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PU'ER LANCIANG 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 ON PROPOSED FURTHER CHANGE IN USE OF PROCEEDS

References are made to (i) the prospectus of the Company dated 14 December 2023 (the “**Prospectus**”) in relation to the future plans and use of proceeds (the “**Use of Proceeds**”) from global offering of the Company (the “**Global Offering**” or “**H Shares Offering**”); (ii) the announcement of the Company dated 21 December 2023 in relation to the offer price and allotment results of the Global Offering; (iii) the announcement dated 17 July 2024 (the “**Announcement**”) and the circular dated 19 July 2024 of the Company (the “**Circular**”) in relation to the change in use of net proceeds from H Shares Offering (the “**First Change in Use of Proceeds**”); and (iv) the interim report of the Company for the six months ended 30 June 2024 (the “**2024 Interim Report**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meaning as those defined in the Prospectus, the Announcement on First Change in Use of Proceeds and the 2024 Interim Report.

USE OF PROCEEDS AS DISCLOSED IN THE PROSPECTUS AND AS AMENDED BY THE FIRST CHANGE IN USE OF PROCEEDS

As set out in the Announcement, after deducting the underwriting commission and other estimated expenses payable by the Company in connection with the Global Offering, the total net proceeds from the Global Offering amounted to RMB141.4 million (the “**Net Proceeds**”). The original allocation of Net Proceeds is disclosed in the section of “**FUTURE PLANS AND USE OF PROCEEDS**” in the Prospectus.

As mentioned in the Announcement and the Circular, the Company has made certain changes in use of the unutilised Net Proceeds of approximately RMB106.6 million as of 30 June 2024, the allocation of the Net Proceeds after the First Change in Use of Proceeds is set out in the paragraphs headed “**PROPOSED FURTHER CHANGE IN USE OF PROCEEDS**” below.

PROPOSED FURTHER CHANGE IN USE OF PROCEEDS

As of November 30, 2024, being the latest practicable date for the purpose of this announcement, approximately RMB57.6 million of the Net Proceeds remained unutilised. Taking into consideration of the reasons set out in the paragraphs headed “**REASONS FOR AND BENEFITS OF CHANGE IN USE OF NET PROCEEDS**” below, the Board has resolved to reallocate a total of RMB26.0 million of the Net Proceeds to repay bank loans (the “**Further Change in Use of Proceeds**”), which includes:

- (a) To reallocate RMB18.9 million from the unutilised Net Proceeds of RMB32.2 million, which is originally allocated for the sales channels building, to repay bank loans. The remaining of RMB13.3 million will continue to be invested in optimizing the sales network. The tea culture promotion and training project will no longer be funded through the Net Proceeds, and the Company will consider investing in such project using its own funds, bank loans, or other methods deemed appropriate based on market conditions and its development; and
- (b) To reallocate the entire unutilised Net Proceeds of RMB7.1 million, which is originally allocated for strategic investments in and acquisitions of business opportunities in the tea industry, to repay bank loans. As of November 30, 2024, no proceeds have been invested in the strategic investments in and acquisitions of business opportunities in the tea industry, and the Company will consider future investments in such project based on market conditions and its own development, using its own funds, bank loans, or other methods deemed appropriate.

Set out below are the details of the allocation of the Net Proceeds as amended by the First Change in Use of Proceeds, the proposed reallocation in the Net Proceeds under the Further Change in Use of Proceeds, the revised use of Net Proceeds as amended by the Further Change in Use of Proceeds, the utilised Net Proceeds as of 30 November 2024, the unutilised Net Proceeds as of 30 November 2024 following the Further Change in Use of Proceeds and the expected timeline for utilizing the remaining unutilised Net Proceeds:

Use of Net Proceeds	Planned use of Net Proceeds as amended by the First Change in Use of Proceeds		Proposed reallocation in the Net Proceeds under the Further Change in Use of Proceeds	Revised use of Net Proceeds as amended by the Further Change in Use of Proceeds		Utilised Net Proceeds as of 30 November 2024	Unutilised Net Proceeds as of 30 November 2024 following the Further Change in Use of Proceeds	Expected timeline for full utilization
	Amount of Approximate Net Proceeds (RMB million)	Approximate Percentage of the total Net Proceeds		Amount of Approximate Net Proceeds (RMB million)	Approximate Percentage of the total Net Proceeds			
Building modernised logistics and warehousing centers, building new production facilities and upgrading current production facilities	11.7	8.3%	-	11.7	8.3%	9.5	2.2	End of 2025
Sales channel building	38.2	27.0%	(18.9)	19.3	13.6%	6.0	13.3	End of 2025
Brand building and product marketing	25.4	18.0%	-	25.4	18.0%	21.8	3.6	End of 2025
Strategic investments in and acquisitions of business opportunities in the tea industry	7.1	5.0%	(7.1)	-	-	-	-	-
Upgrading our information technology infrastructure and strengthening our research and development capabilities	7.1	5.0%	-	7.1	5.0%	1.8	5.3	End of 2025
Working capital and other general corporate purposes	21.9	15.5%	-	21.9	15.5%	21.9	-	End of 2024
Investment in the Shanquan Fermentation Project	30.0	21.2%	-	30.0	21.2%	22.8	7.2	End of 2024
Repayment of the borrowings	-	-	26.0	26.0	18.4%	-	26.0	End of 2025
Total	141.4	100.0%	-	141.4	100.0%	83.8	57.6	

Save as disclosed in this announcement, there are no other changes in the use of remaining unutilised Net Proceeds.

REASONS FOR AND BENEFITS OF FURTHER CHANGE IN USE OF NET PROCEEDS

(1) To Adjust the Net Proceeds used for the Sales Channels Building of the Company

In the face of the multiple uncertainties in the global economy and geopolitics, consumer markets need more time and more adjustments to recover, which puts forward a higher demand for the sustainable operation capabilities of enterprises. The Company has always remained optimistic and confident in the development of the end consumer market. However, given the uncertainty and complexity of the current environment of the market, the Company needs to adopt more comprehensive strategies for market expansion.

The Company's current sales channel is distribution-dominated, supplemented by self-operated, where distributors mainly sell our products to end consumers through offline stores. To achieve the comprehensive development of the Company's channel sales capabilities, we originally planned to use the Net Proceeds mainly for the establishment and investment of self-operated stores in the sales channel building project, and set aside a small amount of funds for the popularization and training of tea culture. As of 30 November 2024, the Company had invested RMB6.0 million from the Net Proceeds in the sales channel building project, which was mainly used for the building and operation of self-operated stores.

Opening self-operated stores generally requires the Company to invest more funds and manpower in the decoration and operation of the stores. However, taking an overall look at the market conditions throughout 2024 and the Company's operating cash inflow, we made a comprehensive judgement that it is necessary to take a relatively cautious attitude towards the opening of self-operated stores at this stage. Therefore, 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 can enhance the efficiency of fund utilization and better support the sustainable development of the Company.

(2) To Adjust the Net Proceeds Used for Strategic Investments in and Acquisitions of Business Opportunities in the Tea Industry

As disclosed in the 2024 Interim Report dated 25 September 2024 of the Company, during January to June 2024, our sales revenues from distributors were RMB123.2 million, representing a year-on-year decrease of 29.9% as compared to the same period in 2023. Distributors of the Company operated offline stores were under more pressure due to uncertainties and complexities of the consumer market, which directly and further imposed stress on distributors in making payment to the Company. From the perspective of distributors' operational performance and taking into account the Company's analysis on overall market in tea industry, the Company does not identify any suitable investment and acquisition opportunities with synergistic effect at this stage. Therefore, for the purpose of capital use efficiency, utilization of idle fund from the project to repay bank loans at this stage will not only help to improve efficiency in the use of capitals, but also reduce the pressure arising from slow payment from front-end stores on the operational cash flow of the Company.

The Board confirms that the Further Change in Use of Proceeds is in the interest of the Company and its Shareholders as a whole, and has no material adverse effect on the existing business and operation of the Group.

The use of Net Proceeds is subject to combined effects of macro economy, industrial development, actual operation performance of the Company and other factors. The Board will continue to assess such evolving situations and if necessary, revise or modify such plans in respond to risks associated with evolving market conditions and changes in the Company's own operations, to ensure a sustainable growth of the Company for a long term.

OTHER MATTERS

According to the articles of association of the Company and the relevant laws and regulations, the proposed Further Change in Use of Proceeds from H Shares Offering is subject to the approval of the Shareholders by way of an ordinary resolution at the general meeting of the Company. A circular containing, among other things, the details of the resolution in respect of the Further Change in Use of Proceeds and a notice of the extraordinary general meeting will be published 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, 30 December 2024

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