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 31 DECEMBER 2024 AND RESUMPTION OF TRADING

2024 RESULTS HIGHLIGHTS

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2024	2023	Year-on-year change %
	(RMB'000)	*(RMB'000)*	
Revenue [1]	**361,328**	527,345	(31.5%)
Gross profit [2]	**188,014**	353,118	(46.8%)
(Loss) profit before tax	**(293,300)**	92,349	N/A
(Loss) profit attributable to owners of the Company [3]	**(307,545)**	80,080	N/A
Basic and diluted earnings per share [4]	**(2.44)**	0.84	N/A

Notes:

(1) The revenue for the year ended 31 December 2024 decreased by 31.5% from RMB527.3 million in 2023 to RMB361.3 million in 2024.

(2) The gross profit for the year ended 31 December 2024 decreased by 46.8% from RMB353.1 million in 2023 to RMB188.0 million in 2024.

(3) The profit attributable to owners of the Company for the year ended 31 December 2024 decreased from RMB80.1 million in 2023 to the loss of RMB307.5 million in 2024.

(4) The basic losses per share for the year ended 31 December 2024 amounted to RMB2.44. As the Company completed capitalisation of capital reserve for the year, the Company has adjusted the earnings per share for 2023 from RMB1.26 to RMB0.84 and restated the number of ordinary shares outstanding at the beginning of the year on the same basis.

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Pu'er Lancang Ancient Tea Co., Ltd. (the "**Company**") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**" or "**We**") for the year ended 31 December 2024 (the "**Reporting Period**" or "**2024 Financial Year**"), together with comparative figures for the year ended 31 December 2023 (the "**2023 Financial Year**"). Such results are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2024

	NOTES	**2024** **RMB'000**	2023 *RMB'000* *(re-presented)*
Revenue	*4*	**361,328**	527,345
Cost of sales		**(173,314)**	(174,227)
Gross profit		**188,014**	353,118
Other income	*5*	**5,080**	4,468
Other gains and losses	*6*	**(185,168)**	(316)
Selling and marketing expenses		**(171,797)**	(161,194)
Administrative expenses		**(95,728)**	(88,881)
Impairment losses on financial assets		**(18,008)**	(2,306)
Operating (loss) profit		**(277,607)**	104,889
Finance costs – net	*7*	**(14,394)**	(15,364)
Share of results of associates		**(1,299)**	2,824
(Loss) profit before tax		**(293,300)**	92,349
Income tax expense	*8*	**(15,285)**	(13,832)
(Loss) profit for the year		**(308,585)**	78,517
Other comprehensive income (expense) for the year			
Items that will not be reclassified to profit and loss:			
Changes in the fair value of an equity instrument at fair value through other comprehensive income ("FVTOCI"), net of tax		**2,088**	(1,917)
Total comprehensive (expense) income for the year		**(306,497)**	76,600
(Loss) profit for the year attributable to:			
– Owners of the Company		**(307,545)**	80,080
– Non-controlling interests		**(1,040)**	(1,563)
		(308,585)	78,517
Total comprehensive (expense) income for the year attributable to:			
– Owners of the Company		**(305,457)**	78,163
– Non-controlling interests		**(1,040)**	(1,563)
		(306,497)	76,600
(Losses) earnings per share attributable to owners of the Company			*(restated)*
– Basic and diluted (expressed in RMB per share)	*9*	**(2.44)**	0.84

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2024

	NOTES	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**67,196**	139,847
Right-of-use assets		**62,948**	179,723
Intangible assets		**1,470**	2,610
Investments in associates		**14,900**	18,288
Financial asset at FVTOCI		**11,968**	9,512
Prepayments		**13,948**	6,394
Deferred tax assets		**56,146**	59,840
		228,576	416,214
CURRENT ASSETS			
Inventories	*11*	**903,365**	841,440
Trade and other receivables	*12*	**70,737**	77,652
Prepayments		**20,202**	20,357
Financial assets at fair value through profit or loss ("FVTPL")		**44,429**	–
Restricted bank deposits		**9,000**	10,000
Bank balances and cash		**65,370**	262,313
		1,113,103	1,211,762
CURRENT LIABILITIES			
Trade and other payables	*13*	**194,424**	199,705
Contract liabilities		**26,209**	16,666
Lease liabilities		**33,267**	31,282
Bank and other borrowings		**230,900**	132,200
Tax liabilities		**2,171**	5,502
		486,971	385,355
NET CURRENT ASSETS		**626,132**	826,407
TOTAL ASSETS LESS CURRENT LIABILITIES		**854,708**	1,242,621

	NOTE	2024 RMB'000	2023 RMB'000
NON-CURRENT LIABILITIES			
Deferred income		**9,802**	10,535
Lease liabilities		**77,076**	103,479
Bank and other borrowings		**95,100**	118,300
		181,978	232,314
NET ASSETS		**672,730**	1,010,307
CAPITAL AND RESERVES			
Share capital	*14*	**126,000**	84,000
Other reserves		**455,665**	492,066
Retained earnings		**90,200**	432,336
Equity attributable to owners of the Company		**671,865**	1,008,402
Non-controlling interests		**865**	1,905
TOTAL EQUITY		**672,730**	1,010,307

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Pu'er Lancang Ancient Tea Co., Ltd. (the "Company") was incorporated in the People's Republic of China (the "PRC") on 11 September 2002, as a limited liability company under the Company Law of the PRC. On 13 February 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 Company and its subsidiaries (collectively referred to as the "Group") are 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 "SEHK") since 22 December 2023.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company and its major subsidiaries.

The English names of all the companies incorporated in the PRC presented in these consolidated financial statements represent the best efforts made by the directors of the Company for the translation of the Chinese names of these companies to English names as they do not have official English names.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

In current year, the Group has applied the following amendments to HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which are effective for the Group's financial year beginning on 1 January 2024:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Team Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The application of the new and amendments to HKFRS Accounting Standards in the current year had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRS Accounting Standards issued but not yet effective

The Group has not early applied the following new and amendments to HKFRS Accounting Standards that have been issued but are not yet effective:

HKFRS 18	Presentation and Disclosure in Financial Statements[3]
HKFRS 19	Subsidiaries without Public Accountability: Disclosures[3]
Amendments to HKAS 21	Lack of Exchangeability[1]
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[2]
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity[2]
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards-Volume 11[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS (Continued)

New and amendments to HKFRS Accounting Standards issued but not yet effective (Continued)

1 Effective for annual periods beginning on or after 1 January 2025.

2 Effective for annual periods beginning on or after 1 January 2026.

3 Effective for annual periods beginning on or after 1 January 2027.

4 Effective for annual periods beginning on or after a date to be determined.

Except as described below, the directors of the Company anticipate that the application of all other new and amendments to HKFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 18 – Presentation and Disclosure in Financial Statements

HKFRS 18 sets out requirements on presentation and disclosures in financial statements and it will replace HKAS 1 Presentation of Financial Statements. The new HKFRS 18 introduces new requirements to present specified categories and defined subtotals in the consolidated statement of profit or loss and other comprehensive income; provide disclosures on management – defined performance measures in the notes to the consolidated financial statements and improve aggregation and disaggregation of information to be disclosed in the consolidated financial statements. Minor amendments to HKAS 7 Statement of Cash Flows and HKAS 33 Earnings per Share are also made.

HKFRS 18, and the consequential amendments to other HKFRS Accounting Standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted.

The application of HKFRS 18 is not expected to have material impact on the financial position of the Group but is expected to affect the presentation of the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows and disclosures in the future consolidated financial statements. The Group will continue to assess the impact of HKFRS 18 on the consolidated financial statements of the Group.

HKFRS 19 – Subsidiaries without Public Accountability: Disclosures

HKFRS 19 allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with HKFRS accounting standards. HKFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

As the Company's equity instruments are publicly traded, it is not eligible to elect to apply HKFRS 19.

Amendments to HKFRS 9 and HKFRS 7 – Amendments to the Classification and Measurement of Financial Instruments

The amendments include requirements on classification of financial assets with environmental, social or governance (ESG) targets and similar features; settlement of financial liabilities through electronic payment systems; and disclosures regarding investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent feature.

The amendments are effective for annual periods beginning on or after 1 January 2026. Early adoption is permitted, with an option to early adopt the amendments for contingent features only. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

3.1 Going concern basis

The Group incurred a net loss of approximately RMB308,585,000 for the year ended 31 December 2024. As at 31 December 2024, the Group had net current assets of approximately RMB626,132,000. However, the Group's current liabilities included bank and other borrowings of approximately RMB230,900,000 and lease liabilities of approximately RMB33,267,000, while the Group's bank balances and cash was approximately RMB65,370,000 only. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding the above, the consolidated financial statements of the Group for the year ended 31 December 2024 have been prepared by the directors on a going concern basis, after taken into consideration of the following facts and circumstances:

(i) the Group has available unutilised banking facilities to be drawn in the next twelve months. The directors are not aware of any intention of the principal banks not to renew or withdraw their banking facilities or require early repayment of the borrowings as of the date on which these consolidated financial statements are being approved by the directors. The Group had been actively negotiating with its bankers for the renewal of the existing bank facilities with the principal banks before their expiry; and

(ii) the Group continues to implement operational plans and measures to control costs and generate sufficient operating cash flows to meet its current and future financial obligations. These actions include principally sales of existing inventories, implementation of strict cost control measures, and timely collection of trade receivables.

The directors have prepared cash flow projections which cover a minimum period of twelve months from 31 December 2024. The directors consider that the Group will have sufficient financial resources to meet its working capital requirements and financial obligations as and when they fall due in the foreseeable future. Accordingly, the consolidated financial statements of the Group have been prepared by the directors on a going concern basis. However, significant uncertainties exist as to whether the Group will be able to achieve its plans and measures as described above. Should the Group be unable to achieve the aforesaid plans and measures and operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

3.2 Material accounting policy information

The consolidated annual results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31 December 2024 but are extracted from those financial statements.

The consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

4. 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.

An analysis of revenue is as follows:

	2024	2023
	RMB'000	*RMB'000*
At a point in time		
– Sales of tea products	**348,580**	495,584
– Sales of other products	**6,781**	26,266
	355,361	521,850
Over time		
– Provision of services	**5,967**	5,495
	361,328	527,345

During the years ended 31 December 2024 and 2023, no customer individually contributed more than 10% of the Group's total revenue.

5. OTHER INCOME

	2024	2023
	RMB'000	*RMB'000*
Government grants	**4,654**	3,904
Dividend income from a financial asset at FVTOCI	**426**	564
	5,080	4,468

6. OTHER GAINS AND LOSSES

	2024	2023
	RMB'000	*RMB'000*
		(re-presented)
Charity donation	**(50)**	(97)
Gain arising on lease modifications	**578**	1,055
Penalty income	**737**	328
Change in fair value of financial assets at FVTPL	**1,787**	–
Gain on right-of-use assets transfer to finance lease receivables	**–**	194
Impairment losses on property, plant and equipment	**(94,784)**	–
Impairment losses on right-of-use assets	**(94,680)**	(1,116)
Impairment losses on intangible assets	**(2,073)**	–
Gain (loss) on disposal of property, plant and equipment	**276**	(157)
Loss from disposal of an associate	**–**	(210)
Net foreign exchange losses	**–**	(509)
Others	**3,041**	196
	(185,168)	(316)

7. FINANCE COSTS – NET

	2024	2023
	RMB'000	*RMB'000*
Finance income:		
Interest income from bank deposits	**(681)**	(430)
Interest income from sub-lease	**–**	(26)
	(681)	(456)
Finance costs:		
Interest expense on bank borrowings	**10,549**	8,462
Interest expense on other borrowings	**645**	–
Interest expense on lease liabilities	**3,881**	7,358
	15,075	15,820
Finance costs – net	**14,394**	15,364

8. INCOME TAX EXPENSE

	2024	2023
	RMB'000	*RMB'000*
Current tax		
– PRC Enterprise Income Tax ("**EIT**")	**11,959**	21,173
Deferred taxation		
– PRC EIT	**3,326**	(7,341)
Income tax expense	**15,285**	13,832

9. (LOSSES) EARNINGS PER SHARE

Basic (losses) earnings per share is calculated by dividing the (loss) 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 years ended 31 December 2024 and 2023, thus diluted (losses) earnings per share equals to the basic (losses) earnings per share.

	2024	2023
	RMB'000	*RMB'000*
		(Restated)
(Loss) profit attributable to owners of the Company *(RMB'000)*	**(307,545)**	80,080
Number of total shares ('000)		
Number of ordinary shares outstanding at beginning of year *(Note)*	**126,000**	94,500
Add: Weighted average number of ordinary shares issued during the year	**–**	863
Weighted average number of ordinary shares issued and outstanding at the end of year	**126,000**	95,363
Basic and diluted (losses) earnings per share attributable to the owners of the Company (expressed in RMB per share)	**(2.44)**	0.84

Note: As the Company completed capitalisation of capital reserve for the year, the Company has adjusted the earnings per share for 2023 from RMB1.26 to RMB0.84 and restated the number of ordinary shares outstanding at the beginning of the year on the same basis.

10. DIVIDENDS

	2024	2023
	RMB'000	*RMB'000*
Proposed final dividend	**–**	31,080

During the year ended 31 December 2024, a final dividend in respect of the year ended 31 December 2023 of RMB0.37 per share (inclusive of tax) in cash per ordinary share was approved by the shareholders at the annual general meeting of the Company held on 6 June 2024, amounting to RMB31,080,000. Dividend of RMB31,080,000 were paid during the year ended 31 December 2024.

No dividend was proposed for ordinary shareholders of the Company during the year ended 31 December 2024, nor has any dividend been proposed since the end of the reporting period.

11. INVENTORIES

	2024	2023
	RMB'000	*RMB'000*
Raw materials	**117,877**	101,555
Work in progress	**356,446**	328,180
Finished goods	**429,042**	411,705
Inventories	**903,365**	841,440

12. TRADE AND OTHER RECEIVABLES

	2024 *RMB'000*	2023 *RMB'000*
Trade receivables *(Note i)*	**49,948**	62,953
Other receivables *(Note ii)*	**20,080**	13,939
Finance lease receivables *(Note ii)*	**709**	760
	70,737	77,652

Notes:

(i) Trade receivables

	2024 *RMB'000*	2023 *RMB'000*
Trade receivables		
– Third parties	**65,704**	63,626
– Related parties	**5,912**	3,433
Less: Allowance for impairment losses	**(21,668)**	(4,106)
	49,948	62,953

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

	2024 *RMB'000*	2023 *RMB'000*
0-30 days	**11,937**	33,923
31-60 days	**5,025**	18,119
61-90 days	**6,799**	8,438
91-180 days	**19,077**	3,057
Over 181 days	**28,778**	3,522
	71,616	67,059

(ii) Other receivables and finance lease receivables

	2024 *RMB'000*	2023 *RMB'000*
Other receivables		
– Deposits	**11,249**	11,022
– Others	**9,475**	3,115
Finance lease receivables	**709**	760
Less: Allowance for impairment losses	**(644)**	(198)
	20,789	14,699

13. TRADE AND OTHER PAYABLES

	2024	2023
	RMB'000	*RMB'000*
Trade payables and bills payables		
– Third parties	**124,851**	85,685
– Related parties	**19,493**	27,152
Other payables		
– Deposits from distributors	**38,902**	38,972
– Listing expenses payables	**–**	15,420
– Payables for purchase of property, plant and equipment	**300**	5,486
– Others	**3,098**	6,300
Employee benefit payables	**5,641**	11,242
Other tax payables	**2,139**	9,448
	194,424	199,705

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

	2024	2023
	RMB'000	*RMB'000*
Up to 3 months	**62,972**	33,680
3 to 6 months	**67,367**	17,496
6 months to 1 year	**11,881**	54,679
1 year to 2 years	**2,124**	6,982
	144,344	112,837

14. SHARE CAPITAL

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

	Share capital	
	Number of ordinary shares	**Share capital**
	'000	***RMB'000***
At 1 January 2023	63,000	63,000
Issue of new shares in connection with the Company's listing	21,000	21,000
At 31 December 2023	84,000	84,000
Issue of new shares by way of capitalisation of capital reserve	42,000	42,000
At 31 December 2024	**126,000**	**126,000**

15. COMPARATIVES

In the Company's consolidated financial statements for the year ended 31 December 2023 (the "2023 Financial Statements"), impairment losses on right-of-use assets amounting to approximately RMB1,116,000 was disclosed under selling and marketing expenses in its consolidated statement of profit or loss and other comprehensive income. During the year ended 31 December 2024, the management of the Company have included the impairment losses on right-of-use assets under others gains and losses and is of the view that such disclosure presentation would enable the shareholders to understand better the composition of its other gains and losses. To conform with the current year's presentation, the relevant comparative figure of other gains and losses for the year ended 31 December 2023 had also included impairment losses on right-of-use assets amounting to approximately RMB1,116,000. The reclassification adjustments does not have any impact on the Group's profit for the year ended 31 December 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

MARKET OVERVIEW

In 2024, the overall consumer market experienced a trend of "slow recovery" due to the complex global economic environment and geopolitical factors. It will take time for consumer confidence to improve. China's total retail sales of consumer goods reached approximately RMB48.79 trillion in 2024, representing a year-on-year increase of 3.5%, which is a slight slowdown compared to 2023. In 2024, the annual consumer price index (CPI) rose by 0.2% year-on-year, basically remaining the same as that of 2023. Notably, the prices of food, tobacco, and alcohol decreased by 0.1% year-on-year in 2024.

Influenced by a decline in consumer confidence and shifts in consumer behavior during the post-pandemic era, consumption trends have developed a clear pattern of prioritizing "price for volume." For instance, white-label products have rapidly gained market presence, aided by market supply chain resources and competitive pricing. This shift significantly impacts the operations of physical brand stores. In addition, competition between online and offline sales channels has become increasingly intense. Online e-commerce and live broadcast platforms are intensifying the market competition through real-time interaction and anchor recommendations. Among offline channels, some key accounts (KA), such as membership supermarkets, have managed to attract many consumers by offering high-quality products, differentiated services, and valuable membership benefits. This strategy has allowed them to maintain strong competitiveness in a challenging market and achieve new sales breakthroughs for brand enterprises.

In 2023, the market size of China's tea market (comprising tea, freshly brewed tea and ready-to-drink tea) in terms of revenue exceeded RMB600 billion, of which, according to data from China Tea Marketing Association, the total domestic sales within the tea segment reached RMB334.67 billion, representing a year-on-year decline of approximately 1.4% in 2022. Looking at long-term trends, the tea industry in China has substantial growth potential, driven by consumers' increasing emphasis on healthy living and the ongoing promotion of tea culture. The rise of freshly brewed and ready-to-drink tea also contributes to the spread of tea culture. In September 2024, to mark the first anniversary of the Cultural Landscape of Old Tea Forests of Jingmai Mountain (景邁山古茶林文化景觀) in Pu'er being inscribed onto the World Heritage list, the Ministry of Culture and Tourism of China and the People's Government of Yunnan Province organized the themed event "Tea and the World: Sharing Intangible Cultural Heritage" to hold the event featured various exchanges and exhibitions on intangible cultural heritage related to tea in Pu'er City, Yunnan Province, which highlighted the charm of tea culture and played a significant role in promoting the dissemination of tea culture and the sustainable development of the tea industry.

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. The history of branding of the Company can be traced back to 1966, when the Jingmai Mountain Tea Workshop (景邁茶訓班) was established in Jingmai Mountain, and Ms. Du Chunyi ("**Ms. Du**"), the Chairlady of the Board, was an important member of the tea workshop. Over the decades, the Company has developed strong and stable partnerships with key local raw material suppliers, and marketed Pu'er tea products made from rough tea leaves from Jingmai Mountain throughout China. In September 2024, the Company received the Outstanding Unit award for its efforts in the application of the Cultural Landscape of Old Tea Forests of Jingmai Mountain (景邁山古茶林文化景觀) for inclusion in the World Heritage list, and Ms. Du Chunyi, the Chairlady of the Board, was honored with the Individual with Special Contribution award. These accomplishments represent a recognition of the Company and our teams, as well as a significant manifestation of Lancang Ancient Tea's commitment to development of the tea industry and tea culture.

In 2024, the Company continued to focus on its main business while promoting the tea industry and tea culture. The Company was recognized by the China Tea Marketing Association as one of the "2024 Key Tea Enterprises" (formerly the Top 100). In addition, the Company received the title of a key recommended brand in the national thematic event "China Brands Shared by the World" for contributing to the Belt and Road Initiative. For a long time, our goal has been to "Make profits for Companies and make farmers' living prosperous through tea." We have actively pursued economic cooperation with ethnic regions during our business operations. In September 2024, the Company was honored with the title of "Role Model of Ethnic Unity and Progress" by the Central Committee of the Communist Party of China and the State Council.

In the 2024 Financial Year, the Group's operating revenue and net loss amounted to RMB361.3 million and RMB308.6 million, respectively, representing a decrease to varying degrees as compared to the operating revenue of RMB527.3 million and net profit of RMB78.5 million for the 2023 Financial Year, respectively, mainly due to:

Firstly, the operating loss recorded during the Reporting Period: the Group's operating revenue declined in 2024, but the relevant operating fees and expenses for the year have not been adjusted and optimized in a timely manner, including but not limited to the promotion and service expenses, brand marketing and business sample invested in brand promotion and business development by the Company. For details, please refer to the section headed "Overall Business Performance" under "Management Discussion and Analysis" of this announcement.

Secondly, in light of the financial performance during the Reporting Period and the current market environment, the Group accounts for assets and credit impairment allowances based on the principle of prudence in accordance with enterprise accounting standards and relevant accounting policies. Details are as follows: 1) the Company has adopted a more cautious forecast for its sales for the next five years due to the operating losses incurred by the Group during the Reporting Period, considering the current operating condition and various market uncertainties. As a result, the current operating value of the enterprise as determined by the present value of expected future cash flows, was lower than the carrying value of the Group's long-term assets as of 31 December 2024. The provision for impairment for this regard amounted to RMB191.5 million, mainly including impairment on property, plant and equipment, and right-of-use assets; 2) the provision for impairment of assets and credit increased by RMB41.1 million, including the increase in the impairment provision for bad debt of receivables due to the slow collection of the Group's trade receivables resulting from the slow recovery of end consumption. 3) the amount of deferred tax assets incurred from the losses of its subsidiaries of RMB36.5 million was not recognized by the Group due to the uncertainty of future profit streams. Details of the above accounting treatment are set out in the sections headed "Financial Review" under "Management Discussion And Analysis" of this announcement.

The decline in operating revenue is partly attributable to the sluggish recovery of the market and the challenges faced by offline physical stores due to weak consumer spending. On the other hand, the Company mainly relies on offline physical stores for product sales, and the rapid growth of e-commerce and live-streaming sales has significantly impacted the operations of offline physical stores. In recent years, white-label products have rapidly leveraged market supply chain resources and competitive pricing, capturing the minds of some consumers and further affecting the operations and sales of branded products.

In order to cope with the above operating difficulties, the Company invested substantial resources in online channels during the Reporting Period. In 2024, the online promotion and service fees increased by 67.7% as compared to the same period in 2023. Online channels are characterized by variable information and fast transmission speeds, which create significant differences in product and price requirements compared to offline channels. During the Reporting Period, the Company faced a dilemma between the rapid pursuit of online sales growth and the stable development of offline channels. There was a lack of classification planning and price control for both online and offline products, which ultimately resulted in online channels failing to achieve significant sales growth and negatively impacting the operation of offline stores. Regarding offline channels, considering the operational challenges faced by offline physical stores, the Company provided lenient support in the collection of accounts receivable. On the other hand, it encouraged pickups from stores by issuing vouchers and strengthening promotions targeted at end consumers in its sales policy. The above supporting sales policy mitigated the operating pressure of the stores to some extent, but also resulted in the increase in the amount of receivables as at the end of the period and the decrease in the overall gross profit margin of product sales for the year. In terms of expenses, during the Reporting Period, the Group continued to make significant investments in brand marketing and related activities. There was a year-on-year increase of 16.7% in marketing promotion and business samples. However, this investment did not yield satisfactory returns.

It is worth mentioning that during the Reporting Period, the Company closely followed the development trend of KA customers, fully utilized its brand advantages, product design and development capabilities and abundant raw material reserves, and focused on acquiring membership-based supermarkets and well-known production enterprises of tea drinks. In the 2024 Financial Year, the total operating revenue from key account channels amounted to RMB54.5 million, representing an increase of 173.0% as compared to the same period in 2023.

BUSINESS PERFORMANCE OF SUB-BRANDS AND PRODUCT LINES

The history of branding of Lan Cang Gu Cha (瀾滄古茶) can be traced back to 1966, making it 59 years old. Based on the core brand of Lan Cang Gu Cha, we have developed and structured three product lines, namely 1966, Tea Mama (茶媽媽) and Iland Tea (岩冷) to satisfy diversified consumption scenarios, ranging from daily drinking experience to business banquet, as well as solo drinking to sharing with friends.

Our classic 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 iteration. Serving as the bedrock of the business of the Company, in the 2024 Financial Year, 1966 series achieved revenue of RMB227.6 million, accounting for 63.0% of the operating revenue in 2024, representing a decrease of 37.4% as compared with 2023 Financial Year. Tea Mama and Iland Tea are different from the classic 1966 series, which are more youthful, popular and portable. The Company has capitalised 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, enriching the product portfolio. In 2024 Financial Year, Tea Mama and Iland Tea series achieved a total revenue of RMB117.1 million, accounting for 32.4% of the operating revenue in 2024 Financial Year, representing a decrease of 21.0% as compared with the 2023 Financial Year. During the Reporting Period, the sales revenue of 1966, Tea Mama and Iland Tea decreased as compared with that of the 2023 Financial Year due to factors such as the slow recovery of the consumer market, among which the 1966 Series products were mainly sold through offline physical stores, and therefore were more significantly affected by the offline consumer market environment, resulting in a relatively larger decrease in revenue.

During the Reporting Period, in addition to the sales of 1966, Tea Mama and Iland Tea series, in light of the recent development trends in the tea industry, particularly the rapid growth of freshly made tea and ready-to-drink tea products, the Company effectively utilized its supply chain resources and integration capabilities to provide high-quality raw tea tailored to customer needs, assisting them in producing tea-related beverages. In the 2024 Financial Year, the Company's raw tea achieved sales revenue of RMB11.7 million.

BUSINESS PERFORMANCE OF OUR DISTRIBUTION NETWORK

The Company has developed a multi-level sales network that integrates both online and offline channels, promoting direct sales as well as distribution. For offline sales, we primarily sold products to end consumers through offline physical stores operated by distributors. In terms of online sales, we utilize platforms such as Tmall and JD.com, along with live-streaming e-commerce platforms such as Douyin. It is worth mentioning that the Company has recently expanded its sales network to include key account channels, which consist mainly of hypermarket chains, well-known tea beverage manufacturers, and platform-operated online stores. Hypermarket chains, particularly membership-based supermarkets, have attracted a larger consumer base with high consumer stickiness and increasing sales scale in recent years due to their advantages in product selection, service quality, and cost-effectiveness. This has resulted in a continuous increase in our sales volume.

As of 31 December 2024, the Group had a total of 509 offline stores, among which 17 were self-operated stores and 492 were distributor-operated stores. In the 2024 Financial Year, our sales revenues from distributors, direct sale customers and key account channels were RMB181.0 million, RMB46.7 million and RMB54.5 million, respectively, achieving changes of -52.3%, -18.1% and 173.0% respectively as compared with 2023 Financial Year. Among them, the sales revenue from distributors decreased significantly, mainly because distributors sold products through offline physical stores, which were significantly impacted by the weak consumer spending and the operations of online channels; the Company's sales to direct sale customers were also accomplished through offline physical stores, facing similar sales problems to that of distributors, thus recorded a decrease in operating revenue for the Reporting Period.

In terms of online sales, on major e-commerce platforms such as Tmall, JD.com, Douyin, WeChat, etc., the Company not only built online stores, but also conducted live-streaming sales at the same time on major e-commerce platforms. In recent years, with the rapid development of e-commerce platforms and the live-streaming industry, many tea industry enterprises have continued to increase investment in online channels in order to enhance brand publicity and promote online sales growth, and online channels are fiercely competitive. At the same time, white brand enterprises in the tea industry have also quickly completed terminal sales through online channels, which has improved the overall publicity of the tea industry. However, the uneven product quality and extremely low product prices of individual white brand enterprises have further intensified the competition in the industry and affected the overall orderly development of the industry. In the 2024 Financial Year, the Company's online sales achieved operating revenue of RMB79.1 million, representing an increase of 11.4% as compared to the same period last year. Due to the comprehensive impact of online competition and other factors, the operating and promotion expenses we invested in online e-commerce during the Reporting Period were RMB37.7 million, representing an increase of 67.7% as compared to the same period last year.

Our key account channels mainly include hypermarket chains, well-known tea beverage manufacturers and platform-operated online stores, which have good reputations and large-scale operations. In particular, some membership-based supermarkets, due to their uniqueness and differentiation in product selection, display and member services, have resulted in high member stickiness and continued increase in sales scale. Since the introduction of key accounts in 2020, we have continuously expanded the sales scale to key accounts, benefitting from the Company's improving brand awareness, increasing product development capabilities, supply capabilities and supporting service capabilities. Thanks to the Company's abundant inventory reserves and outstanding raw material procurement capabilities, and the impact of positive events in the industry such as the success of Jingmai Mountain's application for inclusion in World Heritage Sites, the Company was able to provide high-quality raw leaf tea for large-scale beverage manufacturers during the Reporting Period to help them produce tea-related high-quality beverage products. In the 2024 Financial Year, the sales revenue from key accounts reached RMB54.5 million, representing an increase of 173.0% as compared with the 2023 Financial Year, showing a significant channel growth rate and a great development potential.

OUTLOOK AND FUTURE PLANS

Yunnan Pu'er tea ranks first and second among all tea categories, respectively, according to the "Top 100 Regional Public Brand Reputations of Geographical Indication of China for Agricultural Products (Tea) in 2023" (《2023 年中國地理標誌農產品(茶葉)區域公用品牌聲譽前 100 位》) and the Regional Public Brand Value Assessment Report of China Tea in 2024 (《2024 中國茶葉區域公用品牌價值評估報告》) released by the Center for China Agriculture Brand (中國農業品牌研究中心) (affiliated to the China Academy for Rural Development (CARD) of Zhejiang University (浙江大學中國農村發展研究院), focusing on the research of agriculture, rural areas and farmer brands), which to a certain extent reflects the industry popularity and consumer recognition of Yunnan Pu'er tea. With the ongoing development of the tea industry and consumers' increasing focus on healthy lifestyles, we remain positive and optimistic about the future growth of Pu'er tea and the Chinese tea market from a long-term perspective.

Currently, the consumer market is experiencing a slow recovery. Many factors influence consumers' willingness to purchase, leading to more cautious shopping behavior, which presents challenges for the Company's operations and development. In addition, intense competition from online e-commerce and live-streaming commerce poses pressure on the Company's sales mode, which mainly relies on physical stores. In the 2024 Financial Year, the Group saw a significant decline in both operating revenue and profit levels, which was closely related to the market conditions the Company faces, as well as the operational and management decisions made in marketing. During the Reporting Period, the Company observed the operational difficulties faced by its offline physical stores and actively worked to stabilize these channels. At the same time, the Company invested more time, energy, and resources into online channels. However, the rapid changes and the intense competition in the online market exceeded management's expectations, leading to a serious imbalance between online investments and returns during the 2024 Financial Year. Moreover, inadequate management of pricing and product classification between online and offline sales further contributed to the negative impact of online sales on the performance of offline channels. There was a lack of classification planning and price control for both online and offline products, resulting in online channels further negatively impacting offline stores.

The operating management of the Company has actively analysed and made timely adjustments based on the actual situation of the market and itself to face the current complex and changing situation. Due to the resignation of the former President, Ms. Wang Juan ("**Ms. Wang**"), from the position of President due to personal health reasons, it took time to hand over and adjust various tasks in a short period of time. However, the members of management team fully collaborated with each other to steadily push forward work deployment in the transition stage. It is encouraging to note that the Board appointed Mr. Zhou Xinzhong ("**Mr. Zhou**") as the President of the Company on 13 May 2025, who has unique insights into consumer goods industry and rich experience in business operation and management. The Board believes that the Company will continue to steadily recover and usher in new developments under the leadership of Mr. Zhou and through concerted efforts of the management.

In response to the weak and volatile market environment as well as consumption trend at this stage, the management team has actively responded by formulating an operating policy of becoming a market-oriented and customer-centric retailer of tea consumer goods. The Company will maintain stability and continue to develop offline distribution channels and directly-operated stores, while adjusting and optimizing online e-commerce operations to create complementary synergies with offline operations. Simultaneously, the Company will actively leverage development trends in KA channels and raw material tea businesses, paving multi-dimensional growth paths for its comprehensive development.

In terms of products, the Company will conduct in-depth market research for product transformation and expansion of product offering, and grasp the changes in consumer demand; in terms of product prices, the Company will continue to optimize its price system, while strengthening its control over market prices, so as to create better market environment; in terms of store operation and channel development, the Company will seek more standardized store operations by developing new standards for product display, product type, price management and marketing strategy to improve customer experience in stores; in addition to maintaining stable growth of existing stores, the Company will set up new retail stores to enhance the competitiveness of terminal channels; in terms of online channels, the Company will continue to optimize and adjust, refine the pricing mechanism, and promote the production and sales of online proprietary products.

At the same time, the Company will continue to optimize management methods and tools specific to its organizational structure, production workflow and performance evaluation, to promote effective implementation of the core business strategies.

Since the inception of the Lan Cang Gu Cha brand history in 1966, the Company and its team have been able to move forward in the face of numerous market fluctuations and risks. With the control of high-quality raw material resources, sufficient stock reserves and continuous innovation in production technology, as well as the adherence to the goal of providing consumers with high-quality and healthy products, Lan Cang Gu Cha has successfully broken through difficulties again and again. The year 2026 will usher in the important milestone of the brand's 60th anniversary. Based on the profound heritage and core competitiveness accumulated in the past, the Company firmly believes that the brand not only has a solid foundation for sustainable development, but also has the ability to stand out in the fierce market competition and win the trust and support of more consumers.

FINANCIAL REVIEW

Revenue

Revenue contributed from	Year ended 31 December			
	2024		2023	
	RMB'000	*%*	*RMB'000*	*%*
Lan Cang Gu Cha – *1966*	**227,596**	**63.0%**	363,437	68.9%
Lan Cang Gu Cha – *Tea Mama and Iland Tea*	**117,048**	**32.4%**	148,178	28.1%
Other services and products	**16,684**	**4.6%**	15,730	3.0%
Total revenue	**361,328**	**100%**	527,345	100%

In the 2024 Financial Year, the Group's revenue amounted to RMB361.3 million, representing a decrease of RMB166.0 million, respectively, as compared to RMB527.3 million in the 2023 Financial Year, with a decline rate of 31.5%. The decrease was mainly attributable to the challenges faced by offline physical stores due to weak consumption recovery in the market, and that the Group's offline channels as the main revenue source were heavily influenced by the market environment. In addition, the rapid growth of e-commerce and live-streaming sales has significantly impacted the operations of offline physical stores. There was a lack of classification planning and price control for both online and offline products, which resulted in online channels failing to achieve growth and negatively impacting the operation of offline stores.

Cost of sales

In the 2024 Financial Year, the Group's cost of sales amounted to RMB173.3 million, remaining stable as compared to RMB174.2 million in the 2023 Financial Year, primarily attributable to the narrowing of the gross profit for promotion policies, and the cost of sales keeping steady due to the sales cost inconsistent with the decrease in revenue.

Gross profit and gross profit margin

In the 2024 Financial Year, the Group's gross profit amounted to RMB188.0 million, representing a decrease of RMB165.1 million as compared to RMB353.1 million in the 2023 Financial Year, with a decline rate of 46.8%. The gross profit margin decreased to 52.0% from 67.0% in the 2023 Financial Year, primarily attributable to a decrease in product sales unit price due to sale at discount or gift combinations under the marketing policy of the Company to encourage stores to pick up goods through promotion, in light of the sluggish market.

Selling expenses

In the 2024 Financial Year, the Group's selling expenses amounted to RMB171.8 million, representing an increase of RMB10.6 million as compared to RMB161.2 million in the 2023 Financial Year, primarily attributable to the increase in investment in online promotion and service fees for the online channels of the Company during the Reporting Period, as well as the increase in expenses on tea sample due to increased product gifts to promote offline sales.

Administrative expenses

In the 2024 Financial Year, the Group's administrative expenses amounted to RMB95.7 million, representing an increase of RMB6.8 million as compared to RMB88.9 million in the 2023 Financial Year, with an increase rate of 7.7%, primarily attributable to provision of allowance of RMB15.0 million due to the failure to use the advertising advance payment within the planned period.

Net impairment losses on financial assets

In the 2024 Financial Year, net impairment losses on financial assets amounted to RMB18.0 million, representing an increase of RMB15.7 million as compared to RMB2.3 million in the 2023 Financial Year, primarily attributable to the increase in provisions due to increased credit risk of customers as a result of slow collection of accounts receivable from distributors.

Other income

In the 2024 Financial Year, the Group's other income amounted to RMB5.1 million, representing an increase of RMB0.6 million as compared to RMB4.5 million in the 2023 Financial Year, primarily attributable to the increase in government grants.

Other gains/(losses), net

The Group's other gains increased from losses of RMB0.3 million in the 2023 Financial Year to losses of RMB185.2 million in the 2024 Financial Year, primarily attributable to the increase in provision for impairment of long-term assets during impairment testing of long-term assets.

Financial costs

The Group's financial costs mainly refer to interest expenses of the bank and interest expenses for lease liabilities. In the 2024 Financial Year, the Group's financial costs amounted to RMB14.4 million, representing a decrease of RMB1.0 million as compared to RMB15.4 million in the 2023 Financial Year, primarily attributable to an increase of RMB2.1 million in interest on bank borrowings, partially offset by a year-on-year decrease of RMB3.5 million in interest expenses on lease liabilities.

Income tax expense

The Group's income tax amounted to RMB15.3 million in the 2024 Financial Year, which increased by RMB1.5 million as compared to RMB13.8 million in the 2023 Financial Year, primarily due to the increase in deferred income tax expense resulting from unrecognised tax losses and unrecognised taxable temporary differences.

Property, plant and equipment

The Group's property, plant and equipment decreased by RMB72.6 million from RMB139.8 million as at 31 December 2023 to RMB67.2 million as at 31 December 2024, primarily due to: 1) the addition of assets of RMB46.6 million and the disposal of assets of RMB2.7 million, and 2) the provision for impairment of RMB94.8 million and depreciation and amortization expenses for the year of RMB23.9 million.

Right-of-use assets

The Group's right-of-use assets decreased by RMB116.8 million from RMB179.7 million as at 31 December 2023 to RMB62.9 million as at 31 December 2024, and such significant decrease was mainly due to: 1) the addition of leased properties of RMB20.8 million and the disposal of leased properties of RMB9.4 million, and 2) the provision for impairment of land use rights and leased properties of RMB94.7 million and depreciation and amortization expenses for the year of RMB33.4 million.

Intangible assets

The Group's intangible assets decreased from RMB2.6 million as at 31 December 2023 to RMB1.5 million as at 31 December 2024, primarily due to the increased investment in information technology and software and provision for impairment of intangible assets.

Prepayments

The Group's prepayments amounted to RMB20.2 million as at 31 December 2024, representing a decrease of RMB0.2 million as compared to RMB20.4 million as at 31 December 2023, the change of which was relatively insignificant.

Inventories

The Group's inventories amounted to RMB903.4 million as at 31 December 2024, representing an increase of RMB62.0 million as compared to RMB841.4 million as at 31 December 2023, primarily attributable to the decrease in sales volume in 2024, where the sales volume of finished goods was lower than the purchase volume of raw materials and the production volume of finished goods. In particular, the year-end balances of raw materials and work in progress increased by RMB44.6 million, and the year-end balance of finished goods increased by RMB17.3 million.

Trade and other receivables

The Group's trade and other receivables amounted to RMB70.7 million as at 31 December 2024, representing a decrease of RMB7.0 million as compared to RMB77.7 million as at 31 December 2023, primarily attributable to the slowdown in the collection of receivables from distributors and an increase in the amount of provision for impairment of trade receivables by RMB17.6 million caused by an increase in the outstanding amount due from certain customers aged 91 days or more.

Trade and other payables

The Group's trade and other payables amounted to RMB194.4 million as at 31 December 2024, representing a decrease of RMB5.3 million as compared to RMB199.7 million as at 31 December 2023, the change of which was relatively insignificant.

Current assets

The Group's current assets decreased from RMB1,211.8 million as at 31 December 2023 to RMB1,113.1 million as at 31 December 2024. The decrease of RMB98.7 million was primarily driven by the Group's use of raised funds of RMB85.7 million in the 2024 Financial Year to invest in equity investment projects and the decrease in sales receipts resulting from slow collection of payments for declined sales revenue, as well as the decrease in cash due to the increase in operating capital expenditures for purchasing goods and services.

Liquidity and Capital Resources

The Group financed our operations principally with cash generated by our operating activities, bank borrowings and capital contributions. Our Group's cash and cash equivalents decreased from RMB262.3 million as of 31 December 2023 to RMB65.4 million as of 31 December 2024, primarily attributable to use of raised funds of RMB85.7 million to invest in equity investment projects and the decrease in sales receipts resulting from slow collection of payments for declined sales revenue, as well as the decrease in cash due to the increase in operating capital expenditures for purchasing goods and services.

Indebtedness

(1) Borrowings

The Group's borrowings increased from RMB250.5 million as at 31 December 2023 to RMB326.0 million as at 31 December 2024, representing the increase in borrowings.

(2) Gearing ratio

The Group's gearing ratio increased from 20% as at 31 December 2023 to 32.7% as at 31 December 2024. The increase of the gearing ratio was caused by the increase in borrowings and the decrease in total capital. The gearing ratio of the Group is calculated based on the bank borrowings as a percentage of total equity and bank borrowings.

(3) Pledge of assets

In the 2024 Financial Year, the Group's pledged assets consisted of property, plant and equipment with a net book value of RMB30.7 million, inventories of RMB23.1 million and right-of-use assets for land of RMB23.8 million. The above pledged assets are pledged to banks to secure bank borrowings.

Foreign exchange risk

The Group's operations are primarily denominated in RMB. In the 2024 Financial Year, the Group's fund deposits raised from the overseas issuance of shares resulted in a foreign exchange gain of RMB2.7 million for the period due to the changes in foreign exchange rates. The Group took positive measures to minimise the losses caused by the foreign exchange to the Group by adjusting the inbound funds when appropriate.

Contingent liabilities

As of 31 December 2024, the Group had no material contingent liability.

Capital commitments

The Group's capital commitments signed but not yet paid decreased from RMB40.9 million as of 31 December 2023 to RMB5.8 million as at 31 December 2024 as a result of utilization of raised funds into production and construction.

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

As of 31 December 2024, 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 22 December 2023. The net proceeds raised by the Company from the Listing, amounted to approximately RMB141.4 million, after deducting the underwriting commissions and other fees paid by the Company in connection with the Global Offering (the "**Net Proceeds**"). Original allocation of the Net Proceeds was disclosed in the section headed "Future Plans and Use of Proceeds" of the prospectus of the Company published on 14 December 2023 (the "**Prospectus**"). As at 31 December 2024, the Company has utilised approximately RMB85.7 million.

Pursuant to the announcement of the Company dated 17 July 2024, the Company planned to change the use of the Net Proceeds as follows: the Company planned to reallocate RMB37.8 million from the investment in building modernised logistics and warehousing centers and new production facilities, and upgrading current production facilities, among which, RMB30.0 million was allocated to the Shanquan Fermentation Project and RMB7.8 million to working capital and other general corporate purposes. Upon completion of the aforesaid reallocation, the remaining Net Proceeds from the project would continue to be invested in the planned logistics and e-commerce center project in Foshan, while the Pu'er Warehousing Project will no longer be invested by use of the Net Proceeds. Reallocation of unutilised Net Proceeds to invest in the Shanquan Fermentation Project is primarily because the Shanquan Fermentation Project will be conducive to increasing the Company's production capacity of fermented tea, increasing the storage and turnover area, and will be able to form a more complete production layout with the Company's production base in Lancang to enhance the competitive advantage of the Company. Reallocation of part of Net Proceeds to working capital and other general corporate purposes will enhance the Group's financial management flexibility and will be of greater significance for the Company to respond to the changes in the post epidemic era in a timely manner. Details of reasons for and benefits of change in use of Net Proceeds are set out in the announcement of the Company dated 17 July 2024. The aforesaid changes shall become effective upon consideration and approval at the extraordinary general meeting to be held on 7 August 2024.

On the basis of the actual situation and operational development needs of the Company, on 30 December 2024, the Board has considered and approved a resolution in relation to the proposed further change in the use of proceeds (the "Use of Proceeds After Change"), which became effective upon consideration and approval at the extraordinary general meeting held on 17 January 2025. Accordingly, the Company has reallocated a total of RMB26.0 million of the Net Proceeds to repay bank loans, including: (a) to reallocate RMB18.9 million from the unutilised Net Proceeds of RMB32.2 million, which was originally allocated for the sales channels building, to repay bank loans. The remaining RMB13.3 million will continue to be invested in optimizing the sales network; and (b) to reallocate the entire unutilised Net Proceeds of RMB7.1 million, which was originally allocated for strategic investments in and acquisitions of business opportunities in the tea industry, to repay bank loans. Further details are set out in the announcement of the Company dated 30 December 2024. This change in the Net Proceeds is, from the perspective of the effectiveness and urgency of fund utilization, adjusting part of the funds designated for sales channel building to repay bank loans, and can enhance the efficiency of fund utilization and reduce the pressure arising from slow payment from front-end stores on the operational cash flow of the Company, which better supports the sustainable development of the Company.

Pursuant to the announcement of the Company dated 13 May 2025, the Company planned to change the use of the Net Proceeds as follows: (a) to reallocate RMB10.3 million from the Net Proceeds, which is allocated for the sales channel building, for working capital and other general corporate purposes; (b) to reallocate RMB3.7 million from the Net Proceeds, which is allocated for upgrading our information technology infrastructure and strengthening our research and development capabilities, for working capital and other general corporate purposes. The above adjustment is mainly for the Company to alleviate the pressure on funds due to the impact of the market environment and further improvement of the efficiency of fund utilization, which is more urgent for the Company's operating activities. The proceeds intended to be used for working capital and other general corporate purposes will be fully utilized for production and operating activities related to the Company's principal business, to effectively serve the Company's core business development. Details of reasons for and benefits of change in use of Net Proceeds are set out in the announcement of the Company dated 13 May 2025. The aforesaid changes shall become effective upon consideration and approval at the extraordinary general meeting to be held on 30 May 2025.

Save as disclosed above, as of the date of this announcement, there was no material change in the use of Net Proceeds from the Listing.

Set out below is the planned use of reallocated Net Proceeds after successive changes, utilization and unutilisation during and after the Reporting Period, and expected timeline for full utilisation of Net Proceeds as of 31 May 2025 after successive changes.

Use of Proceeds	**Amount of planned use of reallocated Net Proceeds after successive changes** *(RMB million)*	**Unutilised Net Proceeds as of 1 January 2024** *(RMB million)*	**Utilised Net Proceeds during the Reporting Period** *(RMB million)*	**Unutilised Net Proceeds as of 31 December 2024** *(RMB million)*	**Utilised Net Proceeds from January to May 2025** *(RMB million)*	**Unutilised Net Proceeds as of 31 May 2025** *(RMB million)*	**Expected timeline for full utilisation**
Building modernised logistics and warehousing centers, building new production facilities and upgrading current production facilities	11.7	49.5	10.6	1.1	1.1	0.0	2025
Sales channel building	9.0	38.2	6.0	13.3	10.3	3.0	2025
Brand building and product marketing	25.4	25.4	21.8	3.6	0.4	3.2	2025
Upgrading our information technology infrastructure and strengthening our research and development capabilities	3.4	7.1	2.6	4.5	4.1	0.4	2025
Working capital and other general corporate purposes	35.9	14.1	21.9	0	-14.0	14.0	2025
Investment in the Shanquan Fermentation Project	30.0	N/A	22.8	7.2	4.6	2.6	2025
Repayment of the borrowings	26.0	N/A	N/A	26.0	26.0	0.0	2025
Strategic investments in and acquisitions of business opportunities in the tea industry	0.0	7.1	0.0	0.0	0.0	0.0	N/A
Total	**141.4**	**141.4**	**85.7**	**55.7**	**32.5**	**23.2**	**–**

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As of 31 December 2024, save as the "Use of Proceeds After Change" disclosed in the above announcement, the Group has no other future plans for any other material investments or capital assets.

EMPLOYEE AND REMUNERATION POLICY

As of 31 December 2024, the Group had a total of 730 employees. In the 2024 Financial Year, the Group's staff cost amounted to RMB98.3 million (2023 Financial Year: approximately RMB107.0 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 the 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. As of the 2024 Financial Year, 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

On 30 April 2025, the nature of the interests in shares held by Ms. Wang (one of the controlling shareholders), Guangzhou Tiansu Information Technology Co., Ltd. (廣州天速信息科技有限公司) ("**Guangzhou Tiansu**", which is owned as to 60.0% and 40.0% by Ms. Wang and Mr. Zhang Muheng ("**Mr. Zhang**"), an executive Director of the Company, respectively) and Mr. Zhang (together with Ms. Wang and Guangzhou Tiansu, collectively "**These Persons**") has changed, which was due to the provision of interests in shares by These Persons as guarantee to persons other than qualified lenders (the "**Pledge**"). Details of the Pledge were disclosed in the Group's announcement dated 13 May 2025. As of the date of this announcement, the Company has received written commitments from Ms. Wang and Mr. Zhang confirming that such share pledge was caused by urgent personal financial difficulties, and that the relevant debt issues do not involve the Group.

On 22 April 2025, the Company announced that Guangzhou Kangrui Lancang Ancient Tea Co., Ltd. (廣州康瑞瀾滄古茶有限公司) ("**Guangzhou Kangrui**"), a subsidiary of the Company, had been discovered an inventory shortfall. The Matter was related to a customer of the Group in Foshan and its substantial shareholder as well as a former senior management member of the Company. On 30 May 2025, the Company announced the progress regarding the inventory shortfall of its subsidiary. As verified by the special working group of the Company and as confirmed by relevant parties, the details of the Relevant Matter are as follows: (i) on 5 December 2024, Guangzhou Kangrui, a customer of the Group from Foshan (the "**Foshan Customer**"), and a trader engaged in mid-aged and aged tea trading in Guangzhou (the "**Guangzhou Trader**") conducted business discussions, after which the representatives of the three parties jointly signed a memorandum of inventory cooperation (the "**Memorandum**"). Pursuant to the Memorandum, Guangzhou Kangrui intended to exchange 35 tonnes of new tea for not less than 70 to 87.5 tonnes of aged tea held by the Guangzhou Trader for the purpose of sale, thereby leveraging their respective inventory advantages. Upon receipt of the new tea, the Guangzhou Trader would collaborate with the distribution channels of the Foshan Customer to acquire new customers and complete the sales together; and (ii) on 4 January 2025, the Foshan Customer had retrieved an additional 35 tonnes of new tea products held by Guangzhou Kangrui while retrieving its own inventory stored at Guangzhou Kangrui, resulting in the shortfall of the relevant inventory. After considering the current market environment and the Company's overall business strategy, the Board has endorsed the cooperation model under the Memorandum and agreed that the business departments shall continue to proceed with the relevant cooperation. On 24 May 2025, Guangzhou Kangrui entered into a product exchange agreement (the "**Product Exchange Agreement**") with the Guangzhou Trader. The Board is of the view that the signing of the Product Exchange Agreement will strengthen the Company's competitiveness in the current slow-to-recover consumer market, meet increasingly diversified consumer demand, and facilitate the clarification and resolution of the Relevant Matter, and is therefore beneficial to the interests of the Company and its shareholders as a whole. As of the date of this announcement, the Group has completed product exchange with a Guangzhou Trader, whereby the Group exchanged 35 tonnes of new tea worth RMB10.0 million (at cost value) for 160 tonnes of aged tea and tea leaf materials valued at RMB19.5 million from Guangzhou Trader. Additionally, the Company has received a written commitment from its former senior management member on the relevant matter, and he has undertaken to unconditionally assume full liability to compensate the Group for all losses incurred and to be incurred (if any) due to personal misconduct related to such event.

In May 2025, the Company and Agricultural Bank of China Limited (the "**ABC**") entered into a loan agreement, pursuant to which the ABC has agreed to make available a term loan facility with a principal amount of up to RMB24,300,000 (the "**Loan**") to the Company. Details of the Loan are set out in the Group's announcement dated 27 May 2025.

On 13 May 2025, the Company made adjustments to the use of the net proceeds from the listing. Details regarding such changes in the use of proceeds are set out in the section titled "Use of Net Proceeds from the Listing" in this announcement.

Save as disclosed above, 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. The Company has adopted the principles and code provisions set out in the Corporate Governance Code (the "**CG Code**") in Appendix C1 to the Listing Rules as the basis of the Company's corporate governance practices.

Pursuant to code provision D.1.2 of the CG Code, the management should provide all members of the Board with monthly updates to enable the Board and each Director to discharge their duties under the Listing Rules. Although the management of the Company has not provided the Board with monthly updates during the year ended 31 December 2024, the financial department of the Company has provided Directors with consolidated statements from time to time based on business situation through email, WeChat and verbal means, and the Company also convenes Board meetings irregularly based on business development and updates information to each Director to enable the Board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. The Company considers that such business information arising out of the ordinary business provided to the Board from time to time instead of monthly updates are sufficient for the Board to discharge its duties. In the event if there are any significant updates, the Company will update all the Directors as early as practicable for discussion and resolution.

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. To achieve a clear division of responsibilities between the management of the Board and day-to-day management of the business and hence to ensure a balance of power and authority, there is separation of duties for the chairman and chief executive of the Company.

On 6 January 2025, the Board considered and approved the resolutions in relation to the election of Ms. Du Chunyi, the Chairlady and an executive Director of the Company, to temporarily act as the general manager, commencing from the date of consideration and approval by the Board until the appointment of a new general manager by the Company. The Board has observed the code provision C.2.1 of the Code. The Board considers that such ad hoc arrangement is appropriate before the appointment of a new general manager without impairing the balance of power and authority between the Board and the management. On 13 May 2025, the Board considered and approved the resolution on the appointment of Mr. Zhou as the general manager, and Ms. Du ceased to act as the general manager from the date when Mr. Zhou assumed the position of general manager. For details, please refer to the announcement of the Company dated 6 January 2025 in relation to resignation of general manager and re-designation of Director, and the announcement dated 13 May 2025 in relation to appointment of general manager.

On 30 April 2025, a total of 19,944,899 Domestic Shares (representing approximately 15.83% of the total issued shares of the Company) held by Ms. Wang, one of the controlling shareholders and a then non-executive Director of the Company, and Guangzhou Tiansu Information Technology Co., Ltd. (廣州天速信息科技有限公司) ("**Guangzhou Tiansu**", which is owned as to 60.0% and 40.0% by Ms. Wang and Mr. Zhang, an executive Director of the Company, respectively) has been pledged, in which Ms. Wang and Mr. Zhang breached the Model Code. For details, please refer to the announcement on inside information disclosed on 13 May 2025. The Company has reminded all Directors, Supervisors and senior management of the trading restrictions during the black-out period (including the period of delayed publication of results) as set out in the Model Code before the commencement of the black-out period. The Company timely inquired with Ms. Wang and Mr. Zhang and published an announcement upon being aware of the pledge.

Save as disclosed above, during the Reporting Period and as of the date of this announcement, there has been no deviation from the code provisions as set forth under the CG Code.

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 confirmed that all Directors and Supervisors always abided by the required standards as set out in the Model Code during the Reporting Period after making specific enquiries to all the Directors and Supervisors. During the above-mentioned period, the Board of the Company was not aware of any case of non-compliance with the Model Code by the relevant employees.

On 30 April 2025, Ms. Wang Juan, one of the controlling shareholders and a then non-executive Director of the Company, and Mr. Zhang, an executive Director breached the Model Code due to the share pledge. For details, please refer to the section headed "Compliance with the Corporate Governance Code" of this announcement.

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 (including sales of treasury shares, if any) of the Company during the Reporting Period. As at 31 December 2024, the Company did not have any treasury shares.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be convened at an appropriate time, and the notice of convening the annual general meeting and relevant information will be dispatched to shareholders (if requested) and published on the respective websites of the Company and the Stock Exchange in due course.

FINAL DIVIDEND

In the 2024 Financial Year, the Group's operating revenue and loss amounted to RMB361.3 million and RMB308.6 million, respectively, representing a decline to varying degrees as compared to the corresponding period last year, and considering the complex market environment and severe operational challenges at present, the Board resolved not to pay a dividend for 2024, so as to strengthen the Group's ability to deal with risks and maintain financial flexibility.

CLOSURE OF REGISTER OF MEMBERS

The date of closure of the register of members of the Company and its related information will be dispatched to the shareholders (if requested) and published on the respective websites of the Company and the Stock Exchange in due course.

AUDIT COMMITTEE

As at the end of the Reporting Period, the Audit Committee of the Company consists of four independent non-executive directors, namely Ms. Cao Wei, Dr. Xie Xiaoyao, Mr. Tang Zhangliang and Dr. Yang Kequan. The chairlady of the Audit Committee is Ms. Cao Wei, who has expertise in accounting and financial management and relevant professional qualifications with Mr. Yang Kequan. 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. As at the date of this announcement, the Audit Committee comprised three independent non-executive Directors, namely, Dr. Yang Kequan (chairman), Dr. Xie Xiaoyao and Mr. Tang Zhangliang. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The Audit Committee has reviewed the Group's annual results for the year ended 31 December 2024. The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in this announcement have been agreed by the Group's auditor, SHINEWING (HK) CPA Limited, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board on 30 June 2025. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by SHINEWING (HK) CPA Limited on this announcement.

EXTRACTS OF INDEPENDENT AUDITORS' REPORT

The following is extracted from the independent auditors' report on the consolidated financial statements of the Group for the year ended 31 December 2024.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related To Going Concern

We draw attention to Note 3.1 in the consolidated financial statements, which indicates that the Group incurred a net loss of approximately RMB308,585,000 for the year ended 31 December 2024. As at 31 December 2024, the Group had net current assets of approximately RMB626,132,000. However, the Group's current liabilities included bank and other borrowings of approximately RMB230,900,000 and lease liabilities of approximately RMB33,267,000, while the Group's bank balances and cash was approximately RMB65,370,000 only. As stated in Note 3.1, these conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

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 31 December 2024 will be dispatched to the shareholders (if requested) 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.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2025, until the publication of the 2024 Annual Results contained in this announcement.

Upon the publication of this announcement, an application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 2 July 2025.

As at the date of this announcement, the Board is not aware of any inside information that needs to be disclosed under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

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, 30 June 2025

As at the date of this announcement, the Board of the Company comprises (i) Ms. Du Chunyi, Mr. Zhou Xinzhong, Mr. Zhang Muheng, Ms. Shi Yijing, Mr. Fu Gang and Mr. Liu Jiajie as executive Directors; and (ii) Dr. Xie Xiaoyao, Mr. Tang Zhangliang and Dr. Yang Kequan as independent non-executive Directors.