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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 2020

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 2020, together with the comparative figures for the year ended 31 March 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Revenue	4	57,120	94,820
Cost of sales		<u>(33,367)</u>	<u>(62,651)</u>
Gross profit		23,753	32,169
Other income and gains	4	1,182	8,282
Net provision for expected credit loss allowance on trade receivables		(13,203)	(2,795)
Selling and distribution expenses		(48,054)	(31,832)
Administrative expenses		(33,053)	(32,441)
Finance costs	6	<u>(557)</u>	<u>(9,589)</u>

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss before tax	<i>5</i>	(69,932)	(36,206)
Income tax expense	<i>7</i>	<u>(750)</u>	<u>(714)</u>
Loss for the year		<u>(70,682)</u>	<u>(36,920)</u>
Loss attributable to owners of the Company		<u>(70,682)</u>	<u>(36,920)</u>
Loss per share attributable to owners of the Company	<i>9</i>		
Basic and diluted		<u>HK(4.87) cents</u>	<u>HK(2.54) cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the year	(70,682)	(36,920)
Other comprehensive loss		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	<u>(5,732)</u>	<u>(8,366)</u>
Other comprehensive loss for the year, net of income tax	<u>(5,732)</u>	<u>(8,366)</u>
Total comprehensive loss for the year	<u>(76,414)</u>	<u>(45,286)</u>
Total comprehensive loss attributable to owners of the Company	<u>(76,414)</u>	<u>(45,286)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	<i>10</i>	4,134	4,860
Right-of-use assets	<i>11</i>	3,981	–
Prepayment and deposits		3,117	–
Total non-current assets		11,232	4,860
Current assets			
Inventories		1,022	2,353
Trade receivables	<i>12</i>	26,892	52,199
Prepayments, deposits and other receivables		14,632	10,747
Time deposits with original maturities of more than three months	<i>13</i>	–	22,225
Cash and cash equivalents	<i>13</i>	51,146	88,407
Total current assets		93,692	175,931
Current liabilities			
Trade payables	<i>14</i>	1,354	1,120
Other payables, accruals and deposits from customers	<i>15</i>	30,507	34,526
Contract liabilities	<i>15</i>	3,686	4,136
Finance leases payables		–	118
Lease liabilities		2,752	–
Income tax payables		712	712
Due to related companies		185	188
Due to directors of the Company		2,433	1,776
Total current liabilities		41,629	42,576
Net current assets		52,063	133,355
Total assets less current liabilities		63,295	138,215

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current liabilities			
Finance leases payables		–	82
Lease liabilities		1,550	–
Contract liabilities	<i>15</i>	<u>75</u>	<u>49</u>
Total non-current liabilities		<u>1,625</u>	<u>131</u>
Net assets		<u>61,670</u>	<u>138,084</u>
Equity			
Equity attributable to owners of the Company			
Share capital	<i>16</i>	72,576	72,576
Reserves		<u>(10,906)</u>	<u>65,508</u>
Total equity		<u>61,670</u>	<u>138,084</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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”). 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 (the “Listing Rules”).

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 2020 are consistent with those adopted in the consolidated financial statements for the year ended 31 March 2019, 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 new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) – Interpretation 23	Uncertainty over Income Tax Treatments
HKFRS 9 Amendments	Prepayment Features with Negative Compensation
HKAS 19 Amendments	Plan Amendment, Curtailment or Settlement
HKAS 28 Amendments	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvement to HKFRSs 2015-2017 Cycle

The adoption of the above new and revised standards has had no significant effect on the consolidated financial statements of the Group except for the adoption of HKFRS 16 as discussed below.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases – Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Group has applied HKFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for the year ended 31 March 2019 has not been restated – i.e. it is presented, as previously reported, under HKAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

(i) *New definition of a lease*

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components as a single lease component.

(ii) *As a lessee*

The Group has lease contracts for various items of land, property and office equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for the exemption of the short-term lease. The Group has elected not to recognise right-of-use assets and lease liabilities for the lease, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with the lease of as an expense on a straight-line basis over the lease term.

(a) Significant accounting policies

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

(b) Impacts on transition

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the consolidated statement of financial position immediately before 1 April 2019. All these assets were assessed for any impairment based on HKAS 36 on that date.

The Group applied the following practical expedients on transition to HKFRS 16 for those leases which were previously classified as operating leases under HKAS 17.

- Applied the recognition exemption for leases for which the lease term ends within 12 months of the date of initial application.
- Excluded the initial direct costs from the measurement of the right-of-use assets.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(iii) Impacts on consolidated financial statements

The table below explains the difference between operating lease commitments disclosed at 31 March 2019 by applying HKAS 17 and lease liabilities recognised at 1 April 2019 by applying HKFRS 16:

	<i>HK\$'000</i>
Operating lease commitments disclosed as at 31 March 2019	5,633
<i>Less:</i> Lease end within 12 months from the date of initial application	(2,253)
<i>Add:</i> Termination option reasonably certain not to be exercised by the Group	6,464
<i>Add:</i> Finance lease payables as at 31 March 2019	<u>200</u>
Lease liabilities before discounting as at 31 March 2019	10,044
Effect from discounting at incremental borrowing rate as at 1 April 2019*	<u>(901)</u>
Lease liabilities recognised as at 1 April 2019	<u><u>9,143</u></u>
Of which are:	
Current lease liabilities	4,505
Non-current lease liabilities	<u>4,638</u>
	<u><u>9,143</u></u>

* *The range of incremental borrowing rates were from 5.13% to 11.01%.*

Under the transition methods chosen, the Group has adopted the modified retrospective approach to recognise cumulative effect of the initial application of HKFRS 16 as an adjustment to the opening balance at 1 April 2019. Comparative information is not restated. Line items that were not affected by the changes have not been included in the following table. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The following table gives a summary of the opening balance adjustments recognised for the line items in the consolidated statement of financial position that have been impacted by HKFRS 16:

	At		At
	31 March 2019	Impact of initial	1 April 2019
	in accordance	application of	in accordance
	with HKAS 17	HKFRS 16	with HKFRS 16
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	4,134	(63)	4,071
Right-of-use assets	–	9,006	9,006
	<u> </u>	<u> </u>	<u> </u>
Current liabilities			
Lease liabilities	–	(4,505)	(4,505)
Finance lease payables	(118)	118	–
	<u> </u>	<u> </u>	<u> </u>
Non-current liabilities			
Lease liabilities	–	(4,638)	(4,638)
Finance lease payables	(82)	82	–
	<u> </u>	<u> </u>	<u> </u>

During the year, the Group recognised the depreciation charges of approximately HK\$4,756,000 (*note 5*) and interest expense of approximately HK\$557,000 (*note 6*) in relation to those leases under HKFRS 16.

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 fair value through profit or loss (“FVTPL”), as well as head office and corporate expenses.

Segment assets exclude time deposits with original maturities of more than three months, 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/finance lease payables, 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>
Year ended 31 March 2020			
Segment revenue:			
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>
Segment results	(7,875)	(46,079)	(53,954)
<i>Reconciliation:</i>			
Bank interest income			565
Corporate and other unallocated expenses			(15,986)
Finance costs			(557)
Loss before tax			<u>(69,932)</u>
As at 31 March 2020			
Segment assets	2,875	50,621	53,496
<i>Reconciliation:</i>			
Cash and cash equivalents			51,146
Corporate and other unallocated assets			282
Total assets			<u>104,924</u>
Segment liabilities	3,133	27,975	31,108
<i>Reconciliation:</i>			
Lease liabilities			82
Income tax payables			712
Corporate and other unallocated liabilities			11,352
Total liabilities			<u>43,254</u>
Year ended 31 March 2020			
Other segment information:			
Provision for obsolete inventories recognised in the consolidated statement of profit or loss	37	–	37
Provision for expected credit loss (“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*	5	1,578	1,583

	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 2019			
Segment revenue:			
Sales to external customers	3,873	90,947	94,820
Other income	–	1,214	1,214
	<u>3,873</u>	<u>92,161</u>	<u>96,034</u>
Segment results	(7,904)	(11,630)	(19,534)
<i>Reconciliation:</i>			
Bank interest income			1,677
Gain on disposal of financial assets at FVTPL			5,391
Corporate and other unallocated expenses			(14,151)
Finance costs			<u>(9,589)</u>
Loss before tax			<u>(36,206)</u>
As at 31 March 2019			
Segment assets	2,350	67,518	69,868
<i>Reconciliation:</i>			
Time deposits with original maturities of more than three months			22,225
Cash and cash equivalents			88,407
Corporate and other unallocated assets			<u>291</u>
Total assets			<u>180,791</u>
Segment liabilities	1,853	28,540	30,393
<i>Reconciliation:</i>			
Finance leases payables			200
Income tax payables			712
Corporate and other unallocated liabilities			<u>11,402</u>
Total liabilities			<u>42,707</u>
Year ended 31 March 2019			
Other segment information:			
Provision for obsolete inventories recognised in the consolidated statement of profit or loss	4	–	4
Provision for ECL allowance on trade receivables recognised in the consolidated statement of profit or loss	–	4,910	4,910
Reversal of ECL allowance on trade receivables recognised in the consolidated statement of profit or loss	–	(2,115)	(2,115)
Depreciation of property, plant and equipment	489	1,488	1,977
Capital expenditure*	<u>38</u>	<u>4,495</u>	<u>4,533</u>

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

(b) **Geographical information**

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
The People's Republic of China (the "PRC"), excluding Hong Kong	51,623	86,682
Hong Kong	2,882	3,874
Elsewhere in Asia	2,615	4,072
United States of America	—	192
	<u>57,120</u>	<u>94,820</u>

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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
The PRC, excluding Hong Kong	9,329	4,622
Hong Kong	1,903	238
	<u>11,232</u>	<u>4,860</u>

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

(c) **Information about major customers**

None of the customer contributed 10% or more sales to the Group's revenue for the year ended 31 March 2020.

Revenue of approximately HK\$31,268,000 for the year ended 31 March 2019 was derived from sales to one major customer. This customer contributed 10% or more sales to the Group's revenue.

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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from contract with customers within the scope of HKFRS 15		
Sale of goods, recognised at point in time	<u>57,120</u>	<u>94,820</u>
Other income within the scope of HKFRS 15		
Franchise income, recognised over time	<u>271</u>	<u>927</u>
Other income and gains from other sources		
Bank interest income	565	1,677
Gain on disposal of financial assets at FVTPL	–	5,391
Others	<u>346</u>	<u>287</u>
	<u>911</u>	<u>7,355</u>
Total other income and gains	<u>1,182</u>	<u>8,282</u>

5. LOSS BEFORE TAX

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Promotion and advertising expenses	14,623	5,098
Cost of inventories recognised as an expense	32,681	61,044
Depreciation of property, plant and equipment	1,982	1,977
Depreciation of right-of-use assets	4,756	–
Minimum lease payments under operating leases of offices and shops premises [#]	3,098	8,482
Auditors' remuneration		
– Audit services	840	880
– Non-audit services	185	200
Employee benefits expense (excluding directors' remuneration):		
Salaries, allowances and benefits in kind	25,115	23,368
Pension scheme contributions		
– Provision for current year	3,083	3,322
– Over-provision in prior year	(1,961)	(3,123)
	<u>26,237</u>	<u>23,567</u>
Provision for slow-moving and obsolete inventories*	<u>37</u>	<u>4</u>

[#] *The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognition of right-of-use assets at 1 April 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated (See note 2(a)). The amount for the year ended 31 March 2020 represented to the short term lease payments for the year ended 31 March 2020 under HKFRS 16.*

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

6. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest expense on lease liabilities	557	–
Interest expense on finance leases	–	12
Effective interest expense on convertible bonds	–	9,577
	<u>557</u>	<u>9,589</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 2020 (2019: Hong Kong profits tax has been provided at 8.25% for the first HK\$2 million of profits of qualifying corporation and at 16.5% for the profit above HK\$2 million for the year ended 31 March 2020). 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 both periods. 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.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	–	710
Under-provision in prior year	–	4
	–	714
Current – PRC Enterprise Income Tax ("EIT")		
Charge for the year	750	–
Total income tax expense for the year	<u>750</u>	<u>714</u>

8. DIVIDEND

The directors of the Company do not recommend the payment of any dividend for the year ended 31 March 2020 (2019: 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\$70,682,000 (2019: HK\$36,920,000), and the weighted average number of ordinary shares of approximately 1,451,520,000 (2019: 1,451,520,000) in issue during the year.

For both years, the computation of diluted loss per share does not assume the Company's exercise of outstanding share options since their assumed exercises would result in a decrease in loss per share.

10. PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment of approximately HK\$1,583,000 (2019: HK\$4,533,000).

11. RIGHT-OF-USE ASSETS

Right-of-use assets amounted to HK\$3,981,000 has been recognised for the year accordingly (2019: Nil).

12. TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	63,571	77,420
<i>Less: ECL allowances</i>	<u>(36,679)</u>	<u>(25,221)</u>
	<u>26,892</u>	<u>52,199</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 (2019: 30 to 360 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 of trade receivables are provided to trade receivables. Trade receivables are non-interest-bearing.

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

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	4,658	8,962
2 to 3 months	5,523	15,755
4 to 12 months	16,576	20,984
Over 12 months	135	6,498
	<u>26,892</u>	<u>52,199</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:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current (neither past due nor impaired)	9,307	23,788
Within 1 to 3 months overdue	3,874	5,680
Within 4 to 12 months overdue	13,576	19,526
Over 12 months overdue	135	3,205
	<u>26,892</u>	<u>52,199</u>

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

	2020	2019
	HK\$'000	HK\$'000
At beginning of year	25,221	23,924
Provision for ECL allowance recognised	15,217	4,910
Reversal of ECL allowance	(2,014)	(2,115)
Exchange realignment	(1,745)	(1,498)
	<u>36,679</u>	<u>25,221</u>
At end of year	<u>36,679</u>	<u>25,221</u>

As at 31 March 2019, the Group's trade receivables included an amount of HK\$1,597,000 due from 理想科技集團有限公司 (Ideality Technology Group Company Limited)[®] ("Ideality Group"), a related party of the Group which was 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 were executive directors and shareholders of the Company, while Dr. Chiu was 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\$1,473,000 were past due at 31 March 2019. Based on past experience, the directors of the Company determined that no provision for impairment was necessary as at 31 March 2019 in respect of these balances as there were no significant change in credit quality of the balances. The balance was settled in full during the year. There was no outstanding balance as at 31 March 2020.

[®] *Official name of this entity is in Chinese. The English translation of the name is for identification purpose only.*

13. CASH AND CASH EQUIVALENTS/TIME DEPOSITS WITH ORIGINAL MATURITIES OF MORE THAN THREE MONTHS

Cash and bank deposits comprise:–

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Time deposits original maturities of		
– More than three months to maturity when placed	–	22,225
– Within three months to maturity when placed	14,637	–
Cash at bank and on hand	36,509	88,407
	51,146	110,632
Represented by:		
Time deposits with original maturities of more than three months	–	22,225
Cash and cash equivalents	51,146	88,407
	51,146	110,632

At 31 March 2020, cash and cash equivalents of the Group denominated in RMB amounted to approximately HK\$24,059,000 (2019: HK\$76,596,000) while the remaining cash and cash equivalents are denominated in HK\$. 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.

As at 31 March 2019, all the Group's time deposits with original maturities of more than three months of approximately HK\$22,225,000 are denominated in HK\$ and not regarded as cash and cash equivalents as these time deposits are fixed deposits have maturity date over three months from the date of acquisition.

Cash at banks earns interest at floating rates based on daily bank deposit rates which range from 0.001% to 2.6% (2019: 0.13% to 1.90%) 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 (2019: 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current and not past due	88	31
Within 1 to 3 months overdue	718	585
Within 4 to 12 months overdue	70	21
Over 12 months overdue	478	483
	<u>1,354</u>	<u>1,120</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Yunnan Longrun Tea Group Company Limited [@] (“LRTG”) 雲南龍潤茶業集團有限公司	244	174
Fengqing Longrun Tea Company Limited [@] (“FLRT”) 鳳慶龍潤茶業有限公司	7	130
Changning Longrun Tea Company Limited [@] (“CLRT”) 昌寧縣龍潤茶業有限公司	7	12
Yunnan Longfar Pharmaceutical Company Limited [@] (“YNLF”) 雲南龍發製藥股份有限公司	32	302
	<u>290</u>	<u>618</u>

FLRT and CLRT are wholly-owned subsidiaries of LRTG. LRTG is beneficially owned as to 97% and 3% by Dr. Chiu and Mr. Jiao, respectively. YNLF is beneficially owned as to 89.4% and 10% 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 (2019: 90-day) terms.

[@] 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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Accruals (<i>Note</i>)	19,866	23,127
Deposits from customers	8,583	9,403
Other payables	<u>2,058</u>	<u>1,996</u>
	<u>30,507</u>	<u>34,526</u>
Contract liabilities – current portion	3,686	4,136
Contract liabilities – non-current portion	<u>75</u>	<u>49</u>
	<u>3,761</u>	<u>4,185</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue expected to be recognised		
Within one year	3,686	4,136
In the second to fifth years	<u>75</u>	<u>49</u>
	<u>3,761</u>	<u>4,185</u>

Note: Accruals mainly represents accrued advertising expenses and other PRC taxes of approximately HK\$8,171,000 (2019: HK\$8,171,000) and HK\$5,278,000 (2019: HK\$6,137,000) respectively.

16. SHARE CAPITAL

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<i>Authorised:</i>		
5,000,000,000 ordinary shares of HK\$0.05 each	<u>250,000</u>	<u>250,000</u>
	Number of ordinary shares of HK\$0.05 each	Amount <i>HK\$'000</i>
<i>Issued and fully paid:</i>		
At 1 April 2018, 31 March 2019 and 31 March 2020	<u>1,451,520,000</u>	<u>72,576</u>

Share options

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

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:

	Weighted average exercise price HK\$ per share	Number of options
At 1 April 2018, 31 March 2019 and 31 March 2020	<u>0.3</u>	<u>51,400,000</u>

No share options were granted, exercised or lapsed under the Scheme during the year ended 31 March 2020 (2019: 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 significant concentration of credit risk in relation to trade receivables as the trade receivables due from the five largest customers accounted for 38.8% (2019: 37.5%) of the Group's trade receivables at the end of the reporting period.

As disclosed in note 12, 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, time deposits with original maturities of more than three months 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. 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.

As part of the Group's credit risk management, the Group categories 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 2020 using lifetime ECL approach (not credit impaired).

	2020		2019	
	ECL rates	Gross amount of trade receivables HK\$'000	ECL rates	Gross amount of trade receivables HK\$'000
Current (neither past due nor impaired)	8.8%	10,200	3.1%	24,550
Within 1 to 3 months overdue	18.7%	4,766	4.7%	5,958
Within 4 to 12 months overdue	31.0%	19,669	10.8%	21,900
Over 12 months overdue	99.5%	28,936	87.2%	25,012
		<u>63,571</u>		<u>77,420</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 for trade receivables are mainly due to:

	2020	2019
	Increase/ (decrease) in lifetime ECL (non-credit impaired) HK\$'000	Increase/ (decrease) in lifetime ECL (non-credit impaired) HK\$'000
Increase in trade receivables	15,217	4,910
Settlement of impaired trade receivables	<u>(2,014)</u>	<u>(2,115)</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the year ended 31 March 2020, the revenue of the Group decreased by approximately 39.8% to approximately HK\$57,120,000 from approximately HK\$94,820,000 for the year ended 31 March 2019. The decrease in revenue was mainly brought by the slowing down of the growth of the PRC economy, the general deteriorating operating environment in the PRC resulted from the Sino-US trade tension, and the disruption of economic activities brought by the outbreak of novel coronavirus (COVID-19). The gross profit of the Group decreased by approximately 26.2% to approximately HK\$23,753,000 for the year ended 31 March 2020 from approximately HK\$32,169,000 for the year ended 31 March 2019. The decrease in gross profit is mainly attributable to the decrease in revenue. Gross profit margin for the year ended 31 March 2020 improved to 41.6% from 33.9% for the last corresponding period. Such improvement was mainly due to a decrease in the Group's proportion of sales generated from products with lower profit margin.

Other income and gains of the Group for the year ended 31 March 2020 decreased to approximately HK\$1,182,000 from approximately HK\$8,282,000 for the year ended 31 March 2019. Such decrease was mainly due to the absence of one-off gain on disposal of financial assets at FVTPL which occurred during the previous financial year.

Selling and distribution expenses increased to approximately HK\$48,054,000 for the year ended 31 March 2020 as compared to approximately HK\$31,832,000 for the year ended 31 March 2019. The increase in selling and distribution expenses was mainly derived from the increase in promotion and advertising expenses associated with launching of new products.

Administrative expenses amounted to approximately HK\$33,053,000 for the year ended 31 March 2020, roughly remaining at the same level of approximately HK\$32,441,000 for the year ended 31 March 2019. The slight increase in administrative expenses was mainly attributable to the increase in professional fees.

Net provision for expected credit loss allowance on trade receivables for the year ended 31 March 2020 increased to HK\$13,203,000 from HK\$2,795,000 for the year ended 31 March 2019. Such increase was mainly due to the increase in allowance made to customers resulting from the slowing down of the growth of the PRC economy and the disruption of economic activities brought by the outbreak of COVID-19.

Finance cost decreased to approximately HK\$557,000 for the year ended 31 March 2020 from approximately HK\$9,589,000 for the year ended 31 March 2019. The decrease was mainly due to the absent of effective interest expense on the convertible bonds which were issued by the Company on 27 January 2017 and were fully redeemed during the previous financial year.

Income tax expense increased to approximately HK\$750,000 for the year ended 31 March 2020 from approximately HK\$714,000 for the year ended 31 March 2019.

Loss attributable to owners of the Company for the year ended 31 March 2020 was approximately HK\$70,682,000 (for the year ended 31 March 2019: HK\$36,920,000). The increase of loss for the year under review as compared to the previous financial year was mainly due to (i) decrease in revenue and gross profit; (ii) increase in expected credit loss allowances on trade receivables provided; and (iii) increase in promotion and advertising expenses for the year ended 31 March 2020.

Basic loss per share was HK4.87 cents for the year ended 31 March 2020 against basic loss per share HK2.54 cents for the year ended 31 March 2019.

BUSINESS REVIEW

Tea and Other Food Products Businesses

During the period 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, the Group continued to diversify its customer base by providing tailor made non-“Longrun (龍潤)” branded tea products to corporate customers in the PRC. Revenue for the period under review from tea and other food products businesses was approximately HK\$54,238,000 (for year ended 31 March 2019: HK\$90,947,000), accounting for approximately 95.0% (for year ended 31 March 2019: 95.9%) of the Group’s total revenue.

For the year under review, the Group has successfully engaged different independent suppliers of tea products and substantially reduced the Group’s reliance on the connected supplier. The Group will continue to explore opportunities to set up its own tea manufacturing base in Yunnan Province and to engage different independent suppliers with a view to further diversify its procurement sources and reduce its potential business risk.

Retail Network

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 mainly sold in the Group's traditional tea shops retail network comprising both franchised and self-owned tea shops. During the financial year ended 31 March 2020, the Group managed a retail network comprising about 420 franchisees located in Mainland China. Given the challenging consumer market, the management will continue to actively manage the retail network with a view to enhance brand and product recognitions in the PRC.

Mega Retail Outlets Targeting Tourists

Currently, there are two mega retail outlets in Yunnan Province (one in Kunming World Horticultural Expo Garden and one in the Group's headquarter in Kunming) whereby the Group's tourism associated customers will promote and distribute "Longrun (龍潤)" tea products to both domestic and international tourists travelling to Yunnan Province. The two mega retail outlets have a gross total area of over 4,300 square meters. Given the outbreak of COVID-19 in the last quarter of the financial year, travel restrictions were imposed in the PRC and Yunnan's tourists related businesses were adversely affected. However, business activities in the PRC are being resumed and we see tourists related businesses are picking up gradually. The operating environment of tourists related retail sales is expected to remain very challenging in the 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 consolidation and enhanced regulation of the PRC direct selling activities are still affecting the direct selling industry. 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. Against such background, the Group will continue to develop tailor made tea products using customer's packaging design and brand name for their onward distribution in direct selling platforms.

The Group will continue to strengthen its business relationship with its customers by deploying more resources in new product design and development.

Healthcare and Pharmaceutical Business

During the year under review, revenue from healthcare and pharmaceutical business was approximately HK\$2,882,000 (for the year ended 31 March 2019: HK\$3,873,000), accounting for approximately 5.0% (for the year ended 31 March 2019: 4.1%) of the Group's total revenue. For the year ended 31 March 2020, the decrease in revenue from the healthcare and pharmaceutical business was mainly due to the fact that the retail sector in Hong Kong was deeply affected by the ongoing demonstration and social unrest as well as the intense competition in the health supplement market. In this regard, the Company is formulating a campaign to (i) educate the general public about the benefits of detoxification; (ii) expand the existing sales channels; and (iii) explore opportunities to sell the Group's products through various social media platforms and online stores.

PROSPECTS

The Group's operating environment remains very challenging. Trade relation between China and the United States are tense, bringing pressure to the PRC economy. The COVID-19 outbreak has rapidly spreaded around the globe and caused pandemic crisis worldwide, which in turn has significantly affected 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 drastic actions taken by the PRC Government, the COVID-19 pandemic has been contained and economic activities are being gradually resumed. We believe that the PRC economy will be stabilising in the second half of 2020 and the encouragement of domestic consumption by the PRC Government shall present opportunities for the Group.

The Group has launched a new marketing and advertising campaign for launching a new line of Pu-erh tea products right after the closing of second quarter of the 2019 financial year and we expect to see the promotion results in the 3rd to 4th quarter of this financial year as delayed by the COVID-19 outbreak. The outbreak of COVID-19 has aroused the health awareness of the general public in the PRC and we have launched a new product of instant Pu-erh tea extracts for weight management at the end of the financial year under review. We have engaged social media marketing in the promotion and distribution of this new product targeting to health-conscious customer. The Group will continue to expand its franchise network of tea shops and to explore other new distribution channels with a view to broaden its customer base.

Liquidity and Financial Resources

The Group has consistently maintained sufficient working capital. As at 31 March 2020, the Group had current assets of HK\$93,692,000 (31 March 2019: HK\$175,931,000), time deposits with original maturities of more than three months of Nil (31 March 2019: HK\$22,225,000) and cash and cash equivalent of HK\$51,146,000 (31 March 2019: HK\$88,407,000). The Group's current liabilities as at 31 March 2020 were HK\$41,629,000 (31 March 2019: HK\$42,576,000).

As at 31 March 2020, total equity was HK\$61,670,000 (31 March 2019: HK\$138,084,000). The gearing ratio as at 31 March 2020, being the ratio of total liabilities to total equity, was 70.1% (31 March 2019: 30.9%).

Employees

As at 31 March 2020, the Group had 236 employees (31 March 2019: 231 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 2020 (31 March 2019: Nil).

Exchange Risk

The Group mainly operates in the PRC with most transactions settled in Renminbi. The assets and liabilities, and transactions arising from the operations were mainly denominated in Renminbi. 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 2020, no Group's assets have been pledged (31 March 2019: 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 2020 as set out in the 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 2020. 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.

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 2020 (31 March 2019: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 25 August 2020 to Friday, 28 August 2020 (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 28 August 2020, 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, 24 August 2020.

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 2020, 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 contained in Appendix 14 to the Listing Rules during the year ended 31 March 2020.

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, 26 June 2020

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.