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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)

UPDATE ON SUSPENSION OF TRADING

This announcement is made by the board of directors of Longrun Tea Group Company Limited (the “**Company**”) pursuant to Rule 13.24A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Reference is made to the announcement of the Company dated 30 June 2017 in relation to, among other things, delay in publication of annual results and despatch of annual report for the year ended 31 March 2017 and change of auditors (the “**Announcement**”). Capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement unless stated otherwise.

UPDATE ON SUSPENSION OF TRADING

Audit Findings

During the performance of EY's audit work of the Company's consolidated financial statements for the year ended 31 March 2017, they identified certain inconsistencies (the "**Inconsistencies**") between the cash and bank balance and the bank confirmation of a wholly-owned subsidiary of the Company (the "**Subsidiary**"). Based on the preliminary review conducted by the management of the Subsidiary after the Board was informed of the Audit Findings, the management was given to understand that (i) the accounting staff of the Subsidiary had failed to make appropriate entries in the accounts of the Subsidiary to reflect a loan arrangement entered into between the Subsidiary and an independent third party, as a result of which created the Inconsistencies; and (ii) the entire loan amount had been fully repaid to the Subsidiary by May 2017.

Baker Tilly Hong Kong Risk Assurance Limited, the independent professional consultancy firm engaged by the Company to perform the AUP to specifically address the Audit Findings, has commenced its work and it is expected that the field work of the AUP could be completed within August 2017.

Proposed Change of Auditors

The Company is preparing the circular on the Proposed Change of Auditors which will contain, among others, information on the Company's proposal to terminate the engagement of EY as auditors of the Company before the expiration of their term of office and to appoint Moore Stephens CPA Limited as the new auditors of the Company in place of EY. Moore Stephens CPA Limited has agreed to be appointed as the new auditors of the Company subject to the completion of the relevant procedures under the Hong Kong Auditing Standards, the Listing Rules and the Companies Ordinance (Chapter 622 of the laws of Hong Kong). The extraordinary general meeting to approve the Proposed Change of Auditors is expected to be held in September 2017.

CONTINUED SUSPENSION OF TRADING

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

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

Hong Kong, 15 August 2017

As at the date of this announcement, the Board comprises:

Executive Directors:

Dr. Chiu Ka Leung
Ms. Yeh Shu Ping
Mr. Jiao Shaoliang
Dr. He William (also known as Lu Pingguo)

Independent non-executive Directors:

Mr. Lam Siu Hung
Mr. Guo Guoqing
Mr. Kwok Hok Lun
Dr. Liu Zhonghua