks to maintain control over its past due receivables. Regarding those major customers, the Group uses an internal credit rating system to assess those customers' credit qualities, defines credit limits by customer and performs follow up procedures on settlements of outstanding receivables. Overdue balances are reviewed regularly by the directors of the Company and ECL allowances on trade receivables are provided after the assessment as at each reporting date. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables, net of ECL allowance, as at the end of the reporting period, based on the invoice date, is as follows:

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within 1 month	<b>16,609</b>	4,658
2 to 3 months	<b>5,080</b>	5,523
4 to 12 months	<b>4,460</b>	16,576
Over 12 months	<b>9,660</b>	135
	<b><u>35,809</u></b>	<u>26,892</u>

An aged analysis of the trade receivables, net of ECL allowance, as at the end of the reporting period, based on the payment due date, that are not individually nor collectively considered to be impaired is as follows:

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Current (neither past due nor impaired)	<b>21,382</b>	9,307
Within 1 to 3 months overdue	<b>883</b>	3,874
Within 4 to 12 months overdue	<b>8,006</b>	13,576
Over 12 months overdue	<b>5,538</b>	135
	<b><u>35,809</u></b>	<u>26,892</u>



The movements in the provision for ECL allowances on trade receivables, which are measured at lifetime ECL and not credit impaired, are as follows:

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
At beginning of year	<b>36,679</b>	25,221
Provision for ECL allowance recognised	<b>6,804</b>	15,217
Reversal of ECL allowance	<b>(3,955)</b>	(2,014)
Exchange realignment	<b>2,883</b>	(1,745)
	<u><b>42,411</b></u>	<u>36,679</u>
At end of year	<u><b>42,411</b></u>	<u>36,679</u>

As at 31 March 2021, the Group's trade receivables include an amount of HK\$416,000 (2020: Nil) due from 理想科技集團有限公司 (Ideality Technology Group Company Limited)<sup>®</sup> ("Ideality Group"), a related party of the Group which is beneficially owned as to 85.5% and 14.5% by Dr. Chiu Ka Leung ("Dr. Chiu") and Mr. Jiao Shaoliang ("Mr. Jiao"), respectively. Both Dr. Chiu and Mr. Jiao are executive directors and shareholders of the Company, while Dr. Chiu is also a substantial shareholder of the Company.

The balances due from Ideality Group were repayable on similar credit terms to those offered to the major customers of the Group and of which approximately HK\$416,000 (2020: Nil) were past due at 31 March 2021. Based on past experience, the directors of the Company determine that provision for ECL allowance of approximately HK\$37,000 (2020: Nil) was made as at 31 March 2021 in respect of these balances.

<sup>®</sup> *Official name of this entity is in Chinese. The English translation of the name is for identification purpose only.*

### 13. CASH AND CASH EQUIVALENTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Time deposits with original maturities of		
– Within three months to maturity when placed	–	14,637
Cash at bank and on hand	<u>19,840</u>	<u>36,509</u>
	<u><b>19,840</b></u>	<u><b>51,146</b></u>

At 31 March 2021, the cash and cash equivalents of the Group denominated in Renminbi (“RMB”) amounted to approximately HK\$8,263,000 (2020: HK\$24,059,000) while the remaining cash and cash equivalents are denominated in HK\$. The RMB is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates which range from 0.001% to 0.35% (2020: 0.001% to 2.6%) per annum. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the time deposits approximate to their fair values.

#### 14. TRADE PAYABLES

The trade payables are non-interest-bearing and are normally settled on 90-day (2020: 90-day) terms.

An aged analysis of the trade payables as at the end of the reporting period, based on the payment due date, is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current and not past due	6,649	88
Within 1 to 3 months overdue	5	718
Within 4 to 12 months overdue	81	70
Over 12 months overdue	1,382	478
	<u>8,117</u>	<u>1,354</u>

Included in the Group's trade payables are trade payables due to the following related parties:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Yunnan Longrun Tea Group Company Limited <sup>®</sup> ("LRTG") 雲南龍潤茶業集團有限公司	341	244
Fengqing Longrun Tea Company Limited <sup>®</sup> ("FLRT") 鳳慶龍潤茶業有限公司	–	7
Changning Longrun Tea Company Limited <sup>®</sup> ("CLRT") 昌寧縣龍潤茶業有限公司	–	7
Yunnan Longfar Pharmaceutical Company Limited <sup>®</sup> ("YNLF") 雲南龍發製藥股份有限公司	32	32
	<u>373</u>	<u>290</u>

FLRT and CLRT are wholly-owned subsidiaries of LRTG. LRTG is beneficially owned as to 77.1% and 2.9% by Dr. Chiu and Mr. Jiao, respectively. YNLF is beneficially owned as to 71.1% and 7.9% by Dr. Chiu and Mr. Jiao, respectively. Both Dr. Chiu and Mr. Jiao are executive directors and shareholders of the Company, while Dr. Chiu is also a substantial shareholder of the Company. On 11 May 2020, Dr. Chiu and Mr. Jiao resigned as executive directors of YNLF. The trade payables due to related parties are non-interest-bearing and are normally settled on 90-day (2020: 90-day) terms.

<sup>®</sup> *Official name of this entity is in Chinese. The English translation of the name is for identification purpose only.*

**15. OTHER PAYABLES, ACCRUALS AND DEPOSITS FROM CUSTOMERS/CONTRACT LIABILITIES**

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Accruals ( <i>Note</i> )	25,841	19,866
Deposits from customers	8,986	8,583
Other payables	<u>3,079</u>	<u>2,058</u>
	<b><u>37,906</u></b>	<b><u>30,507</u></b>
Contract liabilities – current portion	2,828	3,686
Contract liabilities – non-current portion	<u>25</u>	<u>75</u>
	<b><u>2,853</u></b>	<b><u>3,761</u></b>

Contract liabilities, representing receipts in advance from customers, are separately presented. Movement of contract liabilities is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At beginning of year	3,761	4,185
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(2,374)	(2,296)
Increase in contract liabilities as a result of receiving forward sales deposits and deferred franchise income during the year	1,257	2,114
Exchange realignment	<u>209</u>	<u>(242)</u>
At end of year	<b><u>2,853</u></b>	<b><u>3,761</u></b>

Contract liabilities are expected to be recognised as revenue as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue expected to be recognised		
Within one year	2,828	3,686
In the second to fifth years	<u>25</u>	<u>75</u>
	<u><u>2,853</u></u>	<u><u>3,761</u></u>

*Note:* Accruals mainly represents accrued advertising expenses and other PRC taxes of approximately HK\$8,147,000 (2020: HK\$8,171,000) and HK\$6,965,000 (2020: HK\$5,728,000) respectively.

## 16. SHARE CAPITAL

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<i>Authorised:</i>		
5,000,000,000 ordinary shares of HK\$0.05 each	<u><u>250,000</u></u>	<u><u>250,000</u></u>
	<b>Number of ordinary shares of HK\$0.05 each</b>	<b>Amount <i>HK\$'000</i></b>
<i>Issued and fully paid:</i>		
At 1 April 2019, 31 March 2020 and 31 March 2021	<u><u>1,451,520,000</u></u>	<u><u>72,576</u></u>

### Share options

Details of the Company's share option scheme and the share options are included in note 17.

## 17. EQUITY COMPENSATION PLANS

### Share Option Scheme

The Company operates a share option scheme adopted by the Company on 17 August 2012 with a resolution passed at the annual general meeting (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. The Scheme became effective on 17 August 2012 and, unless otherwise cancelled or amended, would remain in force for 10 years from that date. The maximum number of shares which may be issued upon exercise of all options granted and to be granted under the Scheme is 144,952,000, representing approximately 10% of the shares of the Company in issue as at the date of adoption of the Scheme and the date of approval of these consolidated financial statements.

The maximum number of shares issuable under share options granted to each eligible participant in the Scheme (including both exercised and outstanding options) within any 12-month period is limited to 1% of the shares of the Company in issue. Any grant or further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting.

A grant of share options under the Scheme to a director, chief executive or substantial shareholder of the Company, or to any of their associates, is subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, which would result in the shares issued and to be issued, upon exercise of all options already granted and to be granted, to such person in the 12-month period up to and including the date of the grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company’s shares at the date of grant) in excess of HK\$5 million, are subject to shareholders’ approval in advance in a general meeting.

The offer of a grant of share options under the Scheme may be accepted within 28 days from the date of offer upon payment of a nominal consideration of HK\$10 in total by the grantee. The exercise period of the share options granted is determined by the directors of the Company, save that such a period shall not be more than 10 years from the date of offer of the share options subject to the provisions for early termination as set out in the Scheme. Unless otherwise determined by the directors at their sole discretion, there is no requirement of a minimum period for which an option must be held or a performance target which must be achieved before an option can be exercised.

The exercise price of the share options shall be the highest of (i) the closing price of the Company’s shares as stated in the daily quotation sheet of the Stock Exchange on the date of offer of the share options; (ii) the average closing price of the Company’s shares as stated in the Stock Exchange’s daily quotation sheet for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company on the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

On 25 November 2016, the Company granted total of 53,400,000 share options to executive directors and independent non-executive directors of the Company and certain employees of the Group under the Scheme, pursuant to which the Company agreed to grant each of them an option to subscribe for shares of the Company in the consideration of HK\$0.3 each with no fulfilment of the conditions under the Scheme. The grant of the options is part of the incentive offered to the grantees for their past contribution to the diversification of the business of the Group to the food and beverage sector and the supervision of the acquired tea and other food product business. All share options are exercisable from 25 November 2016 to 24 November 2021 (both days inclusive).

The following share options were outstanding under the Scheme:

	<b>Weighted average exercise price HK\$ per share</b>	<b>Number of options</b>
<b>As at 1 April 2019, 31 March 2020 and 31 March 2021</b>	<b><u>0.3</u></b>	<b><u>51,400,000</u></b>

No share options were granted, exercised or lapsed under the Scheme during the year ended 31 March 2021 (2020: Nil).

There are no vesting period and condition regarding the share option granted.

## **18. CREDIT RISK AND IMPAIRMENT ASSESSMENT**

The carrying amount of trade receivables included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's trade receivables. The Group has a certain concentration of credit risk in relation to trade receivables as the five largest customers accounted for 10.83% (2020: 38.8%) of the Group's trade receivables at 31 March 2021.

Due to adverse operating environment of tea products selling business in the PRC, operating performances of certain customers of the Group were adversely affected and these customers were in financial difficulties so that proportion of long aged trade receivables increased during the year. Accordingly, the Group performs ongoing credit evaluations of its customers' financial conditions and requires no collateral from its customers. The Group performs impairment assessment under ECL model upon application of HKFRS 9 on trade balances based on provision matrix using simplified approach and estimated loss rates which are the rate estimated based on historical settlement data and taking into account time value of money and have been adjusted for forward-looking information that is available without undue cost or effort.

With respect to credit risk arising from the other financial assets of the Group, comprising cash and cash equivalents and deposits and other receivables, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure being equal to the carrying amounts of these instruments. During the year, net provision for ECL on other receivables of HK\$4,079,000 (2020: Nil) was recognised. There is no significant concentration of credit risk within the Group in relation to the other financial assets. Bank balances of the Group are held with the financial institutions of good standing and therefore, in the opinion of the directors of the Company, the ECL on bank balances are minimal.

As part of the Group's credit risk management, the Group categorises its customers based on similar risk characteristics that are representative of the customers' abilities to pay the outstanding amounts due. The following table provides information about the Group's exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 March 2021 using lifetime ECL approach (not credit impaired).

	2021		2020	
	ECL rates	Gross amount of trade receivables HK\$'000	ECL rates	Gross amount of trade receivables HK\$'000
Current (neither past due nor impaired)	1.6%	21,730	8.8%	10,200
Within 1 to 3 months overdue	2.6%	906	18.7%	4,766
Within 4 to 12 months overdue	10.1%	8,907	31.0%	19,669
Over 12 months overdue	88.1%	46,677	99.5%	28,936
		<u>78,220</u>		<u>63,571</u>

The estimated loss rates of trade receivables are estimated based on historical settlement data and taking into account time value of money and have been adjusted for forward-looking information such as gross domestic product growth rate that is available without undue cost or effort.

Changes in the ECL allowance on trade receivables are mainly due to:

	2021 Increase/ (decrease) in lifetime ECL (non-credit impaired) HK\$'000	2020 Increase/ (decrease) in lifetime ECL (non-credit impaired) HK\$'000
Increase in trade receivables	6,804	15,217
Settlement of impaired trade receivables	<u>(3,955)</u>	<u>(2,014)</u>



## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL RESULTS

For the year ended 31 March 2021, the revenue of the Group amounted to approximately HK\$56,127,000, roughly remaining at the same level of approximately HK\$57,120,000 for the year ended 31 March 2020. The gross profit of the Group amounted to approximately HK\$24,794,000 for the year ended 31 March 2021 as compared to approximately HK\$23,753,000 for the year ended 31 March 2020. The increase in gross profit was mainly due to the improvement in gross profit margin. Gross profit margin for the year ended 31 March 2021 improved to approximately 44.2% from approximately 41.6% for the last corresponding period. Such improvement was mainly due to the Group's proportion of sales generated from products with lower profit margin decreased.

Other income and gains of the Group for the year ended 31 March 2021 increased to approximately HK\$1,547,000 from approximately HK\$1,182,000 for the year ended 31 March 2020. Such increase was mainly due to the government grants of approximately HK\$956,000 received in 2020 in respect of subsidy for staff costs according to the Employment Support Scheme launched by The Government of the Hong Kong Special Administrative Region (the "HKSAR").

Selling and distribution expenses decreased to approximately HK\$26,558,000 for the year ended 31 March 2021 as compared to approximately HK\$48,054,000 for the year ended 31 March 2020. The decrease in selling and distribution expenses was mainly due to the decrease in marketing and promotion expenses associated with launching of new products.

Administrative expenses increased to approximately HK\$43,295,000 for the year ended 31 March 2021 from approximately HK\$33,053,000 for the year ended 31 March 2020. The increase in administrative expenses was mainly attributable to the increase in professional fees and expenses relating to the relocation of headquarter.

Net provision for expected credit loss ("ECL") allowance on trade receivables and other receivables for the year ended 31 March 2021 amounted to HK\$6,928,000 as compared to HK\$13,203,000 for the year ended 31 March 2020. Such decrease was mainly due to a decrease in net provision for ECL allowance on trade receivables despite an increase in net provision for ECL allowance on other receivables.

Finance costs slightly decreased to approximately HK\$331,000 for the year ended 31 March 2021 from approximately HK\$557,000 for the year ended 31 March 2020.

No income tax expense was recorded for the year ended 31 March 2021 as compared to approximately HK\$750,000 for the year ended 31 March 2020 mainly due to no withholding tax for the payment of dividend was incurred for the year under review.

Loss attributable to owners of the Company for the year ended 31 March 2021 was approximately HK\$50,771,000 (31 March 2020: HK\$70,682,000). The decrease of loss for the year under review as compared to the previous financial year was mainly due to the decrease in selling and distribution expenses for the year ended 31 March 2021.

Basic loss per share was HK3.50 cents for the year ended 31 March 2021 against basic loss per share HK4.87 cents for the year ended 31 March 2020.

## **BUSINESS REVIEW**

### **Tea and Other Food Products Businesses**

During the year under review, the Group focused on distributing tea products under the well-established “Longrun (龍潤)” brand in the PRC market mainly through its distribution network of franchised and self-owned tea shops. Despite the poor spending sentiment had continued to affect the consumer market in the PRC generally, in particular the COVID-19 pandemic causing disruptions in the traditional retail industry, the Group continued to strengthen its relationship with its franchisees and to diversify its customer base by promoting tailor made non-“Longrun (龍潤)” branded tea products to corporate customers in the PRC. Revenue for the year under review from tea and other food products businesses was approximately HK\$53,270,000 (31 March 2020: HK\$54,238,000), accounting for approximately 94.9% (31 March 2020: 95.0%) of the Group’s total revenue.

For the year under review, the Group successfully engaged different independent suppliers of tea products and reduced the Group’s reliance on the connected supplier.

## **Tea Shops**

The Group's traditional tea products bearing "Longrun (龍潤)" brand, including tea cakes, tea bricks, loose tea leaves, tea gift sets, instance tea essence and tea bags, etc., are sold in the Group's traditional tea shops network comprising both franchised and self-owned tea shops. As at 31 March 2021, the Group managed a network comprising a total of over 550 tea shops located in the PRC. Given the challenging retail market and the impact of the COVID-19 pandemic on the operation of some tea shops, the management will continue to strengthen its relationship with its franchisees with a view to maintain its business position when the retail market gradually returning to normal.

## **Retail Outlet Targeting Tourists**

Currently, there is one retail outlet in Yunnan Province whereby the Group will promote and distribute "Longrun (龍潤)" tea products to both domestic and international tourists travelling to Yunnan Province. COVID-19 pandemic has affected the tourist industry in the PRC. With the gradual recovery of the tourism in Yunnan and the encouragement by the local government of tourism related selling activities, the operating environment of tourists related retail sales were expected to improve in the near future.

## **Direct Selling**

The Group distributed its tea products to direct selling enterprises in the PRC since 2014. Tea products sold to direct selling enterprises are mainly tailor made non-"Longrun (龍潤)" products. For the year under review, the direct selling industry in the PRC are still affected by the COVID-19 pandemic and the enhanced regulation of the PRC direct selling activities. However, the effect of industry consolidation and enhanced regulation is expected to bring positive effect to the development of the direct selling industry in the longer term.

The Group will continue to develop new business relationships and to strengthen its existing business relationships with direct selling companies in the PRC.

## **Healthcare and Pharmaceutical Business**

During the year under review, revenue from healthcare and pharmaceutical business was approximately HK\$2,857,000 (31 March 2020: HK\$2,882,000), accounting for approximately 5.1% (31 March 2020: 5.0%) of the Group's total revenue. For the year under review, the slightly decrease in revenue of the Group from the healthcare and pharmaceutical business was mainly due to the ongoing pandemic of the COVID-19 which had deeply damaged almost all sectors of business in Hong Kong. People are afraid from going out due to avoidance of infection of the deadly coronavirus. Healthcare chain stores were suffering from historical low sales revenues as well. Moving forward, we believe the COVID-19 pandemic will be lasting for a period of time and together with the HKSAR's vaccine injection campaign, people are being immune from the virus and life is resumed back to normal gradually. Hong Kong people are even more health conscious now than the outbreak of SARS in 2003. It provides good opportunities for the health companies like us to continue educating the consumers for better health preservation. Since the expansion of new distribution channel in Hong Kong, we expect positive sales increase and hope this will sustain for a better and smooth sales revenue in the coming years.

## **PROSPECTS**

The Group's operating environment remains very challenging. The outbreak of COVID-19 pandemic rapidly spread around the globe and caused pandemic crisis worldwide has significantly affected the PRC economy. Trade tension between the PRC and the United States also brings pressure in the PRC economy. Traditional retail sales of consumer goods in the PRC has been significantly affected and showing a continuous slowdown. It is likely that the general consumer market in the PRC will continue to face uncertainties and remain very competitive.

With the decisive actions taken by the PRC government, the COVID-19 pandemic has been contained and economic activities recovered substantially. We believe that the PRC economy will be stabilising in the coming year and the encouragement of domestic consumption by the PRC government shall present opportunities for the Group.

Despite the uncertainties, the Group will continue to focus on brand building and new product development and be prepared to take advantage of the economic recovery from the COVID-19 pandemic. The Group will also continue to expand its franchise network of tea shops and to explore other new distribution channels with a view to broaden its customer base.

## **FINANCIAL REVIEW**

### **Liquidity and Financial Resources**

The Group has consistently maintained sufficient working capital. As at 31 March 2021, the Group had current assets of HK\$65,054,000 (31 March 2020: HK\$93,692,000) and cash and cash equivalents of HK\$19,840,000 (31 March 2020: HK\$51,146,000). The Group's current liabilities as at 31 March 2021 were HK\$57,247,000 (31 March 2020: HK\$41,629,000).

As at 31 March 2021, total equity was HK\$13,475,000 (31 March 2020: HK\$61,670,000). The gearing ratio as at 31 March 2021, being the ratio of total liabilities to total equity, was 425.2% (31 March 2020: 70.1%).

### **Employees**

As at 31 March 2021, the Group had 198 employees (31 March 2020: 236 employees).

Remuneration policy and package for the Group's employees are reviewed and approved by the Board on a periodical basis. The Group remunerates its employees based on industry practice and performance of the Group and individual employees. The Group also makes available a share option scheme and offers discretionary bonus to its employees.

### **Contingent Liabilities**

The Group did not have any significant contingent liabilities as at 31 March 2021 (31 March 2020: Nil).

### **Exchange Risk**

The Group mainly operates in the PRC with most transactions settled in RMB. The assets and liabilities, and transactions arising from the operations were mainly denominated in RMB. Although the Group may be exposed to foreign currency exchange risks, the Board believes that future currency fluctuations will not have any material impact on the Group's operations. The Group had not adopted formal hedging policies.

### **Pledge of the Group's Assets**

As at 31 March 2021, no Group's assets have been pledged (31 March 2020: Nil).

## **SCOPE OF WORK OF MOORE STEPHENS CPA LIMITED**

The figures in respect of the preliminary announcement of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2021 as set out in this preliminary announcement have been agreed by the Group's auditor, Moore Stephens CPA Limited, to the amounts set out in the Group's consolidated financial statements for the year ended 31 March 2021. The work performed by Moore Stephens CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Moore Stephens CPA Limited on this preliminary announcement.

## **EXTRACT OF INDEPENDENT AUDITOR'S REPORT**

**The following is an extract of the independent auditor's report on the Group's audited consolidated financial statements for the year ended 31 March 2021.**

### ***Basis for Opinion***

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 2021, 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 disclosure requirements of the Hong Kong Companies Ordinance.

### ***Material Uncertainty Related To Going Concern***

We draw attention to note 2 to the consolidated financial statements with respect to the Group's ability to continue as going concern. During the financial year ended 31 March 2021, the Group incurred a net loss of approximately HK\$50,771,000 and net cash used in operating activities of approximately HK\$32,698,000. As at 31 March 2021, the Group has account payables, other payables, accruals and deposits from customers, due to related companies, due to directors of the Company and lease liabilities of aggregately approximately HK\$46,781,000, which are repayable on demand or within 1 year, as disclosed in note 30 to the consolidated financial statements. These events and conditions, together with other information disclosed in note 2 to the consolidated financial statements, indicate an material uncertainties may cast significant doubt on the Group's ability to continue as going concern. Our opinion is not modified in respect of this matter.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year under review.

## **DIVIDEND**

The Board does not recommend the payment of any dividend for the year ended 31 March 2021 (31 March 2020: Nil).

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 24 August 2021 to Friday, 27 August 2021 (both days inclusive), during which period no share transfer will be effected. In order to qualify for attending and voting at the forthcoming annual general meeting of the Company to be held on 27 August 2021, unregistered holders of shares of the Company should ensure that all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Monday, 23 August 2021.

## **AUDIT COMMITTEE**

The audit committee of the Company, comprising the Company's three independent non-executive directors (being Mr. Lam Siu Hung, Mr. Guo Guoqing and Mr. Kwok Hok Lun), has reviewed with management the consolidated financial statements for the year ended 31 March 2021, including accounting principles and practices adopted by the Group, and discussed internal controls, risk management and financial reporting matters.

## **CORPORATE GOVERNANCE**

The Company recognises the importance of corporate governance for enhancing the management of the Company as well as preserving the interests of its shareholders as a whole. The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules during the year ended 31 March 2021, save for the deviation from the code provision E.1.2 of the CG Code.

The code provision E.1.2 of the CG Code stipulates that the chairman of the Board should attend the annual general meeting of the Company. Due to the COVID-19 pandemic, the chairman of the Board was unable to attend the annual general meeting of the Company held on 28 August 2020. The chairman of the Board had arranged for other directors and management of the Company, who are well-versed in the Company's business and affairs, to attend the meeting and communicate with the Shareholders.

## **CONTINUED SUSPENSION OF TRADING**

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 15 June 2017 until further notice.

## **APPRECIATION**

On behalf of the Board, I would like to thank all our colleagues for their diligence, dedication, loyalty and integrity. I would also like to thank all our shareholders, customers, bankers and other business associates for their trust and support.

By Order of the Board  
**Longrun Tea Group Company Limited**  
**Chiu Ka Leung**  
*Chairman of the Board*

Hong Kong, 25 June 2021

*As at the date of this announcement, the executive directors of the Company are Dr. Chiu Ka Leung, Ms. Yeh Shu Ping, Mr. Jiao Shaoliang and Dr. He William (also known as Lu Pingguo); and the independent non-executive directors of the Company are Mr. Lam Siu Hung, Mr. Guo Guoqing, Mr. Kwok Hok Lun and Dr. Liu Zhonghua.*