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PU'ER LANCANG ANCIENT TEA CO., LTD.

普洱瀾滄古茶股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 6911)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2023

2023 RESULTS HIGHLIGHTS

FINANCIAL HIGHLIGHTS

	Year ended December 31,		Year-on-year change %
	2023 (RMB'000)	2022 (RMB'000)	
Revenue ⁽¹⁾	527,345	462,869	13.9
Gross profit ⁽²⁾	353,118	304,997	15.8
Profit before income tax	92,349	85,449	8.1
Profit attributable to owners of the Company ⁽³⁾	80,080	72,205	10.9
Basic and diluted earnings per share ⁽⁴⁾	1.26	1.15	9.6

Notes:

- (1) The revenue for the year ended December 31, 2023 increased by 13.9% from RMB462.9 million in 2022 to RMB527.3 million in 2023.
- (2) The gross profit for the year ended December 31, 2023 increased by 15.8% from RMB305.0 million in 2022 to RMB353.1 million in 2023.
- (3) The profit attributable to owners of the Company for the year ended December 31, 2023 increased by 10.9% from RMB72.2 million in 2022 to RMB80.1 million in 2023.
- (4) The basic earnings per share for the year ended December 31, 2023 amounted to RMB1.26.
- (5) The Board proposed to distribute the final dividend of RMB0.37 (including tax) per share for the year ended December 31, 2023, and proposed to issue additional 5 new shares per 10 existing shares of the Company out of the reserves to the shareholders.

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Pu'er Lancang Ancient Tea Co., Ltd. (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**” or “**Our**”) for the year ended December 31, 2023 (the “**Reporting Period**” or “**2023 Financial Year**”), together with comparative figures for the year ended December 31, 2022 (the “**2022 Financial Year**”). Such results are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2023

		Year ended December 31,	
	<i>Note</i>	2023	2022
		RMB'000	RMB'000
Revenue	3	527,345	462,869
Cost of sales	4	<u>(174,227)</u>	<u>(157,872)</u>
Gross profit		353,118	304,997
Selling and marketing expenses	4	(162,310)	(136,413)
Administrative expenses	4	(88,881)	(78,240)
Net impairment losses on financial assets		(2,306)	(660)
Other income	5	4,468	6,506
Other gains/(losses) - net	6	<u>800</u>	<u>(738)</u>
Operating profit		104,889	95,452
Finance costs – net	7	(15,364)	(12,783)
Share of net profits of investments in associates		<u>2,824</u>	<u>2,780</u>
Profit before income tax		92,349	85,449
Income tax expense	8	<u>(13,832)</u>	<u>(14,957)</u>
Profit for the year		<u>78,517</u>	<u>70,492</u>
Profit attributable to:			
– Owners of the Company		80,080	72,205
– Non-controlling interests		<u>(1,563)</u>	<u>(1,713)</u>
		<u>78,517</u>	<u>70,492</u>
Other comprehensive income			
<i>Items that will not be reclassified to profit and loss:</i>			
Changes in the fair value of an equity instrument at fair value through other comprehensive income, net of tax		<u>(1,917)</u>	<u>(648)</u>
Other comprehensive income for the year, net of tax		<u>(1,917)</u>	<u>(648)</u>
Total comprehensive income for the year		<u>76,600</u>	<u>69,844</u>
Earnings per share for profit attributable to owners of the Company for the year			
Basic and diluted (expressed in RMB per share)	9	<u>1.26</u>	<u>1.15</u>

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2023

	<i>Note</i>	As at December 31,	
		2023	2022
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		139,847	145,997
Right-of-use assets		179,723	220,264
Intangible assets		2,610	3,318
Investments in associates		18,288	21,616
Financial asset at fair value through other comprehensive income		9,512	11,767
Prepayments		6,394	7,095
Deferred income tax assets		59,840	53,071
		<u>416,214</u>	<u>463,128</u>
Current assets			
Inventories	<i>11</i>	841,440	783,655
Trade and other receivables	<i>12</i>	77,652	35,842
Prepayments	<i>13</i>	20,357	38,249
Restricted cash	<i>14</i>	10,000	–
Cash and cash equivalents	<i>15</i>	262,313	90,027
		<u>1,211,762</u>	<u>947,773</u>
Total assets		<u>1,627,976</u>	<u>1,410,901</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>16</i>	84,000	63,000
Other reserves	<i>17</i>	492,066	372,680
Retained earnings		432,336	358,556
		<u>1,008,402</u>	<u>794,236</u>
Non-controlling interests		<u>1,905</u>	<u>5,034</u>
Total equity		<u>1,010,307</u>	<u>799,270</u>

	<i>Note</i>	As at December 31,	
		2023	2022
		RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income	<i>18</i>	10,535	9,136
Borrowings	<i>19</i>	118,300	76,300
Lease liabilities		103,479	138,754
Deferred income tax liabilities		–	910
		<u>232,314</u>	<u>225,100</u>
Current liabilities			
Borrowings	<i>19</i>	132,200	134,900
Trade and other payables	<i>20</i>	199,705	202,785
Contract liabilities		16,666	4,944
Lease liabilities		31,282	30,457
Current income tax liabilities		5,502	13,445
		<u>385,355</u>	<u>386,531</u>
Total liabilities		<u>617,669</u>	<u>611,631</u>
Total equity and liabilities		<u>1,627,976</u>	<u>1,410,901</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Pu'er Lancang Ancient Tea Co., Ltd. (the “Company”, formerly as “Lancang Ancient Tea Co., Ltd.”) was incorporated in the People’s Republic of China (the “PRC”) on September 11, 2002, as a limited liability company under the Company Law of the PRC. On February 13, 2018, the Company was converted to a joint stock limited liability company under the Company Law of the PRC and the registered name was changed to Pu'er Lancang Ancient Tea Co., Ltd.. The address of its registered office is Pingzhang Road, West Suburb Hot Spring Community, Menglang Town, Lancang Lahu Ethnic Autonomous County, Pu'er City, Yunnan Province, PRC.

The Group is principally engaged in the development, manufacturing and sales of tea products, primarily Pu'er tea products, in the PRC.

Ms. Du Chunyi and Ms. Wang Juan, who are acting in concert, together are the ultimate controlling shareholders of the Company.

The Company’s H shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) since December 22, 2023.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) as issued by the Hong Kong Institute of Certified Public Accountants and the requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared on a historical cost basis, except for the revaluation of financial assets at fair value through other comprehensive income which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

(a) New standards and amendments to standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2023:

		Effective for annual periods beginning on or after
HKFRS 17 and Amendments to HKFRS17	Insurance contracts (including Initial Application of HKFRS 17 and HKFRS 9 Comparative Information)	January 1, 2023
Amendments to HKAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules	January 1, 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023

The new standards and amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

(b) New standards, amendments to standards and interpretations not yet adopted by the Group

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Classification of liabilities as current or non-current	January 1, 2024
Amendments to HKAS 1	Non-current liabilities with covenants	January 1, 2024
Hong Kong Interpretation 5 (Revised)	Hong Kong Interpretation 5 (Revised) Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause	January 1, 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	January 1, 2024
Amendments to HKFRS 16	Lease liability in a sale and leaseback	January 1, 2024
Amendments to HKAS 21	Lack of Exchangeability	January 1, 2025
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has commenced an assessment of the impact of these new standards, amendments to standards and interpretation, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors, no significant impact on the Group's financial performance and position is expected when they become effective.

3. REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker (“CODM”) has been identified as the executive directors of the Group. The CODM reviews the performance of the Group on a regular basis.

As substantial business operations of the Group relate to the manufacture and sales of tea products and the provision of services, the CODM makes decisions about resources allocation and performance assessment based on the entity-wide consolidated financial statements. No geographical segment information is presented as substantially all the revenue and operating profits of the Group are derived from the PRC based on the location of customers and substantially all the operating assets of the Group are located in the PRC. On that basis, the executive directors of the Company regard that there is only one segment which is used to make strategic decisions for the Group qualified as operating segment under HKFRS 8. No separate segmental analysis is presented in the consolidated financial statements.

(a) Revenue from contracts with customers

Revenue from the sales of goods and the provision of services recognized is as follows:

	Year ended December 31,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
At a point in time		
– Sales of tea products	495,584	429,002
– Sales of other products	26,266	29,173
	<u>521,850</u>	<u>458,175</u>
Over time		
– Provision of services	5,495	4,694
	<u>527,345</u>	<u>462,869</u>

During the year ended December 31, 2023, no customer individually contributed more than 10% of the Group’s total revenue (2022:same).

(b) Contract liabilities

The Group recognized the following liabilities related to contract with customers:

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Sales of tea products	<u>16,666</u>	<u>4,944</u>

Contract liabilities of the Group mainly represent deposits received from customers in advance while the underlying goods are yet to be delivered.

The following table shows how much of the revenue recognized in the years relates to carried-forward contract liabilities:

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Revenue recognized that was included in the contract liabilities balance at the beginning of the year		
Sales of tea products	<u>4,944</u>	<u>14,864</u>

The amounts of transaction price from unsatisfied performance obligation as at December 31, 2023 were equivalent to the contract liabilities. Management expects that 100% of the contract liabilities balance as at December 31, 2023 will be recognized as revenue during the next financial year.

4. EXPENSES BY NATURE

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Cost of raw materials	82,654	66,275
Employee benefits expenses	106,991	103,104
Advertising and promotion expenses	53,769	39,948
Packaging expenses	27,741	26,289
Depreciation of right-of-use assets	36,740	29,773
Consigned processing expenses	17,902	16,898
Depreciation of property, plant and equipment	22,566	18,393
Consumables expenses	4,678	11,872
Sample expenses	10,032	11,377
Transportation expenses	10,587	10,503
Other taxes and levies	5,954	4,433
Professional services expenses	3,812	4,044
Travelling expenses	4,480	2,739
Rental expenses related to short-term leases	3,710	4,595
Utilities	2,713	2,489
Listing expenses	5,490	1,455
Write-down of inventories	878	706
Impairment losses of right-of-use assets	1,116	–
Auditor's remuneration – Audit services	1,900	–
Others	21,705	17,632
	<u>425,418</u>	<u>372,525</u>

5. OTHER INCOME

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Government grants (<i>Note (a)</i>)	3,904	6,506
Dividend income from a financial asset at FVOCI	564	–
	<u>4,468</u>	<u>6,506</u>

(a) Government grants mainly consisted of funds granted by the local governments for the operations and purchase of assets with no unfulfilled condition.

6. OTHER GAINS/(LOSSES) - NET

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Charity donation	(97)	(945)
Losses from disposal of an associate	(210)	–
Gains on right-of-use assets transfer to finance lease receivables	194	–
Net losses on disposals of property, plant and equipment	(157)	(33)
Penalty income	328	303
Net gains/(losses) on disposals of right-of-use assets	1,055	(128)
Exchange losses	(509)	–
Others	196	65
	<u>800</u>	<u>(738)</u>

7. FINANCE COSTS – NET

	Year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Finance income:		
Interest income	(430)	(717)
Interest income from sublease	(26)	–
	<u>(456)</u>	<u>(717)</u>
Finance costs:		
Interest expense on bank borrowings	8,462	6,829
Interest expense on lease liabilities	7,358	6,671
	<u>15,820</u>	<u>13,500</u>
Finance costs – net	<u>15,364</u>	<u>12,783</u>

8. INCOME TAX EXPENSE

	Year ended December 31,	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current income tax		
– PRC corporate income tax	21,173	20,453
Deferred income tax		
– PRC corporate income tax	<u>(7,341)</u>	<u>(5,496)</u>
Income tax expense	<u><u>13,832</u></u>	<u><u>14,957</u></u>

(a) PRC corporate income tax (“CIT”)

Income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

Pursuant to the PRC Corporate Income Tax Law (the “CIT Law”), the CIT is unified at 25% for the year ended December 31, 2023 (2022: same).

Under the relevant regulations of the CIT Law, for eligible enterprises which meet the criteria of small low-profit enterprises, the annual taxable income that is not more than RMB1,000,000 shall be recognized at 25% of income and be subject to a CIT rate of 20%; the annual taxable income that is more than RMB1,000,000 but less than RMB3,000,000 shall be recognized at 50% of income and be subject to a CIT rate of 20%. During the year ended December 31, 2023, certain entities of the Group were eligible for small low-profit enterprises and subject to stated preferential income tax rates (2022: same).

Under the relevant regulations of the CIT Law, the Company and a subsidiary of the Group located in the western region in the PRC are qualified to enjoy the preferential income tax rate of 15% until December 31, 2030.

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares during the year.

The Company did not have any potential ordinary shares outstanding during the year ended December 31, 2023, thus diluted earnings per share equals to the basic earnings per share (2022: same).

	Year ended December 31,	
	2023	2022
Profit attributable to owners of the Company (<i>RMB'000</i>)	80,080	72,205
Weighted average number of ordinary shares in issue (<i>in thousands</i>)	<u>63,518</u>	<u>63,000</u>
Basic and diluted earnings per share attributable to the owners of the Company (<i>expressed in RMB per share</i>)	<u><u>1.26</u></u>	<u><u>1.15</u></u>

10. DIVIDENDS

	Year ended December 31,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Proposed final dividend	31,080	6,300

At a meeting held on March 26, 2024, the Board proposed to distribute a final dividend for 2023 of RMB0.37 per share (inclusive of tax) in cash to all shareholders (2022:RMB0.1 per share). The amount of dividend in cash calculated based on the number of shares as at December 31, 2023 was RMB31,080,000 (2022: RMB6,300,000).

The proposed final dividend for 2023 is to be approved by the shareholders at the forthcoming Annual General Meeting. The proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation of retained earnings for the year ending December 31, 2024.

11. INVENTORIES

	As at December 31,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	101,555	158,357
Work in progress	328,180	272,986
Finished goods	413,586	353,894
Inventories — gross	843,321	785,237
Less: provision for impairment	(1,881)	(1,582)
Inventories — net	841,440	783,655

The costs of inventories recognized as cost of sales amounted to approximately RMB82,654,000 for the year ended December 31, 2023 (2022: RMB66,275,000).

A provision of approximately RMB878,000 was made to write down the inventories during the year ended December 31, 2023 (2022:RMB706,000).

12. TRADE AND OTHER RECEIVABLES

	As at December 31,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables (i)	62,953	23,331
Notes receivable (i)	–	198
Other receivables	13,939	12,313
Finance lease receivables	760	–
	<u>77,652</u>	<u>35,842</u>

(i) Trade and notes receivables

	As at December 31,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables		
– Third parties	63,626	23,009
– Related parties	3,433	2,274
Notes receivable		
– Third party	–	200
Less: allowance for impairment	(4,106)	(1,954)
	<u>62,953</u>	<u>23,529</u>

- (a) Trade and notes receivables of the Group mainly arose from sales of tea products. They are generally due for settlement within one year and therefore are classified as current. As at December 31, 2023 and 2022, trade receivables were all denominated in RMB and approximated their fair value.

The Group generally allows a credit period of 15 to 60 days to its customers. The ageing analysis of trade and notes receivables based on invoice date is as follows:

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
0-30 days	33,923	13,638
31-60 days	18,119	5,504
61-90 days	8,438	2,847
91-180 days	3,057	2,708
Over 181 days	3,522	786
	<u>67,059</u>	<u>25,483</u>

- (b) As at December 31, 2023 and 2022, other receivables were all denominated in RMB and approximated their fair value.

13. PREPAYMENTS

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Prepayments		
Prepayments for listing expenses	–	31,874
Prepayments for purchase of property, plant and equipment, and intangible assets	6,394	7,095
Prepayments for services and purchase of materials	16,424	3,031
Input VAT available for future deduction	770	983
Others	3,163	2,361
	<u>26,751</u>	<u>45,344</u>
Less: non-current portion		
Prepayments for purchase of property, plant and equipment, and intangible assets	(6,394)	(7,095)
Current portion	<u>20,357</u>	<u>38,249</u>

14. RESTRICTED CASH

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Guarantee deposits	<u>10,000</u>	<u>–</u>

As at December 31, 2023, restricted cash mainly represented guarantee deposits in connection with issue of notes payables within group companies.

15. CASH AND CASH EQUIVALENTS

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Cash at bank and on hand		
– RMB	70,168	90,027
– HK\$	<u>192,145</u>	<u>–</u>
	<u>262,313</u>	<u>90,027</u>

16. SHARE CAPITAL

An analysis of the Company's authorized, issued and fully paid share capital are as follows:

	Share capital	
	Number of ordinary shares in thousands	Share capital RMB'000
As at January 1, 2022 and December 31, 2022	63,000	63,000
Issue of shares in connection with the Company's listing (<i>Note (a)</i>)	<u>21,000</u>	<u>21,000</u>
As at December 31, 2023	<u>84,000</u>	<u>84,000</u>

- (a) On December 22, 2023, the Company issued 21,000,000 ordinary shares at a price of HK\$10.70 per share as a result of completion of the global offering. Total fund raised amounted to HK\$224,700,000 (equivalent to approximately RMB204,167,000). The transaction costs directly attributable to issue of shares upon the share offer in the listing amounting to approximately RMB60,180,000 was treated as deduction from share premium under "other reserves" in the consolidated financial statements.

17. OTHER RESERVES

	Share premium <i>RMB'000</i>	Statutory reserves (<i>Note (a)</i>) <i>RMB'000</i>	Fair value reserve <i>RMB'000</i>	Share- based payments <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Total <i>RMB'000</i>
Balance as at January 1, 2023	303,735	46,315	5,157	18,000	(527)	372,680
Issue of new shares in connection with the Company's listing	183,167	-	-	-	-	183,167
Share issuance cost	(60,180)	-	-	-	-	(60,180)
Changes in ownership interests in subsidiaries without change of control	-	-	-	-	(1,684)	(1,684)
Changes in the fair value of an equity instrument at FVOCI, net of tax	-	-	(1,917)	-	-	(1,917)
Balance as at December 31, 2023	<u>426,722</u>	<u>46,315</u>	<u>3,240</u>	<u>18,000</u>	<u>(2,211)</u>	<u>492,066</u>
Balance as at January 1, 2022	303,735	46,315	5,805	18,000	909	374,764
Changes in ownership interests in subsidiaries without change of control	-	-	-	-	(1,436)	(1,436)
Changes in the fair value of an equity instrument at FVOCI, net of tax	-	-	(648)	-	-	(648)
Balance as at December 31, 2022	<u>303,735</u>	<u>46,315</u>	<u>5,157</u>	<u>18,000</u>	<u>(527)</u>	<u>372,680</u>

(a) Statutory reserves

In accordance with relevant rules and regulations in the PRC, when declaring dividend, the Group's PRC subsidiaries are required to appropriate not less than 10% of their profit after taxation calculated under PRC accounting rules and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of the registered capital of the respective companies. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset losses brought forward from prior years or to increase the paid-up capital of respective companies.

18. DEFERRED INCOME

	Year ended December 31,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year	9,136	9,387
Additions	2,200	375
Recognized as other income	(801)	(626)
At the end of the year	<u>10,535</u>	<u>9,136</u>

As at December 31, 2023, deferred income mainly represented government grants received from certain local municipal governments as encouragement for the Group's purchase of property, plant and equipment and to compensate for certain expenses to be incurred. Government grants relating to assets are being recognized as other income on a straight-line basis over the expected lives of the related properties and government grants relating to expenses are deferred and recognized in profit or loss over the period necessary to match them with the expenses that they are intended to compensate (2022:same).

19. BORROWINGS

	As at December 31,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current		
Bank borrowings	197,500	178,200
Less: current portion of non-current borrowings	<u>(79,200)</u>	<u>(101,900)</u>
	<u>118,300</u>	<u>76,300</u>
Current		
Bank borrowings	53,000	33,000
Current portion of non-current borrowings	<u>79,200</u>	<u>101,900</u>
	<u>132,200</u>	<u>134,900</u>
Total borrowings	<u><u>250,500</u></u>	<u><u>211,200</u></u>

As at December 31, 2023 and 2022, the Group's borrowings were repayable as follows:

	As at December 31,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	132,200	134,900
Between 1 and 2 years	23,200	76,300
Between 2 and 5 years	<u>95,100</u>	<u>—</u>
	<u><u>250,500</u></u>	<u><u>211,200</u></u>

The carrying amounts of the borrowings approximate their fair values and all balances were denominated in RMB.

20. TRADE AND OTHER PAYABLES

	As at December 31,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables		
– Third parties	85,685	94,304
– Related parties	27,152	26,606
Other payables		
– Deposits from distributors	38,972	40,575
– Listing expenses payables	15,420	9,156
– Payables for purchase of property, plant and equipment	5,486	4,375
– Others	6,300	6,502
Employee benefit payables	11,242	8,796
Other tax payables	9,448	12,471
	<u>199,705</u>	<u>202,785</u>

The ageing analysis of the trade payables based on invoice dates is as follows:

	As at December 31,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 3 months	33,680	36,205
3 to 6 months	17,496	56,319
6 months to 1 year	54,679	28,386
1 year to 2 years	6,982	–
	<u>112,837</u>	<u>120,910</u>

As at December 31, 2023 and 2022, the carrying amounts of trade and other payables were all denominated in RMB and approximated their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Market overview

The market size of China's tea market in terms of revenue increased from RMB395.6 billion in 2017 to RMB570.6 billion in 2022 at a compound annual growth rate (“CAGR”) of 7.6%, and is expected to reach RMB805.4 billion in 2027 at a CAGR of 7.1% from 2022 to 2027. China's tea culture has a long history, and “drinking tea and talking” is not only a popular way of daily communication in China, but its tea and tea culture have also been further popularized to the world under the “One Belt and One Road” initiative of China in recent years. In particular, Jingmai Mountain, one of the primary sources of tea leaf materials of the Company, hosts some of the largest, oldest and best-preserved ancient tea tree plantations in the world and has been included in the World Heritage List in September 2023 for the ancient tea tree plantation in the region, which is also of significance for Chinese tea to enter the world stage. Benefiting from the rising awareness of healthy lifestyle and the consistently increasing per capita disposable income in China in the past decades, the market size of China's tea leaf market continues to expand.

Since the Covid-19 pandemic exerted impacts on the global economy to different extents, and it takes time for the rebound of the economy and recovery of the consumption confidence, the consumers' needs for products and the online and offline consumption processes have experienced more complex changes. By virtue of the tea leaf's unique drinking experience, offline channels have always been the main sales orientation of tea leaf industry, and in recent years, tea leaf enterprises also have been actively opening online sales channel by leveraging various new platforms, such as e-commerce platforms and social media, to broaden sales and enhance the brand reputation. Meanwhile, how to guarantee the quality of the products and consistently develop the products that cater to the consumers' demands is also one of the keys to the future development of tea leaf brand.

Since the Covid-19 pandemic has eased from the end of 2022 and the prevention and control measures are comprehensively adjusted, the economy development in 2023 has made a comeback, but is still full of challenges. The H Shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in December 2023, which represents a crucial milestone in the development journey of the Company and also an essential step of the Chinese tea leaf companies towards international capital market, fully showcasing the position and competitiveness of the Company as a leading brand in Chinese tea industry. The Company will make full use of the proceeds from the listing, put great efforts in improving the comprehensive strength of the brand, and constantly optimize the marketing network to bring more consumers with healthy and tasty tea drinks.

Overall Business Performance

With stringent quality requirements running through the entire industrial chain, the Company is among the very few tea companies in China experienced in raw material management, product development, production, end customer reach and membership services, which we believe set us apart from our competitors. After twenty years of operation, we have established ourselves as one of the most famous tea leaf brands in China. The Company is included in the list of National Leading Enterprises for Agricultural Industrialization (農業產業化國家重點龍頭企業) accredited by the Ministry of Agriculture and Rural Affairs of China, recognized as a Yunnan Top 10 Green Food Enterprises (雲南省綠色食品十強企業) by certain provincial government departments including Yunnan Department of Agriculture and Rural Affairs (雲南省農業農村廳) and received awards, such as Key Tea Enterprises 2023 (二零二三年度重點茶企) of China Tea Marketing Association by China Tea Marketing Association (中國茶葉流通協會).

In 2023 Financial Year, the revenue and profit of the Group both recorded double-digit growth, which benefited from the sustainable development of tea industry and increasing demands from consumers, our stable and innovative product capabilities as well as timely-response channel strategy. In 2023 Financial Year, our operating revenue and net profit amounted to RMB527.3 million and RMB78.5 million respectively, representing an increase of 13.9% and 11.4% respectively as compared to 2022 Financial Year.

Business Performance of Sub-brands and Product Lines

Over the course of twenty years of operation, we have established Lan Cang Gu Cha (瀾滄古茶) as our core brand, under which we have developed and structured three product lines, namely 1966, Tea Mama (茶媽媽) and Iland Tea (岩冷) to meet the various demands from different groups of consumers, such as Pu'er enthusiasts, sophisticated tea drinkers, broader mass consumers, and new middle-class consumers with stronger purchasing power. Different brands and product lines have their own features to meet the needs of different consumers, which is also conducive to expanding different types of sales channels by the Company, presenting unique competitive advantages in the product price, category and packaging design.

The history of branding of the Company can be traced back to 1966, when our founder Ms. Du Chunyi and other tea masters of the Company began their tea-making business. 1966 series focused on the development, manufacturing and sales of classic Pu'er tea leaf products, under which we have a large number of successful product developments and continuous iterations, with bedrock products including, among others, Shining Gold, 0085, 001, 0081 and 007. Therefore, 1966 series served as the bedrock of the business of the Company and historically experienced stable and sizable growth. In 2023 Financial Year, 1966 series of the Group achieved revenue of RMB363.4 million, representing an increase of 20.6% as compared with 2022 Financial Year.

Tea Mama and Iland Tea are different from the classic 1966 series, which favor the young group, popularization and portability. Tea Mama was introduced to the market as a consumer brands line in 2014. The Company has capitalized on its rich product development experience in Pu'er tea and applied it to other types of teas, such as black tea, white tea and flavored tea, and creatively employed more convenient product forms such as disposable tea cups and tea bags, enriching the product portfolio of Tea Mama. We built Iland Tea into a product line that features quality products, fashionable packaging and convenience in drinking to meet the needs among new middle-class consumers for tea products that are both tasty and aesthetically enjoyable. In 2023 Financial Year, Tea Mama and Iland Tea series achieved a total revenue of RMB148.2 million, reaching an increase of 2.6% as compared with 2022 Financial Year.

Business Performance of Our Distribution Network

We have a nationwide offline sales network, covering substantially all provincial administrative divisions across China. We engage distributors to distribute our products. In addition, we also sell directly to consumers through our self-operated stores. We have expanded our sales network into key account channels including hypermarket chains and platform-operated online stores. In 2023 Financial Year, our sales revenues from distributors, direct sale customers and key account channels were RMB379.3 million, RMB121.7 million and RMB26.4 million, respectively, achieving positive growth of 13.2%, 4.6% and 128.8% respectively as compared with 2022 Financial Year.

As of December 31, 2023, the Group had a total of 571 offline stores, covering over 150 cities in more than 29 provinces and municipalities in China, among which 23 were self-operated stores and 548 were distributor-operated stores. Distributors are the main sales channels of the Company. The Company has established a long-term and stable cooperative relationship with major distributors, and formed a strict screening and monitoring system of distributors, attaching importance to the distributors' business norms and business continuity. As of December 31, 2023, more than 70% of distributors have joined the Company's sales network for more than 3 years.

Our key accounts mainly include hypermarket chains and platform-operated online stores, which have good reputation and large-scale operation. Since the introduction of key accounts in 2020, we have continuously expanded the sales scale to key accounts, benefitting from the Company's increasing product development capabilities, production and supply capabilities and supporting service capabilities. In 2023 Financial Year, the sales revenue from key accounts reached RMB26.4 million, representing an increase of 128.8% as compared with 2022 Financial Year, achieving a breakthrough.

The rapid development of e-commerce platforms and live streaming industry has promoted enterprises in tea industry to continue to invest in online sales. We have executed certain development and growth strategies for the e-commerce operations. In addition to building online stores on major e-commerce platforms such as Tmall, WeChat, Douyin, JD.com, etc., we recruited additional talents for our e-commerce team, regularly organized live shows on major e-commerce platforms, deployed an advanced logistic management system specifically designed for e-commerce operations, and constantly diversified our product matrix and marketed a series of exclusive products targeting Internet consumers. In 2023 Financial Year, 12.3% of the Group's total revenue was from online sales, representing an increase of 19.2% as compared to the same period last year.

OUTLOOK AND FUTURE PLANS

The outbreak of Covid-19 has the significant adverse impact on the global economy since 2019. Since the gradual alleviation of the pandemic and the continuous adjustment of pandemic prevention measures at the end of 2022, the economy has continued to recover slowly. Benefiting from the alleviation of the pandemic and the gradual recovery of the economy, coupled with timely and effective adjustments to the Company's business strategies, we recorded an increase in both revenue and profit in 2023 Financial Year. Looking forward to 2024, there is no denying that it will take time for the economy to recover from the pandemic, and the geopolitical tensions have led to a tense and volatile world situation, and the development of the global economy is still subject to a lot of uncertainties. Nonetheless, both challenges and opportunities have all the while coexisted. With the recovery of the economy accompanied by the restoration of consumer confidence, coupled with consumers' increasing emphasis on healthy lifestyle, the health benefits of tea are increasingly accepted by consumers. Thus, we are confident in the Group's future development. In order to continuously enhance our overall competitiveness, expand our market share and strengthen our market position, the Company has formulated the following development strategies in respect of brands, channels and products:

- **Enhance core brand awareness and increase market visibility of different product lines through differentiated strategies**

After years of development, the Company has established the core brand of Lancang Ancient Tea. Under this core brand, in order to cater for the various consumer demands of different consumer groups, the Company has developed and constructed three major product lines, namely 1966, Tea Mama and Iland Tea. In terms of the enhancement of the core brand Lancang Ancient Tea, the Company will not only adhere to the marketing activities (such as the Journey Home, Masters in China, etc.) that have been inherited for many years, but also comprehensively enhance the brand's reputation both online and offline by taking advantage of new methods (such as live streaming online, elevator media, etc.). In terms of the offline stores, we have formulated and launched the corresponding subsidy scheme for store upgrade and renovation, in order to facilitate the image promotion of offline stores and develop a more standardized and professional brand image. For Tea Mama and Iland Tea, the Company plans to hold a series of integrated online and offline campaigns for brand promotion to raise the influence and awareness of Tea Mama and Iland Tea among younger consumers. Such campaigns primarily include social media marketing, celebrity endorsement and offline marketing campaigns and events.

- **Continue to optimize our channel network and enhance our sales and servicing capabilities**

We will continue to optimize and expand its sales network to increase its market share. For 1966, due to the cultural attributes and tasting experience attached to classic Pu'er tea, we believe it is necessary to continue to expand our physical presence through offline stores to engage with our customers and maintain a strong bond with them. Therefore, for 1966, the Company will continue to focus on the penetration and develop the offline market, and will make adjustments based on the local economic environment and the industry development to open self-operated stores or develop partnerships. At the same time, the Company will also continue to develop online channels for product categories that are more in favor of mass consumption to enable more consumers to enjoy the tasting experience. For the Tea Mama and Iland Tea product lines, the Company will continue to open up online and offline channels, and continue to break through a new channel (such as membership supermarkets and other key account channels) for these two young brands simultaneously.

- **Improve our supply chain management ability and enhance our inventory management and production capabilities**

The principal raw material required by the Company in the production of tea leaves is rough tea leaves, which are mainly sourced from the three major production areas, Pu'er, Lincang and Xishuangbanna. The Company will continue to maintain cooperative relationships with high-quality suppliers and manage the procurement of raw materials well. Meanwhile, Jingmai Mountain, one of the Company's core sources of raw materials for rough tea leaves from ancient tea trees, was successfully approved as a World Heritage Site in September 2023. The Company will devote itself to the protection and sustainable development of tea mountains while controlling the supply of raw materials. In terms of products, the Company will continue to inherit and improve its classic series of products, and simultaneously launch quality-guaranteed products that meet the needs of consumers by the combination of its own raw material advantages and market demands. In terms of production, considering the production and development plan, the Company intends to improve the production capability and production efficiency by building, renovating or purchasing production facilities and production sites. In terms of storage and logistics, the Company will continue to optimize the inventory warehouse process, and plans to steadily enhance the inventory management capability and logistics turnover capability through informatization and digitization.

Looking forward, the Company will constantly improve its comprehensive strength based on the above development strategies, provide more and better products to the market, bring more and better services to consumers and customers, and make sustained efforts to maximize the value for our shareholders. The Company will make full use of the proceeds from the listing, continue to optimize business strategies and control risks to lay a solid foundation for long-term sustainable development of the Company.

FINANCIAL REVIEW

Revenue

Revenue contributed from	Year ended December 31,			
	2023		2022	
	RMB'000	%	RMB'000	%
Lan Cang Gu Cha – <i>1966</i>	363,437	68.9	301,378	65.1
Lan Cang Gu Cha – <i>Tea Mama</i> and <i>Iland Tea</i>	148,178	28.1	144,490	31.2
Other services and products	15,730	3.0	17,001	3.7
Total revenue	527,345	100.0	462,869	100.0

In 2023 Financial Year, the Group's revenue amounted to RMB527.3 million, representing an increase of RMB64.4 million as compared to RMB462.9 million in 2022 Financial Year, with a growth rate of 13.9%. Such increase was primarily attributable to the increase in sales of *1966* series products by RMB62.1 million.

Cost of sales

In 2023 Financial Year, the Group's cost of sales amounted to RMB174.2 million, representing an increase of RMB16.4 million as compared to RMB157.9 million in 2022 Financial Year, primarily attributable to the increase in sales of tea leaves resulting in a corresponding increase in direct material costs, which was generally in line with the increasing trend of revenue from *1966* series products of the Group.

Gross profit and gross profit margin

In 2023 Financial Year, the Group's gross profit amounted to RMB353.1 million, representing an increase of RMB48.1 million as compared to RMB305.0 million in 2022 Financial Year, with a growth rate of 15.8%, primarily attributable to the increase in the Group's revenue from the sales of *1966* series products in 2023 Financial Year; and the gross profit margin for 2023 Financial Year was 67.0%, representing an increase of approximately 1.1% as compared to 65.9% in 2022 Financial Year, with relatively stable gross profit margin.

Selling expenses

In 2023 Financial Year, the Group's selling expenses increased by RMB25.9 million from RMB136.4 million in 2022 Financial Year, primarily attributable to the increase in sales of the Group, the increase of RMB5.3 million in compensations for sales personnel, the increase of RMB13.9 million in marketing and the increase of RMB8.3 million in right-of-use assets expenses.

Administrative expenses

In 2023 Financial Year, the Group's administrative expenses amounted to RMB88.9 million, representing an increase of RMB10.6 million as compared to RMB78.2 million in 2022 Financial Year, with a growth rate of 13.6%, primarily attributable to the increase of RMB4.0 million in listing fees, the increase of RMB1.9 million in audit fees, and the increase of RMB2.6 million in related depreciation and amortization of office space.

Net impairment losses on financial assets

As at December 31, 2023, net impairment losses on financial assets amounted to RMB2.3 million, representing an increase of RMB1.6 million as compared to RMB0.7 million as at December 31, 2022, mainly because that the recovery of distributors' operation fell short of expectation, and increase in the provision for impairment of financial assets due to an increase in the amount due from the distributor at the end of the period.

Other income

Other income of the Group decreased from RMB6.5 million in 2022 Financial Year to RMB4.5 million in 2023 Financial Year, primarily attributable to the decrease in government grants received by RMB2.6 million.

Other gains/(losses), net

The Group's other gains increased from losses of RMB0.7 million in 2022 Financial Year to gains of RMB0.8 million in 2023 Financial Year, primarily attributable to the net gains generated from the disposal of right-of-use assets in 2023 Financial Year.

Financial costs

The Group's financial costs mainly refer to interest expenses of the bank and interest expenses for lease liabilities. In 2023 Financial Year, the Group's financial costs amounted to RMB15.4 million, representing an increase of RMB2.6 million as compared to RMB12.8 million in 2022 Financial Year, primarily attributable to the increase in interest expenses of the bank due to the increase in the average amount of bank borrowings in 2023 Financial Year.

Income tax expense

The Group's income tax amounted to RMB13.8 million in 2023 Financial Year, which decreased by RMB1.1 million as compared to RMB15.0 million in 2022 Financial Year, primarily due to the decrease in deferred tax expenses.

Intangible assets

The Group's intangible assets decreased from RMB3.3 million as at December 31, 2022 to RMB2.6 million as at December 31, 2023, primarily due to the amortization, with an amortization amount of RMB0.9 million.

Prepayments

The prepayments of the Group were RMB20.4 million as at December 31, 2023, representing a decrease of RMB17.9 million as compared to RMB38.2 million as at December 31, 2022, mainly resulted from the decrease of listing expenses eligible for capitalisation due to offsetting capital reserve for the purpose of the listing of the Company.

Current assets

The Group's current assets increased from RMB947.8 million as at December 31, 2022 to RMB1,211.8 million as at December 31, 2023, primarily driven by an increase of RMB172.3 million in cash and cash equivalents due to the listing and an increase of RMB57.8 million in inventory due to purchase of raw materials.

Liquidity and Capital Resources

The Group financed our operations principally with cash generated by our operating, bank borrowings and capital contributions. Our Group's cash and cash equivalents increased from RMB90.0 million as of December 31, 2022 to RMB262.3 million as of December 31, 2023, primarily attributable to sufficient working capital of our Company as a result of the completion of the listing in the fourth quarter of 2023, and the receipt of net proceeds of approximately HK\$155.6 million.

Indebtedness

(1) Borrowings

The Group's borrowings increased from RMB211.2 million as at December 31, 2022 to RMB250.5 million as at December 31, 2023, representing an increase in the scale of borrowings.

(2) Gearing ratio

The Group's gearing ratio decreased from 21% as at December 31, 2022 to 20% as at December 31, 2023. The decrease of gearing ratio was caused by an increase in total capital.

(3) Pledge of assets

In 2023 Financial Year, the Group's pledged assets consisted of property, plant and equipment with net book value of RMB77.4 million, inventories of RMB28.2 million and right-of-use assets for land of RMB60.2 million. The above pledged assets are used as bank mortgages to secure bank borrowings.

Foreign exchange risk

The Group's operations are primarily dominated in RMB. The Group's fund deposits raised from the overseas issuance of shares in 2023 Financial Year resulted in a foreign exchange loss of RMB0.5 million for the period due to the changes in foreign exchange rates. The Group took positive measures to minimize the losses caused by foreign exchange to the Group by adjusting the inbound funds when appropriate.

Contingent liabilities

As of December 31, 2023, the Group had no material contingent liability.

Capital commitments

The Group's capital commitments signed but not yet paid increased from RMB10.8 million as of December 31, 2022 to RMB40.9 million as at December 31, 2023 as a result of the expansion of its production scale.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

As of December 31, 2023, the Company had no significant investments, material acquisitions and disposals of subsidiaries, associates and joint ventures.

USE OF NET PROCEEDS FROM THE LISTING

The Company completed the listing on December 22, 2023. The net proceeds raised by the Company from the listing, including the partial exercise of the Over-allotment Option, amounted to approximately HK\$155.6 million, after deducting the underwriting commissions and other fees paid by the Company in connection with the Global Offering.

The Group intends to use the proceeds from the listing in the manner as disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus dated December 14, 2023 (the "Prospectus") announced by the Company.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of December 31, 2023, save as disclosed in the “Future Plans and Use of Proceeds” in the Prospectus, the Group has no other future plans for any other material investments or capital assets.

EMPLOYEE AND REMUNERATION POLICY

As of December 31, 2023, the Group had a total of 854 employees. In 2023 Financial Year, the Group’s staff cost amounted to RMB107.0 million (2022 Financial Year: approximately RMB103.1 million).

The Group’s employee remuneration policy is determined by taking into account factors such as the remuneration in the local market, the overall remuneration level in the industry, operating efficiency, position and employees’ performance. The Group conducts performance appraisals once every year for its employees, the results of which are taken into consideration in annual salary review and promotion assessment. The Group’s employees are considered for annual bonuses based on certain performance criteria and appraisal results. Social insurance contributions are made by the Group for its PRC employees in accordance with the relevant PRC regulations.

The Group also provides continuous learning and training programs to its employees to enhance their skills and knowledge, so as to maintain their competitiveness and improve the quality of customer service. At the same time, we have unions that protect the rights of our employees, help us achieve our economic goals and encourage employees to participate in management decisions. During the year ended December 31, 2023, the Group did not experience any major difficulties in recruitment, nor experience any substantial loss in manpower or any material labor dispute.

SIGNIFICANT EVENTS AFTER THE YEAR

With the exception that the Board proposed to issue 5 new shares from the capital reserves to all shareholders for every 10 existing shares as disclosed in “Final Dividend” of this result announcement, which is subject to the approval of the annual general meeting and the Stock Exchange, the Group did not have any material subsequent event after the Reporting Period and up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to the establishment of stringent corporate governance practices and procedures, and continuously striving to maintain a high standard of corporate governance, so as to enhance the Company’s accountability and transparency continuously.

To the best knowledge, belief and information of the Directors, the Company had complied with all applicable code provisions under the Corporate Governance Code (the “CG Code”) as set out in Part 2 of Appendix C1 to the Listing Rules and other applicable legal and regulatory requirements since its listing, and there has been no deviation from the code provisions of the CG Code for the year ended December 31, 2023.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “**Model Code**”) set forth in Appendix C3 to the Listing Rules as a code of conduct for all securities transactions by the Directors, Supervisors (the “**Supervisors**”) and relevant employees of the Company. The Company was listed on December 22, 2023 (the “**Listing Date**”), and confirmed that all Directors and Supervisors always abided by the required standards as set out in the Model Code from the Listing Date until December 31, 2023 after making specific enquiries to all the Directors and Supervisors. During the above-mentioned period, the Company was not aware of any case of non-compliance with the Model Code by the relevant employees.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the period from the Listing Date to December 31, 2023.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be convened at an appropriate time and at the time prescribed by the Listing Rules, and the notice of convening the annual general meeting and relevant information will be sent to shareholders at the specified time and manner and published on the respective websites of the Company and the Stock Exchange.

FINAL DIVIDEND

At the Board meeting held on March 26, 2024, the Board proposed to pay a final dividend of RMB0.37 (including tax) for every share to all shareholders for the year ended December 31, 2023, of which domestic shareholders will be paid in RMB and H shareholders will be paid in HKD, and the HKD will be converted at the average exchange rate of RMB to HKD announced by People’s Bank of China five business days prior to the Company’s current annual general meeting. At the same time, the Board proposed to issue 5 new shares for every 10 existing shares of the Company to all shareholders from the capital reserve.

The above distribution plans are subject to the approval of the Company’s annual general meeting and the issue of new shares to the shareholders from capital reserve is subject to the approval of the Stock Exchange. The Company will publish further details in due course, among other things, in relation to the payment of the Company’s 2023 final dividend.

CLOSURE OF REGISTER OF MEMBERS

The date of closure of register of members of the Company and its related information will be dispatched to the shareholders and published on the respective websites of the Company and the Stock Exchange within the prescribed time and in accordance with the requirements under the Listing Rules.

AUDIT COMMITTEE

The Audit Committee of the Company consists of three independent non-executive directors, namely Ms. Cao Wei, Dr. Xie Xiaoyao and Mr. Tang Zhangliang. The chairlady of the Audit Committee is Ms. Cao Wei, who has expertise in accounting and financial management. The primary duties of the Audit Committee are to review the financial information of the Company and to monitor the financial reporting system and internal control procedures of the Company.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended December 31, 2023. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management and the Company's external auditor, PricewaterhouseCoopers. The Audit Committee considers that the consolidated results of the Group for the 2023 Financial Year are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet as at December 31, 2023, consolidated statement of comprehensive income and the related notes thereto for the year ended December 31, 2023 as set out in the Group's preliminary announcement for the year ended December 31, 2023 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.lcgc.cn.

The Company's annual report for the year ended December 31, 2023 will be dispatched to the shareholders and published on the website of the Company at www.lcgc.cn and the website of the Stock Exchange at www.hkexnews.hk respectively in due course.

By order of the Board
Pu'er Lancang Ancient Tea Co., Ltd.
普洱瀾滄古茶股份有限公司
Ms. Du Chunyi
Chairlady and Executive Director

Hong Kong, March 26, 2024

As at the date of this announcement, the board of directors of the Company comprises (i) Ms. Du Chunyi, Ms. Wang Juan, Mr. Zhang Muheng, Ms. Shi Yijing, Mr. Fu Gang and Mr. Liu Jiajie as executive directors; and (ii) Ms. Cao Wei, Dr. Xie Xiaoyao and Mr. Tang Zhangliang as independent non-executive directors.