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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
AND
FINDINGS OF SECOND INTERNAL CONTROL REVIEW

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

Reference is made to the announcements of the Company dated 28 February 2018, 22 June 2018, 24 August 2018, 7 November 2018, 11 February 2019 and 15 February 2019 in relation to the Company’s updates on suspension of trading (the “**Announcements**”). Capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements unless stated otherwise.

UPDATE ON SUSPENSION OF TRADING

Reference is made to the Company's announcements dated 20 September 2017 and 24 August 2018 regarding the Resumption Conditions imposed on the Company by the Stock Exchange. The Company has been taking appropriate actions to fulfil the Resumption Conditions, and a resumption proposal was submitted to the Stock Exchange on 11 April 2019. The Company will continue to keep the shareholders and potential investors of the Company informed of the progress of and updates to resumption as and when appropriate.

BUSINESS OPERATIONS

The Company is an investment holding company and its subsidiaries are principally engaged in the distribution of tea products, pharmaceutical products and other food products. The Group has maintained its business operations since the suspension of trading in the Shares on 15 June 2017. As at the date of this announcement, the Group has been carrying on its business as usual.

The Directors are of the view that the business operations of the Group have not been adversely affected by the suspension of trading of the Shares.

Continuing connected transactions

Reference is made to the Company's announcements dated 28 March 2019 and 18 April 2019. The Company intends to continue its transactions with 龍潤茶業集團有限公司 (in English, for identification purpose only, Longrun Tea Group Limited) ("**LRTG**"), a connected person (as defined in the Listing Rules) of the Company, pursuant to a purchase agreement dated 12 May 2009 made between the Group and LRTG (the "**Purchase Agreement**"). As the previously approved annual caps in respect of the transactions contemplated under the Purchase Agreement had expired on 31 March 2019, the Company will seek the approval from the independent shareholders of the Company for renewing the annual caps in respect of such continuing connected transactions for the two financial years ending 31 March 2021.

The Company expects that a circular including (i) details of the new annual caps; (ii) a letter from an independent financial adviser containing its advice to the independent Board committee and the independent shareholders of the Company on the new annual caps; (iii) recommendation from an independent Board committee to the independent shareholders of the Company; and (iv) a notice of extraordinary general meeting of the Company, will be despatched to the shareholders of the Company on or before 22 May 2019.

INTERNAL CONTROL REVIEW REPORT

Reference is made to the Company's announcement dated 24 August 2018 in which the findings of the first internal control review report issued by Baker Tilly were disclosed. Baker Tilly was engaged as internal control consultant of the Company for 18 months to conduct a full scope review on the effectiveness of the internal control procedures of the Group every six months. The second internal control review report (the "**Second IC Report**") covering the six-month period ended 30 September 2018 was issued on 10 April 2019.

According to the Second IC Report, Baker Tilly concluded, among others, that (i) they were not aware of any unusual or major non-compliance of the Group's internal control procedures; (ii) all the findings were classified as either low or low to medium risk level; and (iii) the Group had established effective internal control procedures.

The findings classified as low to medium risk level in the Second IC Report were related to the following existing procedures of YNLRT, including:

- (i) The existing online banking payments procedures could be further improved by setting the banking authorisation level the same as the authorisation levels set out in the internal control manual. The management of YNLRT has agreed to discuss with the banks on the possible way to improve the authorisation levels as recommended by Baker Tilly.
- (ii) The existing financial reporting procedures could be further improved by providing the staff with comprehensive written procedures. The management of YNLRT agrees to implement the suggested improvements recommended by Baker Tilly.

- (iii) The financial budget of YNLRT could be enhanced by including more comprehensive and detailed estimates, and further improved by preparing annual financial with review and analysis. The management of YNLRT agrees to implement the suggested improvements recommended by Baker Tilly.

Having considered the Second IC Report and the actions to be taken by the Group, the Board (i) concurs with the view of Baker Tilly that the Group has put in place adequate internal control procedures to meet its obligations under the Listing Rules; and (ii) is of the view that the Company's proposed actions are sufficient and adequate to address the findings in the Second IC Report.

CONTINUED SUSPENSION OF TRADING

Trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 15 June 2017 until further notice pending the fulfilment of the Resumption Conditions.

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

Hong Kong, 2 May 2019

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

Independent non-executive Directors:

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