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)

UPDATE ON THE FREEZING OF CERTAIN BANK ACCOUNTS OF THE GROUP AND KEY AUDIT AREAS OF THE COMPANY'S 2025 ANNUAL REPORT

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 25 July 2025, 20 August 2025, 28 October 2025 and 22 December 2025 in relation to the inventory shortfall of a subsidiary of the Company, the freezing of certain bank accounts of the Group and the 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 further information with respect to the identity of the independent third-party institution engaged to conduct the independent investigation and internal control review, the proposed scope of such investigation and the relevant information relating to the key audit areas to be addressed in the audit of the Company's 2025 annual report in this announcement.

PROPOSED ENGAGEMENT OF AN INDEPENDENT THIRD-PARTY INSTITUTION TO INVESTIGATE THE RELEVANT MATTERS

Reference is made to the announcement of the Company dated 22 December 2025, in which the Company announced that it 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. Taking into account, among other factors, the professional qualifications, the experience in conducting independent investigations, the reputation, resources and capabilities of the relevant institutions and their teams, the overall investigation proposals, as well as considerations of independence and objectivity, the Company proposed to appoint Peng Sheng Certified Public Accountants (Special General Partnership) ("**Pengsheng**") to carry out the independent investigation and internal control review. The principal reasons are as follows:

(a). **Professional Qualifications:** Pengsheng holds audit qualifications for companies listed on the A-share market in the People's Republic of China ("**PRC**"), the H-share market in Hong Kong, and the New York Stock Exchange and NASDAQ in the United States. In 2020, it completed the filing for securities service business, and in 2024 it obtained approval for registration with the Public Company Accounting Oversight Board (PCAOB) in the United States. Pengsheng is familiar with cross-border regulatory compliance standards and possesses the expertise to conduct independent investigations of listed companies;

(b). **Industry Experience:** Pengsheng has cultivated expertise in corporate internal control audits and investigations into irregularities for many years, serving hundreds of enterprises and institutions. In particular, it has accumulated mature experience in investigating matters such as irregularities in seal management of listed companies, fund misappropriation, inventory losses, and disputes related to account freezes. Such experience enables Pengsheng to effectively identify the core risk points of the independent investigation and internal control review;

(c). **Team Composition and Resources:** Pengsheng has 133 partners and 580 certified public accountants, with a nationwide workforce of 3,100 professionals. It maintains branch offices in Guangzhou and Hong Kong, among other locations, enabling rapid mobilization of local resources to conduct on-site inspections. This arrangement aligns with the current project's need to investigate multiple related parties across different regions, including Guangzhou, Hebei, and Yunnan, thereby ensuring efficient project execution. For this independent investigation and internal control review, Pengsheng has established a core team composed of experienced professionals. Mr. Guo Yu, one of the partners, will serve as the overall project leader; Mr. Guo Rongrui, a project manager, will act as the on-site leader; Mr. Li Feng will be responsible for quality control review; and Ms. Zhou Chun will be a key member of the project team. All of the above members possess practical experience in independent investigations and corporate internal control audits (the "**Core Team Members**");

(d). **Independence and Credibility:** Pengsheng has issued an independent declaration confirming that it has no interest relationship with the Company or the relevant parties involved. Besides, since its establishment, Pengsheng has no record of any reprimands or penalties made by the Shanghai Stock Exchange, Shenzhen Stock Exchange, the Stock Exchange, The Securities and Futures Commission of Hong Kong and the Ministry of Finance of the PRC. Pengsheng has received administrative supervision decisions in the form of issuance of warning letters from the Shenzhen Office, Chongqing Office, and Sichuan Office of the China Securities Regulatory Commission, which mainly arose from deficiencies in audit procedures, internal management mechanisms and quality control. Pengsheng has also received a rectification order from the Chongqing Municipal Finance Bureau, which mainly arose from issues relating to internal quality control, audit procedures, and irregularities in working paper documentation. The related matters have been rectified and recorded in the Securities and Futures Market Integrity Archive. However, these do not constitute administrative penalties and do not affect Pengsheng's qualification or independence to undertake this independent investigation engagement; and

(e). **Suitability of the Investigation Plan:** Pengsheng has formulated a phased implementation plan of approximately eight weeks for the current project, covering the entire process from data collection and fact verification to report preparation. The plan specifies a three-tier review mechanism and risk control measures. Its targeted approach, operability and control of timelines are well aligned with the urgency and complexity of the Company's current investigation and internal control review.

Pengsheng's Expertise and Experiences Relevant to the Independent Investigation and Internal Control Review

Specifically, Pengsheng has undertaken a number of projects since 2020 that are relevant to the Company's proposed independent investigation and internal control review. Details of such projects are set out below:

Business area	Number of engagements	Client background	Nature of projects	Typical investigation/ review scope	Engagement purpose
Forensic Investigation	18	Including 6 listed companies (2 listed on the Stock Exchange and 4 A-share listed companies) and 12 non-listed/private companies (including 3 companies proposed for listing)	Financial fraud verification; investigation into fund occupation by related parties; management misconduct investigation; pre-M&A due diligence	1. Look-through verification of bank statements, including related party transactions between individual and corporate accounts; 2. Inventory book-to-physical reconciliation & traceability of loss causes; 3. Verification of sales/ purchase contract authenticity; 4. Evidence collection for management override of internal controls.	1. Assist listed companies in responding to regulatory inquiries/investigations; 2. Help companies proposing for listing resolve historical issues to meet listing compliance requirements; 3. Provide evidential support for shareholders/board of directors in damages litigation.
Internal Control Review	25	8 listed companies and 17 non-listed/private companies which are primarily engaged in manufacturing, Fast-Moving Consumer Goods and others businesses.	Internal control deficiency diagnosis; key process internal control optimization; pre-listing internal control rectification; internal control reconstruction upon non-compliance.	1. Walkthrough testing of key processes, including but not limited to fund management, seal management, procurement management and inventory management; 2. Revision of internal control manuals &authority matrix determination; 3. Classification of internal control deficiencies (major/ material/general) and follow-up on rectification plans.	1. Meet requirements under the "Basic Standards for Business Internal Control" and the Listing Rules regarding internal control effectiveness; 2. Prevent internal control risks like seal misappropriation and fund loss; 3. Enhance operational efficiency and reduce compliance costs.

Business area	Number of engagements	Client background	Nature of projects	Typical investigation/ review scope	Engagement purpose
Seal Management Misappropriation Verification	7	3 listed companies and 4 non-listed/private companies	Investigation into unauthorized seal use; rectification of internal control deficiencies in seal management; accountability for misappropriation.	1. Reconciliation of seal usage logs with review and approval records; 2. Authenticity & impact assessment of unauthorized sealed documents, such as contracts, authorization letters; 3. Verification of seal custodian's duty fulfillment.	1. Identify the specific matters, amounts involved, and responsible personnel involved in unauthorized seal use; 2. Improve end-to-end internal controls for seal management from custody to review and approval, use and archiving; 3. Provide basis for internal accountability or external litigation.
Frozen Bank Accounts Investigation	11	4 listed companies and 7 non-listed/private companies	Verification of causes for account freezing; assistance with unfreezing procedures; support resolution for related disputes.	1. Obtain freezing orders & related legal documents from banks/courts; 2. Verify linkage between the freezing subjects and companies' business/debt disputes; 3. Trace fund flows of frozen accounts, and assess impact on operations.	1. Quickly identify core reasons for freezing (e.g., lawsuits, preservation orders, mistaken freeze); 2. Assist companies in formulating unfreezing plan to restore use of fund; 3. Mitigate operational risks arising from frozen accounts.
Inventory Loss Investigation	9	3 listed companies (including 1 company engaged in food & beverage business) and 6 non-listed/private companies	Investigation into causes of inventory shortage/damage; support for inventory impairment testing; rectification of warehousing internal controls.	1. Inventory stocktaking (including supervision/ random stocktaking), reconciliation of book-physical differences; 2. Trace full process records from procurement, goods-in, storage to goods-out; 3. Analyze loss causes, such as theft, expiration, poor management, improper storage, etc.	1. Identify specific amounts, causes and responsible personnel for inventory losses; 2. Provide basis for inventory impairment provision; 3. Optimize internal control processes relating to warehousing management & inventory management to prevent future losses.

The Core Team Members' Qualifications, Expertise and Experiences Relevant to the Independent Investigation and Internal Control Review

The details of the Core Team Members' qualifications, expertise and experiences relevant to the independent investigation and internal control review are set out below:

- **Project lead**: Mr. Guo Yu holds qualifications as a Certified Public Accountant (CPA) and Certified Tax Agent in the PRC, and has been awarded the title of Senior Accountant. He has accumulated 20 years of practising experience, taking charge/participating in a total of 15 forensic investigation projects, 20 internal control review projects, 6 seal misappropriation verification projects, and 8 inventory loss investigation projects. In particular, Mr. Guo Yu has been in charge of the supervised stocktaking and inventory loss investigation projects for 2 listed companies engaging in the food & beverage industry, and unauthorized seal use investigation projects for 3 listed companies. Mr. Guo Yu possesses core experience in both unauthorized seal use and inventory management for listed companies, which highly matches the two core matters under the independent investigation and internal control review for the Company. He has also previously led independent investigation projects for listed companies on the Stock Exchange, familiar with the Stock Exchange's requirements and disclosure standards for independent investigations;

- **Quality control reviewer**: Mr. Li Feng is a partner at Pengsheng, Head of the International Department at Pengsheng and Partner at Asia-Pacific Pengsheng Tax Agents* (亞太鵬盛稅務師事務所). He holds a master's degree in accounting from overseas study and possesses multiple senior qualifications, including Senior Certified Public Accountant, Senior Certified Tax Agent and Senior Certified Planner in China. He has accumulated 16 years of practising experience, taking charge/participating in a total of 9 bank account freezing investigation projects, 16 internal control review projects and 10 related party fund occupation investigation projects. In particular, Mr. Li Feng has taken charge of frozen-account

- **Core member**: Ms. Zhou Chun holds dual qualifications as a Certified Public Accountant (CPA) and Certified Tax Agent in the PRC, with over 10 years of experience in the audit industry. She has accumulated 7 years of practising experience, participating in a total of 7 inventory loss investigation projects and 10 warehouse internal control review projects, specializing in inventory verification in manufacturing and Fast-Moving Consumer Goods industries. Ms. Zhou Chun has ever participated in the stocktaking project for a tea distribution company, familiar with the storage characteristics and stocktaking methods for tea products. Ms. Zhou Chun possesses inventory verification experience in tea industry and is able to accurately identify internal control deficiencies and loss causes in the Company's inventory storage. She is skilled in supervised stocktaking and book-physical variance reconciliation, ensuring accuracy of inventory loss investigation results.

The Company considers the professional backgrounds of the Core Team Members to be highly relevant to the proposed independent investigation and internal control review due to the following reasons:

- Each of the Core Team Members has direct project experience in at least two areas relevant to the independent investigation and/or internal control review, with no personnel lacking relevant experience engaged in core work;

- The team possesses inventory investigation experience in food & beverage/tea industry, as well as independent investigation experience with listed companies, enabling adaptation to the Company's business scenarios and listing compliance requirements; and

- Each of the Core Team Members assumes the respective responsibilities covering the entire process of investigation, evidence collection, internal control and rectification, ensuring efficiency and quality of the investigation work.

The Substantive Scope of the Independent Investigation

Pengsheng has proposed the following substantive scope of the independent investigation, with a focus on the following four core objectives: "verification of violations, assessment of impact, identification of risks and proposal of rectification measures".

(a). Substantive Scope and Specific Matters to be Ascertained under the Independent Investigation

Based on the substantive scope, the independent investigation targets to ascertain the following 4 core matters around the key areas of internal control deficiencies within the Company:

(1) Matters Relating to Seal Management Misappropriation

- To be ascertained specifically: the specific content, quantity, amounts involved, signatories, and reasons for lack of review and approval procedures for all incidents of unauthorized seal use without compliance with proper review and approval procedures; and

- To be further ascertained: whether the documents, such as authorization letters, sealed without authorization have caused the Company to assume additional legal liabilities, debt risks, or operating losses; whether there is any instance of relevant personnel exploiting unauthorized use of seals for personal gain.

(2) Matters Relating to Frozen Bank Accounts

- To be ascertained specifically: freezing reasons, frozen amounts, freezing period, authority issuing the freezing order, and relevant legal basis for all frozen bank accounts of the Company and its subsidiaries; and

- To be further ascertained: whether the frozen accounts are directly related to unauthorized use of seals; whether funds in the frozen accounts have been irregularly transferred out, misappropriated, or preserved by others; and to verify the transfer of certain businesses from Guangzhou Kangrui to Pu'er Renhe, so as to confirm the relevance between such business transfer and the freezing of bank accounts, as well as the specific impact on the Company's daily operations and cash flows.

(3) Matters Relating to Inventory Loss

- To be ascertained specifically: specific varieties, quantities and amounts of the subsidiaries' inventories in shortage, and timeframe of occurrence of the inventory loss; and

- To be further ascertained: specific causes of inventory loss, such as poor management, theft, improper storage conditions, expiration, etc.; whether internal control deficiencies exist in the inventory counting process; whether there is any instance of relevant personnel embezzling the Company's assets by fabricating inventory losses.

(4) Tracing of Fund Flows and Compliance Verification of Fund Management

- To be ascertained specifically: (i) relevant matters regarding the Award in the Company's announcement dated 28 October 2025, including identifying

(3) Financial risk: whether the violations have caused the Company to incur significant losses or contingent liabilities; whether they impact the truthfulness and accuracy of the Company's financial statements;

(4) Operational risk: whether account freezing and inventory loss have a material adverse effect on the Company's daily operations, customer relationships and cash flow; and

(5) Personnel accountability risk: whether any related personnel is engaged in negligence, dereliction of duty or fraud, which makes him/her be subject to corresponding internal or legal accountability.

(d). Results or Conclusions Expected to be Obtained Through the Independent Investigation

(1) Issue two formal reports: the independent investigation report and the internal control review report, which clearly set out all the violations, internal control deficiencies and risk points discovered during the investigation;

(2) Form investigation conclusions: provide clear conclusions on the nature, causes and impact of the violations; provide an overall assessment on the effectiveness of the Company's internal control system;

(3) Propose rectification recommendations: propose feasible internal control rectification recommendations and optimization plans tailored to the Company's business characteristics, including but not limited to process revisions, division of authority, and oversight mechanisms for seal management, fund management and inventory management;

(4) Identify responsible principals: If any personnel is found during the investigation engaged in negligence, dereliction of duty, or fraud, Pengsheng will propose accountability determination and follow-up action recommendations; and

(5) Support compliance disclosure: provide a basis for the Company to disclose the related matters to the Stock Exchange and investors in a truthful, accurate and complete manner, assist the Company in meeting listing compliance requirements and safeguard investor interests.

The Company will authorise Pengsheng to have full rights to access and obtain information within the scope of the independent investigation and internal control review, including but not limited to the Company's books and records, and authorise Pengsheng to directly and independently contact relevant third parties (including but not limited to courts and banks) to perform and complete its independent investigation and internal control review.

Upon completion of the independent investigation, Pengsheng will, based on the findings, determine a more tailored and focused scope of the internal control review, together with specific enhancement measures as appropriate. The Company will also make further disclosures regarding the foregoing matters in due course.

KEY AUDIT MATTERS TO BE ADDRESSED BY DA HUA IN THE AUDIT OF THE COMPANY'S 2025 ANNUAL REPORT

Key Audit Matters Raised by Shinewing, the Associated Risks and Potential Internal Control Measures

Da Hua Certified Public Accountants (Special General Partnership) ("**Da Hua**"), the auditors of the Company, confirmed that their audit plan for the Company's 2025 annual report has included asset impairment, inventory existence and valuation issues, going concern capability and revenue recognition as key audit areas, with corresponding response measures formulated as follows:

(a). Asset Impairment

As of 31 December 2024, the Company made a consolidated provision for long-term asset impairment of RMB188 million, covering fixed assets, construction in progress, intangible assets, right-of-use assets and long-term deferred expenses. In response, Da Hua plans to adopt the following measures during the planning stage of the 2025 annual audit:

(1) Understand and evaluate the effectiveness of the internal control design and operation of Company's management relating to asset impairment;

(2) Understand the reasons for the Company's significant provision for long-term asset impairment as of 31 December 2024;

(3) If impairment indicators continue to exist in the current period, require the Company's management to conduct impairment testing on the relevant assets in 2025, while assessing the reasonableness of key assumptions and judgments made during the impairment testing by the Company's management; and

(4) If the Company intends to rely on the evaluation results of external appraisal experts, Da Hua will discuss with the external experts engaged by the Company's management the methods used in impairment testing, key assumptions of evaluation, parameter selection, forecasts of future revenue and discount rates of cash flows, and evaluate their reasonableness; and will also evaluate the independence, objectivity and professional competence of such external experts engaged by the Company's management.

(b). Inventory Existence and Valuation Matters

As of 31 December 2024, inventory accounted for 67.33% of total assets of the Company, and as at 30 June 2025, inventory accounted for 71.93% of total assets. Given the high proportion of inventory, Da Hua plans to adopt the following measures during the 2025 audit planning stage:

(1) Understand and evaluate the effectiveness of the internal control design and operation of the Company's management relating to inventory;

(2) Review the process and results of impairment testing performed by the Company's management on inventory; where necessary, evaluate inventory values at the end of the period using the service of third-party inspection institutions, and further assess the independence, objectivity and professional competence of such institutions;

(3) Participate in the Company's year-end inventory stocktaking for 2025; preliminarily determine that the scope of stocktaking covers raw materials, work-in-progress at various stages of production, semi-finished goods and finished goods. During the stocktaking, review the Company's management of inventory, such as whether warehouses are equipped with monitoring systems, automatic alarm devices, dehumidifiers and thermometers; and check the accuracy of inventory quantities and verify the actual condition of inventory;

(d). Revenue Recognition Matters

The Company's operating revenue is primarily derived from tea sales. As operating revenue is one of the Company's key performance indicators, there is an inherent risk that management may manipulate revenue recognition to achieve specific performance targets. In response, Da Hua plans to adopt the following measures during the 2025 audit planning stage:

(1) Understand and evaluate the effectiveness of the design and operation of the Company's management on key internal controls relating to revenue recognition;

(2) Select samples of sales contracts and authorization agreements to evaluate whether the timing of revenue recognition complies with the requirements of the Accounting Standards for Business Enterprises;

(3) Compare and analyze the structure and price changes of product sales during the reporting period to identify any abnormalities, and assess whether the reasons for such changes are reasonable; additionally, perform gross margin analysis on significant products during the reporting period to check for anomalies, major fluctuations between periods, and analyze the causes of such fluctuations;

(4) Select samples from the revenue sub-ledger to examine customer receipt confirmation documents and reconcile them with logistics delivery information to verify the authenticity of transactions;

(5) Test logistics delivery information involving large amounts around the balance sheet date, to reconcile accounts receivable with the revenue sub-ledger; additionally, select vouchers involving large amounts from accounts receivable and the revenue sub-ledger around the balance sheet date and reconcile them with logistics delivery information to determine whether sales were recorded across periods;

(6) In conjunction with the audit of accounts receivable, advance payments and contract liabilities, select significant customers for confirmation of reported sales and balances during the reporting period;

(7) Examine whether there were any significant sales returns during the reporting period and analyze the reasonableness of such returns; and

(8) Evaluate whether the presentation and disclosure of revenue by the Company's management in the financial statements and notes are appropriate.

Matters Stated in the Announcements, the Associated Risks and Potential Internal Control Issues

In addition, Da Hua confirmed that it has noted the relevant matters described in the Announcements and has incorporated the related issues, risks and internal control concerns into its key audit areas. The firm has formulated the following specific response measures:

(a). Inventory Shortfall and Product Replacement Matters

On 22 April 2025 and 30 May 2025, the Company published announcements regarding certain inventory shortfall and the progress of related investigations. In response, Da Hua plans to adopt the following measures during the 2025 audit planning stage:

(1) Obtain from the Company's management an understanding of the specific circumstances of the matters concerned;

(2) Understand and evaluate the effectiveness of the internal control design and operation of the management relating to inventory;

(3) Examine relevant information involved in the above matters, such as memorandum of cooperation, product replacement contracts, the special investigation report on the inventory shortfall at Guangzhou Kangrui's warehouse, related interview records of the Company and the pricing references for the replaced products;

(4) Send confirmation letters to counterparties to verify the authenticity and accuracy of the transactions;

(5) Check the current-period sales or production usage of the replaced products to evaluate the commercial reasonableness of the product replacement; and

(6) Review the investigation results and process of the independent third-party investigation agency engaged by the Company to examine matters relating to inventory management.

(b). Freezing of Certain Bank Accounts and Related Unauthorized Cooperation and Personal Guarantee Transactions by Former Directors

On 20 August 2025 and 22 December 2025, the Company published announcements regarding the freezing of certain bank accounts and the latest progress of related matters. In response to the above account freezing and the unauthorized cooperation and personal guarantee transactions, Da Hua plans to adopt the following measures during the 2025 audit planning stage:

(1) Verify the authenticity of the bank account freezing and confirm the scope of the freeze (such as amount and duration);

(2) Obtain from the Company relevant litigation materials and account-freezing documents, and perform confirmation procedures on the frozen bank accounts. For other unfrozen accounts at the same bank, perform simultaneous confirmations to determine whether there is any risk of joint freezing, thereby preventing concealment of multiple frozen accounts;

(3) Reconcile the Company's book records with bank information: check whether the book balance of deposits in frozen accounts agrees with the bank statement balance, confirm whether reconciling items are normal, and determine whether the frozen amount represents a full freeze of the account or a partial freeze;

(4) Consult with the Company's engaged legal counsel to understand the progress of the case, evaluate the specific impact of the freezing on the financial statements, assess the conditions for liability recognition based on litigation developments, and simultaneously evaluate the contingent liability risk of the litigation to confirm whether the Company has omitted recognition of provisions on liabilities;

(5) Confirm with the Company's management or head of the legal department the completeness of the freezing matters, and verify whether there are any undisclosed frozen accounts or undisclosed contingent litigation matters;

(6) Inquire with the Company's management regarding the measures it plans to take in response to the former directors' unauthorized matters, and whether the Company has reassessed its internal control system and operational effectiveness and enhanced its preventive measures;

(7) Understand and evaluate the design and operating effectiveness of internal controls related to external guarantees by management;

(8) Inquire with the Company's management and governance bodies regarding guarantee matters and obtain written representations;

(9) Review the corporate credit report to verify whether any externally registered guarantee information exists;

(10) Assess the Company's systems for approval processes, authorization settings and information disclosure of guarantee business;

(11) Perform sample checks of the Company's seal usage records for 2025 to examine the compliance of the seal usage process; and

(12) Review the investigation results and process of the independent third-party investigation agency engaged by the Company regarding the bank account freezing and related litigation matters.

(c). Business Transfer of Major Subsidiaries

On 22 December 2025, the Company issued an announcement regarding the transfer of sales operations previously undertaken by Guangzhou Kangrui. In response, Da Hua plans to adopt the following measures during the 2025 audit planning stage:

(1) Obtain from the Company's management an understanding of the specific reasons for the transfer of sales operations, review relevant corporate decision-making documents such as board resolutions, and examine the logical rigor and reasonableness of the "cost reduction and efficiency enhancement" rationale;

(2) Analyze cost-effectiveness by comparing warehousing cost data of relevant entities before and after the business adjustment, and quantify the expected benefits;

(3) Inquire with the Company's management and perform sample checks to determine whether the procedures for transferring related receivables and payables are complete, particularly whether receivable transfers with downstream customers have been formalized through receivables transfer agreements, and whether related sales contracts and authorization agreements have been re-executed;

(4) Strengthen inventory stocktaking procedures: conduct focused inventory counts across major companies within the Group, with particular attention to verifying ownership, condition and consistency of system data;

(5) Perform walkthrough tests of internal controls related to revenue at Pu'er Renhe, the subsidiary undertaking part of the transferred business, and select key control points to test the effectiveness of critical internal control execution; and

(6) Through sample checks of sales contracts, customer receipt confirmation documents, logistics delivery information and bank collection records corresponding to revenue recognition, verify whether both business operations and financial records have been simultaneously transferred to Pu'er Renhe.

(d). Unauthorized Borrowing Matters During the Tenure of Two Former Directors

On 28 October 2025, the Company published an announcement regarding unauthorized borrowings during the tenure of two former directors. In response, Da Hua plans to adopt the following measures during the 2025 audit planning stage:

(1) Understand and evaluate the effectiveness of the internal control design and operation of the management relating to seal management;

(2) Obtain and analyze relevant arbitration documents and written undertakings of the former directors as mentioned in the above announcement;

(3) Perform sample checks of the Company's seal usage records for 2025 to examine the compliance of the seal usage process;