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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)

BUSINESS UPDATE AND UPDATE ON THE FREEZING OF CERTAIN BANK ACCOUNTS OF THE GROUP

This announcement is made by Pu'er Lancang Ancient Tea Co., Ltd. (the "**Company**", together with its subsidiaries, the "**Group**") pursuant to Rule 13.09 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the announcements (the "**Announcements**") of the Company dated 20 August 2025 and 28 October 2025, in relation to the freezing of certain bank accounts of the Group and receipt of arbitration award by a subsidiary of the Company, unless otherwise defined, capitalized terms used herein shall have the same meanings as those defined in the Announcements.

The board of directors of the Company (the "**Board**") wishes to provide relevant information on the business update of the Group and the further information with respect to the Litigation and the Frozen Accounts in this announcement.

TRANSFER OF THE GROUP'S BUSINESS SEGMENTS

Guangzhou Kangrui, as one of the subsidiaries of the Company, was originally responsible for the Group's distribution business, e-commerce business and direct operation segment. Pursuant to the Company's business adjustment plan, the responsibilities of Guangzhou Kangrui have been progressively adjusted as part of the Group's strategic business reorganisation. Details are set out below:

During the year of 2025, the Company reorganized its management team and identified *cost reduction and efficiency enhancement* as one of its core objectives. After a comprehensive assessment of the storage transformation effect of Pu'er tea storage (Yunnan being more suitable for Pu'er tea storage compared to Foshan, Guangdong) and the warehouse rental costs (the average rental of the Hewang warehouse in Foshan (the "**Foshan Hewang Warehouse**") originally leased by Guangzhou Kangrui was approximately RMB40 per square meter per month, compared with the rental costs of approximately RMB12 per square meter per month of the warehouse in Pu'er), the Company decided to relocate its primary storage facilities from Foshan, Guangdong back to Pu'er. This will lead to a decrease in the annual warehouse rental expenses by approximately RMB4.3 million, and the distribution business segment was accordingly transferred back to the Company's another subsidiary in Pu'er, Pu'er Lancang Ancient Tea Renhe Co., Ltd. (普洱瀾滄古茶人合有限公司) ("**Pu'er Renhe**").

Meanwhile, due to the rapid development of the business in the Greater Bay Area, and to better expand the regional market while enhancing efficiency through centralized management, the Group's e-commerce business segment and direct sales business segment were transferred to Guangzhou Kangrui Lancang Ancient Tea E-commerce Co., Ltd. (廣州康瑞瀾滄古茶電子商務有限公司) and Shenzhen Langu Industrial Co., Ltd. (深圳瀾古實業公司), respectively. The above adjustments were substantially completed in May 2025. As at the date of this announcement, Guangzhou Kangrui is maintaining the fundamental stability of its own production and operations while ensuring the seamless business transfer, primarily in accordance with the strategic adjustments to the business structure approved by the Board.

As of the date of this announcement, the transfer of the Group's business segments did not have any substantial impact on the normal business operation of the Group.

THE LITIGATION AND THE FROZEN ACCOUNTS

I. Details of Incidents Leading to the Litigation and the Frozen Accounts

(1) Business Cooperation between Hebei Company and Guangzhou Company

1. Main process of the Business Cooperation

According to the civil complaint, evidential materials, notice of response to lawsuit, notice of presentation of evidence, court summons and other documents received by the Company (collectively, the "**Litigation Materials**"), the details of the business cooperation which resulted in the Litigation and the Frozen Accounts (the "**Business Cooperation**") are as follows:

- a. Hebei Company required Guangzhou Company to obtain the authorization of "Lancang Ancient Tea" and agreed Guangzhou Company to take full responsibility for the procurement, processing and sales of the 2024 Shiguangcang products (the "**Products**"). Guangzhou Kangrui issued the authorization letter (the "**Authorization Letter**") on 1 June 2024.
- b. On 6 June 2024, Hebei Company and Guangzhou Company entered into a business cooperation contract (the "**Contract**"), pursuant to which: Hebei Company would purchase the Products from Guangzhou Company, and Guangzhou Company would supply the Products and provide a guarantee for the sales revenue. On the same day, Hebei Company, Ms. Wang, Mr. Zhang 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 respectively, entered into a pledge guarantee contract for the Business Cooperation, pursuant to which, Ms. Wang, Mr. Zhang and Guangzhou Tiansu would provide guarantees for the relevant responsibilities Guangzhou Company should assume under the Business Cooperation.
- c. Due to Guangzhou Company's failure to perform the Contract, Hebei Company initiated the Litigation. The Company received the notice of the Litigation in July 2025.

Therefore, the Business Cooperation is a commercial arrangement between Hebei Company and Guangzhou Company. Neither the Company nor Guangzhou Kangrui is a party to such agreement, but named by Hebei Company as co-defendants only because Guangzhou Kangrui issued the aforesaid Authorization Letter.

Furthermore, the Company hereby clarifies that it has not produced any Products in 2024, nor did it sell any so-called “2024 Shiguangcang products” to any entity or individual (including Guangzhou Company).

(2) Content of the Authorization Letter Issued by Guangzhou Kangrui

According to the Litigation Materials, the specific content of the Authorization Letter issued by Guangzhou Kangrui to Guangzhou Company is as follows :

As a wholly-owned subsidiary of the Company, Guangzhou Kangrui is responsible for the operation and management of the “Lancang Ancient Tea” series of products. It hereby authorizes Guangzhou Company to represent “Lancang Ancient Tea” to take full responsibility of the procurement, processing, and sales of Products. Guangzhou Kangrui shall provide support to Guangzhou Company through the comprehensive production, inspection, warehousing and sales systems of the company of “Lancang Ancient Tea”. It agrees that Guangzhou Company may sign legal documents related to the Products and authorizes Guangzhou Company to market and sell the Products in exclusive stores, franchise stores, direct-sale stores, and tasting centers within the “Lancang Ancient Tea” marketing system. The authorization period shall commence on 1 June 2024 and continue until all the Products have been sold.

(3) Discovery of Procedural Irregularities in the Issuance of the Authorization Letter

Upon review on the Company’s internal procedures, it was identified that the issuance of the Authorization Letter did not follow the required seal approval procedures of the Company. Neither the legal department (the “**Legal Department**”) of the Company and the custodian of the seal in the administration department of the Company were aware of the execution of the Authorization Letter, nor did they seal the Authorization Letter through the proper review and approval process.

During the issuance of the Authorization Letter by Guangzhou Kangrui, there were procedural violations in its use of the seal, primarily due to the relevant personnel’s failure to comply with the Company’s internal approval procedures. The specific circumstances are as follows:

- (1) Pursuant to the respective Seal Management Measures of the Company and/or Guangzhou Kangrui, the use of any company seals shall be duly approved through the Company’s OA (Office Automation) system, and is subject to the hierarchical approval procedures within the OA system: “Approval by Head of Requesting Department → Approval by Vice President in Charge → Approval by President.” However, in this instance, Mr. Zhang and Ms. Wang bypassed the required OA approval procedures on the grounds of business urgency, which constituted violations against the Company’s internal policies.

- (2) As the person in charge of the business, Mr. Zhang failed to execute the required OA approval procedures, as a result of which, the Legal Department and other departments could not be simultaneously informed of the Authorization Letter's issuance through the OA system. Upon issuance of the Authorization Letter, Mr. Zhang also did not proactively circulate the document to the Legal Department and other departments. In addition, Mr. Zhang did not promptly report such irregular use of the Company's seal to the Legal Department or the internal audit department of the Company and/or Guangzhou Kangrui after his unauthorized use of the Company's seal.

Neither the Company nor Guangzhou Kangrui had any knowledge of or intention to conduct such business before the Authorization Letter was issued. The issuance of the Authorization Letter and the use of the seal by Ms. Wang and Mr. Zhang without permission constituted their personal misconduct. The Company has initiated accountability procedures and will initiate recourse or take other disciplinary measures against the relevant responsible personnel based on the progress and outcome of the Litigation.

(4) *The Company's Position on the Litigation*

After consulting the Representative Lawyer for professional advice, the Company is of the view that:

- (1) Based on the plaintiff's complaint and the evidential materials submitted by all parties involved, (i) the first defendant sued by the plaintiff in this case is Guangzhou Company; (ii) the contracting parties involved in the Litigation are Hebei Company and Guangzhou Company; and (iii) the guarantors for the performance of the Contract are Ms. Wang, Mr. Zhang, and Guangzhou Tiansu. Accordingly, neither Guangzhou Kangrui nor the Company are the contractual parties of the transaction in question, nor does the Contract impose any obligations or liabilities upon Guangzhou Kangrui or the Company. Therefore, Guangzhou Kangrui and the Company are not required to assume any rights or obligations directly under the terms of the Contract.
- (2) Meanwhile, in accordance with the provisions set forth in Authorization Letter, Guangzhou Kangrui did not provide any explicit commitment to act as a guarantor for the transaction. Consequently, pursuant to the applicable domestic laws, the plaintiff, Hebei Company, is not entitled to assert any rights against Guangzhou Kangrui.
- (3) Although Guangzhou Kangrui is a wholly-owned subsidiary of the Company, both entities are independent from each other, thereby the Company shall not bear any liability by virtue of being the sole shareholder of Guangzhou Kangrui.
- (4) In terms of the transaction under the Contract in this case, two former directors of the Company provided guarantees in their individual capacities. These guarantees were undertaken solely as personal commitments and are entirely unrelated to the Company, as a result of which, the Company does not assume any legal liability arising from these personal guarantees.

II. Amounts Involved in the Frozen Accounts and Size of Guangzhou Kangrui to the Group

As of 31 October 2025, the amount of funds frozen in the Frozen Accounts was RMB13.57 million, accounting for 19.43% of the Group's cash balance for the same period and 1.08% of the Group's total assets as of 30 June 2025.

For the six months ended 30 June 2025, the unaudited revenue of Guangzhou Kangrui amounted to approximately RMB106.8 million, accounting for 89.4% of the Group's unaudited revenue for the same period. The unaudited net loss of Guangzhou Kangrui was approximately RMB46.35 million, while the Group's unaudited net loss for the same period was approximately RMB28.88 million.

As of 30 June 2025, the unaudited total assets of Guangzhou Kangrui were approximately RMB561.3 million, accounting for approximately 44.9% of the Group's unaudited total assets. The unaudited net assets of Guangzhou Kangrui were approximately RMB-202.8 million, while the Group's unaudited net assets were approximately RMB642.9 million.

III. Impacts of the Litigation and the Frozen Accounts on the Company's Operations and Financial Position

Following the completion of the Group's business adjustment in May 2025, the responsibilities of Guangzhou Kangrui in relation to the Group's distribution business, e-commerce business and direct operation segment have been transferred. Since 1 May 2025, except for individual key account customers (KA), the sales collections from non-directly operated stores previously in the Guangzhou Kangrui's offline business have been shifted to Pu'er Renhe.

In this context, the Group's originally expected collection from certain major customers (Guangzhou Kangrui's KA channel customers and the Company's raw tea customers) would be affected to varying degrees by the Frozen Accounts. Following negotiations with the relevant customers, these sales outstanding of the Company will be settled through other accounts not subject to freezing. As of 31 October 2025, such sales outstanding of the Company remained unaffected by the Frozen Accounts.

IV. The Company's Actions and Plans to Resolve the Litigation and Recover the Frozen Accounts

The Company's action and relevant plan with detailed timeline to resolve the Litigation and recover the Frozen Accounts are set out below:

- i. On 22 July 2025, the Company was informed of the Litigation, upon which, the management of the Company convened the relevant departments to discuss the Litigation;

- ii. In August 2025, the Company and Guangzhou Kangrui noted that certain bank accounts had been judicially frozen on 7 August 2025, which had drawn the Company's utmost attention. The Company conducted internal investigation immediately into the specific circumstances of the Frozen Accounts, actively engaged external legal counsel to represent it in the Litigation and filed an objection with the court (the "Court") in respect of jurisdiction of the Litigation. It was further noted that the hearing originally scheduled for 1 September 2025 had been cancelled, with the rescheduled date pending determination;
- iii. In September 2025, the Company maintained communication with the Court through the legal counsel and was informed that the Court had rejected the jurisdiction objection raised by the Company and Guangzhou Kangrui;
- iv. In October 2025, the Company maintained constant communication with the Court through its legal counsel and was informed that other defendants had yet to submit evidence materials. Subsequently, the legal counsel contacted some of the other defendants to further understand details of the Litigation. In addition, the Group also communicated with the relevant guarantors to discuss plans for unfreezing the Frozen Accounts, so as to facilitate subsequent efforts by the Company and Guangzhou Kangrui to unfreeze the Frozen Accounts;
- v. In November 2025, the Company intends to further confirm with the Court the hearing date, evidence submitted by other defendants and other information relating to the Litigation through the legal counsel. The Company will also instruct the counsel to prepare an evidence list on behalf of the Company and Guangzhou Kangrui based on the actual conditions of the Litigation and submit the list to the Court, and prepare responding strategies for the trial, including but not limited to opinions on the answer and evidence examination;
- vi. Upon determination of the hearing date by the Court: the Company will designate the legal counsel to attend the trial and instruct the counsel to prepare an analysis report based on the first-instance judgment, thus to enable the Company and Guangzhou Kangrui to determine subsequent action plans, including but not limited to whether to appeal in connection therewith;
- vii. Subject to the latest update of the Litigation (including settlement of the Litigation or granted with favourable judgment), the Company will submit an application to the Court through the legal counsel of this Litigation to unfreeze the Frozen Accounts and restore their normal operation.

V. The Company Intends to Engage an Independent Third-party Institution to Investigate the Relevant Matters

The Company has decided to engage independent third-party institution(s) to conduct an independent investigation and internal control review in respect of the Litigation, the Frozen Accounts, the Award and other relevant matters, for the purpose of identifying any deficiencies in the Company's internal control system and determining the parties accountable for the aforesaid matters. The Company is currently negotiating with the proposed institutions to formulate an implementation plan for the independent investigation and internal control review and will make further announcement on the identity of such institution(s) and the scope of the independent investigation 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, 22 December 2025

As at the date of this announcement, the Board comprises (i) Ms. Du Chunyi, Mr. Zhou Xinzong, Ms. Shi Yijing and Mr. Fu Gang as executive directors; (ii) Mr. Liu Jiajie as a non-executive director; and (iii) Ms. Huang Lin, Mr. Tang Zhangliang and Dr. Yang Kequan as independent non-executive directors.