Tenfu (Cayman) Holdings Company Limited
天福（開曼）控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6868)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2019

Financial Highlights

- Revenue for the year ended 31 December 2019 increased by 9.9% from RMB1,635.6 million for 2018 to RMB1,796.8 million;
- Gross profit for the year ended 31 December 2019 increased by 7.3% from RMB985.8 million for 2018 to RMB1,057.6 million, with a decrease in gross profit margin from 60.3% for 2018 to 58.9% for the year ended 31 December 2019;
- Profit for the year ended 31 December 2019 increased by 1.7% from RMB268.6 million for 2018 to RMB273.1 million, which corresponded to a decrease in net profit margin from 16.4% for 2018 to 15.2% for the year ended 31 December 2019;
- Basic earnings per share for the year ended 31 December 2019 was RMB0.24; and
- The Board proposed a final dividend of HKD0.14 per share (equivalent to RMB0.13 per share).

The board (the “**Board**”) of directors (the “**Directors**”) of Tenfu (Cayman) Holdings Company Limited (the “**Company**” or “**Tenfu**”, together with its subsidiaries, the “**Group**”) is pleased to announce the consolidated results of the Group for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018 as below.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December **2019** ***RMB'000***	2018 *RMB'000*
Revenue	*3*	**1,796,834**	1,635,562
Cost of sales		**(739,231)**	(649,812)
Gross profit		**1,057,603**	985,750
Distribution costs		**(410,690)**	(415,460)
Administrative expenses		**(232,971)**	(224,734)
Other income	*4*	**26,497**	23,486
Other gains – net	*5*	**2,318**	764
Operating profit		**442,757**	369,806
Finance income		**7,260**	13,077
Finance costs		**(36,414)**	(13,998)
Finance costs – net	*6*	**(29,154)**	(921)
Share of profits less losses of investments accounted for using the equity method		**2,376**	2,387
Profit before income tax		**415,979**	371,272
Income tax expense	*7*	**(142,842)**	(102,654)
Profit for the year, all attributable to the owners of the Company		**273,137**	268,618
Other comprehensive income for the year		**–**	–
Total comprehensive income for the year, all attributable to the owners of the Company		**273,137**	268,618
Earnings per share for profit attributable to the owners of the Company			
– Basic earnings per share	*8*	**RMB0.24**	RMB0.22
– Diluted earnings per share	*8*	**RMB0.24**	RMB0.22

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December **2019** ***RMB'000***	 2018 *RMB'000*
ASSETS			
Non-current assets			
Right-of-use assets	*10*	**427,643**	–
Land use rights	*10*	**–**	280,419
Investment properties		**6,942**	9,460
Property, plant and equipment		**681,568**	700,364
Intangible assets		**3,442**	3,203
Investments accounted for using the equity method		**117,594**	108,492
Deferred income tax assets		**50,866**	42,583
Prepayments – non-current portion	*11(b)*	**467**	1,989
Restricted cash		**110,000**	–
Long-term time deposits		**20,000**	–
		1,418,522	1,146,510
Current assets			
Inventories		**782,635**	648,687
Trade and other receivables	*11(a)*	**320,000**	243,778
Prepayments	*11(b)*	**61,090**	75,053
Financial assets at fair value through profit or loss		**2,714**	–
Time deposits		**123,185**	56,800
Restricted cash		**4,000**	–
Cash and cash equivalents		**190,966**	666,820
		1,484,590	1,691,138
Total assets		**2,903,112**	2,837,648

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	*12*	**91,274**	98,593
Treasury shares	*12*	**(8,336)**	(1,735)
Other reserves	*13*	**41,926**	409,316
Retained earnings		**1,569,434**	1,531,504
Total equity		**1,694,298**	2,037,678
LIABILITIES			
Non-current liabilities			
Borrowings	*15*	**5,877**	6,703
Lease liabilities	*10*	**95,770**	–
Deferred income on government grants	*16*	**33,925**	36,057
Deferred income tax liabilities		**27,937**	16,413
		163,509	59,173
Current liabilities			
Trade and other payables	*14*	**345,502**	255,579
Current income tax liabilities		**54,084**	64,525
Borrowings	*15*	**510,826**	343,088
Contract liabilities	*17*	**85,831**	77,605
Lease liabilities	*10*	**49,062**	–
		1,045,305	740,797
Total liabilities		**1,208,814**	799,970
Total equity and liabilities		**2,903,112**	2,837,648

NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION

The Group is engaged in the classification, packaging and sales of tea leaves, manufacture and sales of tea snacks, sales of tea ware, catering management, beverage production and sales of pre-packaged food. The Group has manufacturing plants in Fujian Province, Sichuan Province and Zhejiang Province, the People's Republic of China (the "PRC") and sells mainly to customers located in the PRC.

The Company was incorporated in the Cayman Islands on 22 April 2010 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company's ordinary shares have been listed on the main board of The Stock Exchange of Hong Kong Limited since 26 September 2011.

The financial information is presented in Renminbi ("RMB"), unless otherwise stated. The financial information has been approved for issue by the board of directors (the "Board") of the Company on 20 March 2020.

2 BASIS OF PREPARATION

The financial information is extracted from the consolidated financial statements of the Company which have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and requirements of the Hong Kong Companies Ordinance Cap. 622 under the historical cost convention.

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

HKFRS 16	Leases
HK (IFRIC) 23	Uncertainty over income tax treatments
HKFRS 9 (Amendments)	Prepayment features with negative compensation
HKAS 28 (Amendments)	Long-term interests in associates and joint venture
HKAS 19 (Amendments)	Plan amendment, curtailment or settlement
Annual Improvements to HKFRS Standards 2015-2017 Cycle	Annual improvements of HKFRS 3, HKFRS 11,HKAS12 and HKAS 23

The Group had to change its accounting policies and make certain adjustments following the adoption of HKFRS 16. Other newly adopted standards or amendments listed above did not have material impact on the amounts recognised in prior periods and are not expected to significantly affect the amounts for the current or future period.

Leases

The Group has adopted the standard from 1 January 2019. The Group applied the cumulative catch-up approach and did not restate comparative amounts for the year prior to first adoption. The method recognises the cumulative effect of applying the new standard as an adjustment to the opening balance of equity on adoption which is the difference between the amount of right-of-use assets and the lease liability (adjusted by the amount of any previously recognised prepaid or accrued lease payments relating to that lease).

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019. The lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was as below:

	Incremental borrowing rate
Leases with terms within 1 to 5 years	4.75%
Leases with terms more than 5 years	4.90%

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;

- Reliance on previous assessments on whether leases are onerous;

- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;

- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and

- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 Determining whether an Arrangement contains a Lease.

(ii) Measurement of lease liabilities

	1 January 2019
	RMB'000
Operating lease commitments disclosed as at 31 December 2018	**153,132**
Less:	
Short-term leases recognised on a straight-line basis as expense	**(12,091)**
	141,041
Discounted using the lessee's incremental borrowing rate at the date of initial application, lease liabilities recognised as at 1 January 2019	**130,642**
Of which are:	
Current lease liabilities	**45,000**
Non-current lease liabilities	**85,642**
	130,642

(iii) Measurement of right-of-use assets

The associated right-of-use assets for each lease at its carrying amount as if the standard had been applied since the commencement date. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

(iv) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets – increase by RMB413,291,000
- Prepayments – decrease by RMB16,382,000
- Leasehold land and land use rights – decrease by RMB280,419,000
- Deferred tax assets – increase by RMB2,146,000
- Accrued expenses – decrease by RMB5,567,000
- Lease liabilities (current portion) – increase by RMB45,000,000
- Lease liabilities (non-current portion) – increase by RMB85,642,000

The net impact on retained earnings on 1 January 2019 was a decrease of RMB6,439,000.

(v) ***Lessor accounting***

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

(b) New standards and interpretations not yet adopted

The following new standards, amendments and interpretations which have been issued but are not effective for the financial year beginning on 1 January 2019 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

		Effective for annual periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKFRS3 (Amendments)	Definition of a Business	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to HKFR 9, HKAS 39 and HKFRS 7	IBOR Reform and its Effects on Financial Reporting – Phase 1	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021

3 REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. The Board has determined the operating segments based on these reports.

The Board considers the business from a product perspective. The Board assesses the performance of the operating segments based on a measure of segment profit or loss.

The reportable operating segments derive their revenue primarily from the classification, packaging and sales of tea leaves, manufacture and sales of tea snacks, and sales of tea ware.

Others include revenue from restaurant, hotel, tourist, management services and catering management, beverage production and sales of pre-packaged food and liquor. These are not included within the reportable operating segments, as they are not presented separately in the reports provided to the Board.

No geographical segment information is presented as almost all the sales and operating profits of the Group are derived within the PRC and almost all the operating assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns.

During 2019 and 2018, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

The Board assesses the performance of the operating segments based on a measure of adjusted operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. The common administrative expenses, other gains or losses, other income, financing (including finance costs and interest income), share of results of investments accounted for using equity method and income taxes are managed on a group basis and are not allocated to operating segments.

Segment assets consist primarily of land use rights, property, plant and equipment, intangible assets, inventories, trade and other receivables, prepayments, as well as time deposits, cash and cash equivalents and restricted cash held by subsidiaries in Mainland China. They exclude investment properties, deferred income tax assets and prepaid tax, as well as time deposits, cash and cash equivalents and restricted cash held by the Company and overseas subsidiaries.

Segment liabilities comprise operating liabilities. They exclude borrowings, deferred income tax liabilities, current income tax liabilities, dividends payable and other payables due to related parties and directors' and senior management's emoluments payable.

Revenue

Revenue of the Group consists of the following revenues for the years ended 31 December 2019 and 2018. All revenues are derived from external customers.

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Sales of tea leaves	**1,214,954**	1,117,338
Sales of tea snacks	**220,651**	241,997
Sales of tea ware	**205,337**	194,135
Others	**155,892**	82,092
	1,796,834	1,635,562

Segment information

The segment results for the year ended 31 December 2019:

	Tea leaves *RMB'000*	Tea snacks *RMB'000*	Tea ware *RMB'000*	All other segments *RMB'000*	Total *RMB'000*
Segment revenue	**1,214,954**	**220,651**	**205,337**	**155,892**	**1,796,834**
Segment results	**339,268**	**43,504**	**39,709**	**12,913**	**435,394**
Unallocated administrative expenses					**(21,452)**
Other income					**26,497**
Other gains – net					**2,318**
Finance costs – net					**(29,154)**
Share of profits less losses of investments accounted for using the equity method					**2,376**
Profit before income tax					**415,979**
Income tax expense					**(142,842)**
Profit for the year					**273,137**

Other segment items included in the 2019 consolidated statement of comprehensive income:

	Tea leaves *RMB'000*	Tea snacks *RMB'000*	Tea ware *RMB'000*	All other segments *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Depreciation of property, plant and equipment	**30,662**	**14,550**	**5,980**	**9,015**	**9,535**	**69,742**
Depreciation of investment properties	**–**	**–**	**–**	**–**	**581**	**581**
Depreciation and amortisation of right-of-use assets	**53,285**	**9,857**	**9,097**	**1,463**	**–**	**73,702**
Amortisation of intangible assets	**481**	**81**	**75**	**38**	**481**	**1,156**
Losses on disposal of property, plant and equipment, net	**194**	**55**	**57**	**44**	**–**	**350**

The segment assets and liabilities as at 31 December 2019 are as follows:

	Tea leaves *RMB'000*	**Tea snacks** *RMB'000*	**Tea ware** *RMB'000*	**All other segments** *RMB'000*	**Unallocated** *RMB'000*	**Total** *RMB'000*
Segment assets	**1,712,498**	**251,208**	**314,088**	**356,623**	**268,695**	**2,903,112**
– Investments in associates and joint ventures	**461**	**–**	**1,320**	**115,813**	**–**	**117,594**
– Additions to non-current assets	**198,150**	**29,067**	**36,343**	**16,234**	**–**	**279,794**
Segment liabilities	**615,982**	**105,854**	**89,664**	**65,306**	**332,008**	**1,208,814**

The segment results for the year ended 31 December 2018:

	Tea leaves *RMB'000*	Tea snacks *RMB'000*	Tea ware *RMB'000*	All other segments *RMB'000*	Total *RMB'000*
Segment revenue	1,117,338	241,997	194,135	82,092	1,635,562
Segment results	304,438	30,659	38,149	(7,320)	365,926
Unallocated administrative expenses					(20,370)
Other income					23,486
Other gains – net					764
Finance costs – net					(921)
Share of profits less losses of investments accounted for using the equity method					2,387
Profit before income tax					371,272
Income tax expense					(102,654)
Profit for the year					268,618

Other segment items included in the 2018 consolidated statement of comprehensive income:

	Tea leaves *RMB'000*	Tea snacks *RMB'000*	Tea ware *RMB'000*	All other segments *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Depreciation of property, plant and equipment	35,786	12,152	6,837	9,920	8,832	73,527
Depreciation of investment properties	–	–	–	–	609	609
Amortisation of land use rights	9,127	2,194	1,849	813	–	13,983
Amortisation of intangible assets	378	80	68	18	420	964
Losses on disposal of property, plant and equipment, net	31	28	4	66	–	129
Gains on disposal of land use rights, net	–	–	–	(34)	–	(34)

The segment assets and liabilities as at 31 December 2018 are as follows:

	Tea leaves *RMB'000*	Tea snacks *RMB'000*	Tea ware *RMB'000*	All other segments *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Segment assets	1,634,648	273,564	244,855	306,481	378,100	2,837,648
– Investments in associates and joint ventures	374	–	465	107,653	–	108,492
– Additions to non-current assets	41,015	9,429	7,069	26,468	–	83,981
Segment liabilities	259,762	52,342	17,895	18,827	451,144	799,970

The Group has recognised following liabilities related to contracts with customers:

	As at 31 December 2019 ***RMB'000***	As at 31 December 2018 *RMB'000*
Contract liabilities – advances	**72,978**	61,952
Contract liabilities – customer loyalty programme	**12,853**	15,653
Total contract liabilities	**85,831**	77,605

The following table shows how much of the revenue recognised for the year ended 31 December related to carried-forward contract liabilities that were satisfied in a prior year.

	As at 31 December 2019 ***RMB'000***	As at 31 December 2018 *RMB'000*
Contract liabilities – advances	**61,952**	55,180
Contract liabilities – customer loyalty programme	**15,653**	18,939
	77,605	74,119

Restatements for changes in accounting policy

The adoption of the new leasing standard described in note 2(a) had the following impact on the segment disclosures in the current year.

	(Decrease)/Increase		
	Segment profits	**Segment assets**	**Segment liabilities**
	RMB'000	*RMB'000*	*RMB'000*
Tea leaves	(2,405)	107,211	98,868
Tea snacks	(437)	19,471	17,956
Tea ware	(407)	18,120	16,709
All other segments	(560)	10,128	11,299
	(3,809)	154,930	144,832

Comparative segment information has not been restated. As a consequence, the segment information disclosed for the items noted above is not entirely comparable to the information disclosed for the prior year.

4 OTHER INCOME

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Government grants	**20,274**	17,093
Income from investment properties	**2,621**	2,546
Amortisation of deferred income on government grants *(Note 16)*	**2,132**	2,659
Others	**1,470**	1,188
	26,497	23,486

5 OTHER GAINS – NET

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Losses on disposal of land use rights and property, plant and equipment, net	**(350)**	(95)
Net foreign exchange gains	**2,178**	859
Gains from sale of financial assets at fair value through profit or loss	**490**	–
	2,318	764

6 FINANCE COSTS – NET

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Finance income		
– Interest income on bank deposits and time deposits	**7,260**	13,077
Total finance income	**7,260**	13,077
Finance costs		
– Interest expenses on bank borrowings	**(21,559)**	(13,931)
– Less: amounts capitalised in qualifying assets	**275**	41
– Net foreign exchange losses	**(6,683)**	(108)
– Interest expenses for lease liabilities	**(8,447)**	–
Total finance costs	**(36,414)**	(13,998)
Net finance costs	**(29,154)**	(921)

7 INCOME TAX EXPENSE

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Current income tax		
– PRC corporate income tax	**120,759**	98,762
Deferred income tax	**22,083**	3,892
Income tax expense	**142,842**	102,654

(i) Cayman Islands profits tax

The Company is not subject to any taxation in the Cayman Islands.

(ii) Hong Kong profits tax

Hong Kong profits tax has not been provided for subsidiaries incorporated or operated in Hong Kong as these subsidiaries did not have estimated assessable profit for the year.

(iii) PRC corporate income tax ("CIT")

CIT is provided at the rate of 25% (2018: 25%) on the assessable income of entities within the Group incorporated in Mainland China.

(iv) PRC withholding income tax

According to the CIT Law, starting from 1 January 2008, a 10% withholding tax will be levied on the immediate holding companies established outside the PRC when their PRC subsidiaries declare dividends out of their profits earned after 1 January 2008. A lower withholding tax rate of 5% may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign immediate holding companies, including those incorporated in Hong Kong.

Such withholding tax is recorded under deferred income tax. During the year ended 31 December 2017, Tenfu (Hong Kong) Holdings Co., Ltd. ("Tenfu HK"), a subsidiary of the Company, acquired qualification for the lower tax rate of 5% for dividend received from its subsidiaries in mainland China. During the year ended 31 December 2018, the Company and Ten Rui (Hong Kong) Sales Holdings Co., Ltd. ("Ten Rui HK"), a subsidiary of the Company, acquired qualification for the lower tax rate of 5% for dividend received from its subsidiaries in mainland China. During the year ended 31 December 2019, the Group applied the 5% withholding tax rate on its estimate of deferred income tax.

8 EARNINGS PER SHARE

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

	Year ended 31 December	
	2019	2018
Profit attributable to the owners of the Company (RMB'000)	**273,137**	268,618
Weighted average number of ordinary shares in issue ('000)	**1,155,770**	1,222,585
Basic earnings per share (RMB)	**0.24**	0.22

Diluted earnings per share for the year ended 31 December 2019 and 2018 were the same as the basic earnings per share as there were no dilutive instruments during the periods.

9 DIVIDENDS

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Interim dividend declared	**61,971**	63,815
Proposed final dividend	**141,022**	146,329
	202,993	210,144

At a meeting held on 20 March 2020, the Board proposed a final dividend for 2019 of Hong Kong Dollar ("HKD") 155,457,000 (equivalent to RMB141,022,000) (2018: HKD167,950,000 (equivalent to RMB146,329,000)), representing HKD14 cents (equivalent to RMB13 cents) (2018: HKD14 cents (equivalent to RMB12 cents)) per share, to be appropriated from retained earnings.

The proposed final dividend for 2019 is to be approved by the shareholders at the forthcoming Annual General Meeting. The proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2020.

The interim dividend for 2019 of HKD6 cents (equivalent to RMB5.4 cents) (2018: HKD6 cents (equivalent to RMB5.2 cents) per share was declared by the Board on 20 August 2019. This interim dividend, amounting to HKD69,011,000 (equivalent to RMB61,971,000) (2018: HKD73,632,000 (equivalent to RMB63,815,000)), has been reflected as an appropriation of retained earnings for the year ended 31 December 2019.

The dividends paid in 2019 amounted to RMB208,300,000 (2018: RMB203,393,000).

10 LEASES

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at 31 December 2019 ***RMB'000***	As at 1 January 2019 Restated *RMB'000*	As at 31 December 2018 *RMB'000*
Right-of-use assets			
– Land use rights	**274,318**	280,419	–
– Retail shops	**153,325**	132,872	–
	427,643	413,291	–
Land use rights	**–**	–	280,419
Lease liabilities			
– Current	**49,062**	45,000	–
– Non-current	**95,770**	85,642	–
	144,832	130,642	–

Movements in right-of-use assets and land use rights are analysed as follows:

	Right-of-use assets 2019			Land use rights 2018
	Retail Shops ***RMB'000***	**Land use rights** ***RMB'000***	**Total** ***RMB'000***	Land use rights *RMB'000*
At 1 January	**132,872**	**280,419**	**413,291**	269,703
Additions	**80,163**	**7,891**	**88,054**	24,742
Disposals	**–**	**–**	**–**	(43)
Amortisation charges	**(59,710)**	**(13,992)**	**(73,702)**	(13,983)
At 31 December	**153,325**	**274,318**	**427,643**	280,419

(ii) Amounts recognised in the statement of comprehensive income

The statement of profit or loss shows the following amounts relating to leases:

	2019			2018
	Retail Shops	**Land use rights**	**Total**	Land use rights
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*
Depreciation and amortisation charge of right-of-use assets				
Distribution costs	**56,645**	**11,693**	**68,338**	11,686
Administrative expenses	**3,065**	**313**	**3,378**	1,984
Cost of sales	**–**	**1,986**	**1,986**	313
	59,710	**13,992**	**73,702**	13,983
Interest expense (including in finance cost) *(Note 6)*			**8,447**	–
Expense relating to short-term leases			**42,097**	104,404
Total charges to the statement of comprehensive income			**124,246**	118,387

The total cash outflow for leases in 2019 was RMB65,974,000.

11 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

(a) Trade and other receivables

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade receivables from third parties	**307,289**	233,851
Interest receivable on time deposits	**6,048**	2,053
Others	**6,663**	7,874
	12,711	9,927
Total of trade and other receivables	**320,000**	243,778

Most of the Group's sales are settled in cash or in bills by its customers. Credit sales are made to selected customers with good credit history with a credit term of 140 days.

As at 31 December 2019 and 2018, the ageing analysis of the trade receivables of the Group based on invoice date is as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Up to 140 days	**299,189**	229,901
141 days to 6 months	**5,432**	1,079
6 months to 1 year	**1,357**	2,073
1 year to 2 years	**606**	760
2 years to 3 years	**705**	38
	307,289	233,851

As at 31 December 2019, trade receivables of RMB8,100,000 (2018: RMB3,950,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Past due within 40 days	**5,432**	1,079
Past due over 40 days and within 220 days	**1,357**	2,073
Past due over 220 days	**1,311**	798
	8,100	3,950

As at 31 December 2019, no trade receivables were impaired and provided for (2018: nil). Therefore, no analysis of credit loss is presented.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
RMB	**319,724**	236,295
USD	**276**	7,483
	320,000	243,778

The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

(b) Prepayments

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Non-current		
Prepayments for property, plant and equipment	**467**	1,989
Current		
Prepayments for lease of property and lease deposits	**23,520**	54,300
Prepayments to related parties	**549**	2,246
Prepaid taxes	**21,623**	13,444
Prepayments for raw materials and packaging materials	**15,398**	5,063
	61,090	75,053
	61,557	77,042

The carrying amounts of trade and other receivables and prepayments approximate their fair value as at the balance sheet date.

12 SHARE CAPITAL AND TREASURY SHARES

	Number of authorised shares *(thousands)*	Number of issued shares *(thousands)*	Ordinary shares (nominal value) *RMB'000*	Treasury Shares *RMB'000*	Total *RMB'000*
At 1 January 2019	**8,000,000**	**1,199,997**	**98,593**	**(1,735)**	**96,858**
Repurchase of shares	**–**	**–**	**–**	**(407,678)**	**(407,678)**
Cancellation of shares	**–**	**(89,587)**	**(7,319)**	**401,077**	**393,758**
At 31 December 2019	**8,000,000**	**1,110,410**	**91,274**	**(8,336)**	**82,938**
At 1 January 2018	8,000,000	1,227,207	100,816	–	100,816
Repurchase of shares	–	–	–	(129,487)	(129,487)
Cancellation of shares	–	(27,210)	(2,223)	127,752	125,529
At 31 December 2018	8,000,000	1,199,997	98,593	(1,735)	96,858

The Company repurchased 90,770,000 ordinary shares of its own through the Stock Exchange from 1 January 2019 to 31 December 2019. The total value of shares repurchased was approximately HKD460,515,000 (approximately RMB407,678,000) and has been deducted from shareholders' equity, and the actual payment made for the repurchase was RMB401,778,000 due to the dividends received by the Company for shares repurchased before ex-dividend date.

As at 31 December 2019, the Company cancelled 89,587,000 shares. After the cancellation, the Company's ordinary shares in issue were reduced from 1,199,997,460 to 1,110,410,460. The amount of share capital was deducted accordingly.

13 OTHER RESERVES

	Merger reserve *RMB'000*	Capital reserve *RMB'000*	Statutory reserves *RMB'000*	Other *RMB'000*	Total *RMB'000*
At 1 January 2019	**278,811**	**231**	**255,785**	**(125,511)**	**409,316**
Appropriation to statutory reserves	**–**	**–**	**20,468**	**–**	**20,468**
Cancellation of shares	**–**	**–**	**–**	**(387,858)**	**(387,858)**
At 31 December 2019	**278,811**	**231**	**276,253**	**(513,369)**	**41,926**
At 1 January 2018	278,811	231	237,246	–	516,288
Appropriation to statutory reserves	–	–	18,539	–	18,539
Cancellation of shares	–	–	–	(125,511)	(125,511)
At 31 December 2018	278,811	231	255,785	(125,511)	409,316

At the end of year 2019, the Company cancelled 89,587,000 shares (2018: 27,210,000 shares) repurchased, resulted in a reduction to other reserve by RMB387,858,000 (2018: RMB125,511,000) including the expenses attributable to the cancellation.

14 TRADE AND OTHER PAYABLES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade payables – due to third parties	**160,246**	107,560
Trade payables – due to related parties	**47,919**	36,343
Total trade payables	**208,165**	143,903
Notes payable	**10,000**	–
Payables for property, plant and equipment	**2,567**	2,823
Other taxes payable	**25,938**	20,304
Employee benefit payables	**28,091**	27,817
Others	**70,741**	60,732
	345,502	255,579

As at 31 December 2019 and 2018, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice date is as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Up to 6 months	**207,510**	141,789
6 months to 1 year	**204**	542
1 year to 2 years	**28**	601
Over 2 years	**423**	971
	208,165	143,903

The carrying amounts of trade and other payables approximate their fair value as at the balance sheet date.

15 BORROWINGS

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Long-term bank borrowing		
– Secured (i)	**6,703**	7,489
Less: Current portion	**(826)**	(786)
	5,877	6,703
Short-term bank borrowings		
– Secured (ii)	**110,000**	–
– Unsecured (iii)	**400,000**	342,302
Add: Current portion of long-term bank borrowing	**826**	786
	510,826	343,088
Total borrowings	**516,703**	349,791

(i) The long-term bank borrowing represented the mortgage loan of original amount of RMB9,000,000 for the purchase of a store premise under construction. The borrowing bears interest at the rates quoted by People's Bank of China from time to time and requires monthly instalment of repayment up to November 2026. As at 31 December 2019, the remaining balance of the loan was RMB6,703,000.

(ii) As at 31 December 2019, short-term bank borrowings of RMB110,000,000 (2018: nil) were secured by the pledge of time deposits of RMB110,000,000 (2018: nil) as collateral.

(iii) As at 31 December 2019, short-term bank borrowings of RMB380,000,000 (2018: RMB172,302,000) were guaranteed by Mr. Lee Rie-Ho, Mr. Lee Chia Ling and Mr. Lee Kuo-Lin, all of them are directors of the Company, either separately or jointly.

The exposure of the Group's borrowings to interest rate changes and the contractual pricing dates as at the end of the year is as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
6 months or less	**330,407**	192,690
7-12 months	**180,419**	150,398
1-5 years	**3,772**	3,583
Over 5 years	**2,105**	3,120
	516,703	349,791

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
RMB	**516,703**	349,791

The Group's weighted average effective interest rates on borrowings at the balance sheet date were as follows:

	As at 31 December	
	2019	2018
Short-term bank borrowings	**3.81%**	3.79%
Long-term bank borrowing	**5.15%**	5.15%

The fair value of short-term bank borrowings of the Group approximate their carrying amounts as at the balance sheet date. The fair value of the long-term bank borrowing is not significant.

16 DEFERRED INCOME ON GOVERNMENT GRANTS

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
At beginning of year	**36,057**	31,216
Granted during the year	**–**	7,500
Amortised as income	**(2,132)**	(2,659)
At end of year	**33,925**	36,057

These represent government grants received from certain municipal governments of mainland China as an encouragement for the Group's construction of properties. Such government grants are being recognised as income on a straight line basis over the expected lives of the related properties.

17 CONTRACT LIABILITIES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Advance receipts from customers	**72,978**	61,952
Deferred revenue: customer loyalty programme	**12,853**	15,653
	85,831	77,605

The Group operates a loyalty programme where customers accumulate points for purchases made which entitle them to redeem products of the Group in the future. Accordingly certain portion of the revenue from sale transaction is required to be deferred. Revenue from the reward points is recognised when the points are redeemed. Unused reward points will expire after one year.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

In 2019, the Group achieved revenue of RMB1,796.8 million, up 9.9% from 2018, and recorded profit for the year of RMB273.1 million, up 1.7% from 2018. The increase in the Group's revenue for the year was mainly due to adjustment of sales network to maximize the profitability and expansion of sales category.

In 2019, the Group further strengthened its market position and the efficiency of its operations, including further expanding its network, actively promoting the customer loyalty programme, consolidating and developing customer base, increasing release of marketing program and education and training for the employees, improving employees' benefits, while controlling expenditures.

1. **Leading brand position.** Pursuant to the data of Chinese Enterprises Brands Research Centre (中國企業品牌研究中心), Tenfu ranked first among 2019 China's chain stores of tea in terms of brand index, the "Tenfu" (天福) brand has one of the highest levels of brand awareness amongst tea product consumers in the PRC. With its high level of brand awareness and more than 25 years of presence in the market, the Group believes it is in a strong position to continue capturing such expected growth in the market for branded traditional Chinese tea leaves.

2. **Adjusting sales network.** While the whole consumption declines under the current economic conditions in the PRC, the Group has adjusted their retail outlets and retail points to keep the profitable ones and shut down the unprofitable ones in the PRC. As of 31 December 2019, the Group had a total of 1,172 self-owned and third-party owned retail outlets and retail points, compared with a total of 1,120 as of 31 December 2018.

3. **Adjustment in each tea product category and development of diversified product lines.** In the first half of 2019, the Group adjusted its tea product categories, increasing the sales percentage of middle- and higher-ended products to meet Chinese consumers' need. Additionally, the Group established cooperation with Kinmen Kaoliang Liquor Inc. of Taiwan to sell the sorghum liquor with double brands, i.e. Tenfu and KKL in the PRC from mid of 2019.

4. **Keeping legal compliance.** The tea leaves and tea snacks industries are heavily regulated in the PRC, operation of which includes product approvals, product processing, formulation, manufacturing, packaging, labelling, distribution and sale and maintenance of manufacturing facilities, and the Group kept in compliance with the relevant laws and regulations applicable to the Group, including Food Safety Law, Regulations on Food Production Permits, Regulations on Sale of Food Permits, Product Quality Law, Consumer Protection Law, Trademark Law, Patent Law, Labour Contract Law of the PRC, etc. The Group is also subject to the PRC laws and regulations concerning the discharge of waste water and solid waste during manufacturing processes, which require the Group to obtain certain clearances and authorisations from government authorities for the treatment and disposal of such discharge. The PRC Government may take steps towards the adoption of more stringent environmental regulations, the Group may need to invest more for future environmental expenditures to install, replace, upgrade or supplement pollution control equipment or make operational changes to limit any adverse impact or potential adverse impact on the environment in order to comply with the new environmental regulations.

5. **Guarantee of food safety.** The Group paid high attention on food safety and conducted various quality inspection and testing procedures during the Group's production process, to ensure compliance with applicable quality requirements promulgated by the relevant authorities. In October 2015, the Group got the qualification certification for its egg roll and candy production line and related auxiliary areas, reaching the consolidated standards for prerequisite and food safety programs of American Institute of Baking. In the meantime, it also implemented one product, one Bar-code anti-counterfeiting traceability system at all factories.

6. **Relationships with customers and suppliers.** The Group always maintains good relationship with customers and suppliers. For the year ended 31 December 2019, the aggregate percentage of purchases attributable to the Group's five largest suppliers accounted for approximately 24.7% of the Group's total purchase. The Group selects suppliers carefully to ensure the quality of raw materials and packaging materials through maintaining appraisal records for suppliers and grading them on a declining scale according to the quality of material supplied, price, ability to meet demand and punctuality of delivery time. The percentage of revenue attributable to the Group's five largest customers accounted for approximately 4.4% of the Group's total revenue. The credit terms granted to the top five customers are in line with those granted to other customers. The top five customers made subsequent settlement of trade receivables within the credit term. The Group has historically depended on sales to the third-party retailers, and third-party retailers are expected to remain important in sales network. If the third-party retailers are not able to operate successfully or the Group fails to maintain good relationships with such parties, the business, financial condition and results of operations of the Group could be materially and adversely affected. Since 2008, the Group has acquired a number of retail outlets and retail points from third-party retailers and operated the self-owned retail outlets and retail points. In order to keep good customer services, the Group maintains a customer service hotline to handle general service inquiries and ensure a timely response to all customer concerns. The Group's internal policy requires that all complaints be reported and resolved promptly. If a complaint is not resolved during the call, the customer service representative is required to timely report such complaint to the local sales office which covers the region where the complaining customer is located. For the year ended 31 December 2019, the Group did not incur any material costs in relation to these complaints and there had not been any material product recall.

The business environment for the first half of 2020 was expected to be extremely challenging, exacerbated by the significant negative impact of the novel coronavirus ("**COVID-19**") and U.S.-China trade war. It is expected that the retail industry in Mainland China will face a lot of challenges in the forthcoming year. With the interruption brought by COVID-19, the Group's financial results in 2020 may be affected due to the general market conditions in the year of 2020. Having said that, the Group has strived its best to ensure the operation of its stores in China are functioning properly. In view of the challenging business environment, the Group will continue to strictly monitor the recoverability of receivables from its customers and keep close contact with its suppliers to safeguard the stable supply of products.

In particular, the Group plans to:

1. **Continue to adjust and optimise retail sales network.** The Group plans to further adjust retail outlets and retail points, including both self-owned and third-party owned retail outlets and retail points. In order to achieve this goal, the Group plans to identify, establish and keep new retail outlets on high-traffic streets in the central business districts of selected cities, as well as retail points in popular shopping malls, actively expand networks in third-tier and fourth-tier and smaller cities, and develop quality distributors to increase sales of its tea products. To capture more customers who prefer to buy their tea products on-line, the Group continues to monitor the opportunity to increase internet sales after completion of acquisition of Xiamen Tianyu Commerce and Trading Co., Limited (廈門天鈺商貿有限公司) in September 2013. The Group will continue to monitor other opportunities for multi-channel sales and distribution network, which enables the Group to access a broad market audience and penetrate into different regions in the PRC, and continue to rapidly expand their sales.

2. **Continue to enhance brand reputation and consumer awareness.** The Group plans to maintain and promote its high level of brand awareness through targeted marketing and promotional activities. As part of these promotional activities, the Group plans to make further efforts to promote its products and brands during traditional Chinese festivals, and actively hold tea ware exhibition, pu'er tea expo, new tea tasting events and tea art education activities for enhancement of communications and interactions with customers in order to maintain and promote the well-known "Tenfu" brand.

3. **Continue to develop new concepts for tea-related products.** The Group believes that a broad portfolio of products will help it to maintain its leading brand position and keep pace with constantly changing consumer preferences and trends. To this end, the Group will continue the development of tea and tea-related products to meet market requirements, as well as creating the trend and leading the trend. Through the completion of acquisition of Xiamen Tianqia Catering Management Co., Limited (廈門天洽餐飲管理有限公司) in October 2013, the Group entered into the tea drink (including milk tea) industry with the trademark of "放牛斑". Xiamen Daily Plus Food Beverage Management Co., Ltd. (廈門天天佳盈餐飲管理有限公司), a joint venture company with Ten Ren Tea Co., Ltd. (天仁茶業股份有限公司) was established in January 2014 to further develop the tea drink business with the trademark of "喫茶趣 TO GO". Through the establishment of Xiamen Daily Plus Food Beverage Management Co., Ltd., the Group has expanded its market share in tea drink (including milk tea) industry by cooperation with Ten Ren Tea Co., Ltd. and leveraging experience of Ten Ren Tea Co., Ltd. in Taiwan and international markets.

4. **Enhance processing and distribution efficiency and effectiveness.** The Group has implemented a fully-integrated ERP (Enterprise Resource Planning) system since 2012 so as to collect real-time sales and inventory data from retail outlets. The Group intends to continue proper implementation and usage of the ERP system, aiming to streamline its distribution operation and improve collection of information, so that the Group can plan its processing schedules, manage resources and monitor sales and inventory information more efficiently and effectively.

5. **Expand production capacity through the increase of the number of processing facilities.** The Group plans to cater for future growth and anticipated increases in the demand for tea and tea-related products by expanding production capacity when suitable acquisition opportunities arise or suitable construction sites can be acquired. The Group has production facilities strategically located in different parts of China, which would achieve optimisation in procurement costs.

In 2019, coping with the external and internal uncertainties and changes, the Group gained valuable experience, and also strengthened the planning, management and operation abilities of the Board, the management, and the staff. Such experience will help the Group to face and overcome challenges of the future. The Company's sustainable development depends on the supports and efforts of all the parties involved, including the customers, the suppliers, the business partners and the shareholders, and in particular the efforts and contributions and dedication of all staff of the Group.

Looking forward, the Group's primary goal is to continue growing its business and increasing its market share by leveraging its strong market position and sales network and the anticipated economic growth in the PRC tea market.

Financial Review

Revenue

During the year ended 31 December 2019, the Group engaged in the sales and marketing of a comprehensive range of tea products and the development of product concepts, tastes and packaging designs. The Group has manufacturing plants in Fujian province, Sichuan province and Zhejiang province, the PRC. The Group's key products are tea leaves, tea snacks and tea ware, which it sells through a nationwide network of self-owned and third-party owned retail outlets and retail points. The Group has started the sales of tea drink (including milk tea) with the trademark of "放牛斑" and "喫茶趣 TO GO".

During the year ended 31 December 2019, the Group derived substantially all of its revenue from the sales of tea leaves, tea snacks and tea ware. The revenue of the Group increased by 9.9% from RMB1,635.6 million for the year ended 31 December 2018 to RMB1,796.8 million for the year ended 31 December 2019. The following table sets forth a breakdown of revenue by product category for the years indicated:

	Year ended 31 December			
	2019		2018	
	RMB'000	*%*	*RMB'000*	*%*
Revenue contributed from:				
Sales of tea leaves	**1,214,954**	**67.6**	1,117,338	68.3
Sales of tea snacks	**220,651**	**12.3**	241,997	14.8
Sales of tea ware	**205,337**	**11.4**	194,135	11.9
Others(1)	**155,892**	**8.7**	82,092	5.0
Total	**1,796,834**	**100.0**	1,635,562	100.0

Note:

(1) *"Others" include revenue from restaurant, hotel, tourist, management service and catering management, beverage production and sales of pre-packaged food and liquor. The Group derived its revenue from these operations through the provision of accommodation, food and beverages and other ancillary services and ticket sales from its tea museums.*

Revenue from sales of the Group's tea leaves increased by 8.7% from RMB1,117.3 million for the year ended 31 December 2018 to RMB1,215.0 million for the year ended 31 December 2019. Revenue from sales of the Group's tea snacks decreased by 8.8% from RMB242.0 million for the year ended 31 December 2018 to RMB220.6 million for the year ended 31 December 2019. Revenue from sales of the Group's tea ware increased by 5.8% from RMB194.1 million for the year ended 31 December 2018 to RMB205.3 million for the year ended 31 December 2019. The revenue increases from sales of the Group's tea leaves and tea ware were primarily due to a change in product structure and a success in sales promotion. The revenue decrease from sales of the Group's tea snacks was primarily driven by a change in product structure.

As of 31 December 2019, the Group had approximately 251 self-owned retail outlets and approximately 458 wholesalers throughout Mainland China accounted for approximately 47.9% and 48.1% of total revenue respectively, compared with approximately 278 self-owned retail outlets and approximately 200 wholesalers as of 31 December 2018.

Cost of sales

Cost of sales of the Group primarily comprises costs of inventories (mainly including costs of raw materials) and labour costs. Cost of sales of the Group increased by 13.8% from RMB649.8 million for the year ended 31 December 2018 to RMB739.2 million for the year ended 31 December 2019, primarily due to the increase in sales and different sales mix.

Gross profit and gross profit margin

As a result of the foregoing factors, gross profit of the Group increased by 7.3% from RMB985.8 million for the year ended 31 December 2018 to RMB1,057.6 million for the year ended 31 December 2019, with gross profit margin decreasing by 2.3% from 60.3% for the year ended 31 December 2018 to 58.9% for the year ended 31 December 2019 due to increase of wholesale revenue and change in product structure.

Distribution costs

The distribution costs of the Group decreased by 1.1% from RMB415.5 million for the year ended 31 December 2018 to RMB410.7 million for the year ended 31 December 2019. The decrease was primarily due to optimisation of store composition and management.

Administrative expenses

Administrative expenses for the Group increased by 3.7% from RMB224.7 million for the year ended 31 December 2018 to RMB233.0 million for the year ended 31 December 2019. The increase was primarily due to increase of human cost and transportation expenses.

Other income

Other income of the Group increased by 12.8% from RMB23.5 million for the year ended 31 December 2018 to RMB26.5 million for the year ended 31 December 2019. The increase was primarily due to the increase in PRC local government grants which were recognised as income immediately from RMB17.1 million for the year ended 31 December 2018 to RMB20.3 million for the year ended 31 December 2019.

Other gains - net

Other gains of the group increased by 187.5% from RMB0.8 million for the year ended 31 December 2018 to RMB2.3 million for the year ended 31 December 2019. The increase was primarily due to an increase in foreign exchange gains.

Finance income

Finance income of the Group decreased by 44.3% from RMB13.1 million for the year ended 31 December 2018 to RMB7.3 million for the year ended 31 December 2019. The decrease was primarily due to the decrease in interest income as a result of placing capital with bank deposits.

Finance costs

Finance costs of the Group increased by 160.1% from RMB14.0 million for the year ended 31 December 2018 to RMB36.4 million for the year ended 31 December 2019, reflecting an increase in interest expenses on the Group's bank borrowings and interest expense for lease liabilities due to the HKFRS16 adoption.

Share of profit less losses of investments accounted for using the equity method

Share of profit less losses of investments accounted for using the equity method of the Group was a net gain amounting to RMB2.4 million and RMB2.4 million for the years ended 31 December 2019 and 2018, respectively.

Income tax expense

Income tax expense of the Group increased by 39.0% from RMB102.7 million for the year ended 31 December 2018 to RMB142.8 million for the year ended 31 December 2019, primarily due to an increase in the Group's profit before tax of the subsidiaries of the Group located in mainland China for the year ended 31 December 2019 compared with the year ended 31 December 2018.

Profit for the year

As a result of the foregoing factors and primarily due to optimisation of self-owned retail outlets and cost control, profit of the Group, all of which was attributable to the owners of the Company, increased by RMB4.5 million, or 1.7%, to RMB273.1 million for the year ended 31 December 2019 as compared to RMB268.6 million for the year ended 31 December 2018. Net profit margin of the Group decreased from 16.4% for the year ended 31 December 2018 to 15.2% for the year ended 31 December 2019, primarily due to changes in the structure of products sold which had led to a drop in gross profit margin.

Liquidity and capital resources

Cash position

The operations of the Group are capital intensive, and its liquidity requirements arise principally from the need of working capital to finance its operations and expansions. The Group has historically met its working capital and other capital requirements principally from cash generated from its operations, bank borrowings and capital contributions by its shareholders.

The Group's cash and cash equivalents decreased by RMB475.8 million, or 71.4%, from RMB666.8 million as of 31 December 2018 to RMB191.0 million as of 31 December 2019.

The Group had net cash inflow from operating activities of RMB303.1 million, net cash outflow from investing activities of RMB149.2 million and net cash outflow from financing activities of RMB623.1 million for the year ended 31 December 2019.

Bank borrowings and gearing ratio

The Group had total bank borrowings of RMB516.7 million as of 31 December 2019, compared to RMB349.8 million as of 31 December 2018. As of 31 December 2019, the weighted average effective interest rate of the Group's bank borrowings was 4.2%, and 100% of the Group's bank borrowings were denominated in RMB. Bank borrowings as at 31 December 2019 and those in corresponding period last year were charged at variable interest rate.

The long-term bank borrowing represented the mortgage loan of original amount of RMB9,000,000 for the purchase of a store premise under construction. The borrowing bears interest at the rates quoted by People's Bank of China from time to time and requires monthly instalment of repayment up to November 2026. As at 31 December 2019, the remaining balance of the loan was RMB6,703,000.

As at 31 December 2019, short-term bank borrowings of RMB110,000,000 (2018: nil) were secured by the pledge of time deposits of RMB110,000,000 (2018: nil) as collateral.

As at 31 December 2019, short-term bank borrowings of RMB380,000,000 (2018: RMB172,302,000) were guaranteed by Mr. Lee Rie-Ho, Mr. Lee Chia Ling and Mr. Lee Kuo-Lin, all of them are directors of the Company, either separately or jointly.

The Directors are of the view that the guarantee of bank borrowings of RMB380 million by Mr. Lee Rie-Ho, Mr. Lee Chia Ling and Mr. Lee Kuo-Lin, being a form of financial assistance (as defined in the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchanges of Hong Kong Limited (the "**Stock Exchange**")) for the benefit of the Group, was on normal commercial terms where no security over the assets of the Group was granted in respect of such financial assistance provided by Mr. Lee Rie-Ho, Mr. Lee Chia Ling and Mr. Lee Kuo-Lin. Accordingly, such guarantee is exempt from all reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

The table below summarises the maturity profile of the Group's non-derivative financial liabilities as of the dates indicated, based on undiscounted contractual payments:

As at 31 December 2019	**Less than 1 year** *RMB'000*	**Between 1 and 2 years** *RMB'000*	**Between 2 and 5 years** *RMB'000*	**Over 5 years** *RMB'000*	**Total** *RMB'000*
Borrowings	510,826	872	2,900	2,105	516,703
Interest payments on borrowings *(Note)*	612	282	552	119	1,565
Lease liabilities	52,620	47,092	44,605	6,037	150,354
Trade and other payables	291,473	–	–	–	291,473
	855,531	48,246	48,057	8,261	960,095

As at 31 December 2018	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
Borrowings	343,088	827	2,756	3,120	349,791
Interest payments on borrowings *(Note)*	652	326	692	261	1,931
Trade and other payables	207,458	–	–	–	207,458
	551,198	1,153	3,448	3,381	559,180

Note: The interest payments on borrowings are calculated based on borrowings held as at 31 December 2019 and 2018, respectively (excluding the accrued interest payable balance already in trade and other payables) without taking into account future borrowings.

The Group regularly monitors its gearing ratio, which represents total debt as a percentage of total capital. Total debt is calculated as total borrowings (including current and non-current borrowings). Total capital is calculated as total equity plus total debt. As of 31 December 2019, the gearing ratio of the Group was 23.4%, compared to 14.7% as of 31 December 2018. The increase in the gearing ratio during 2019 was primarily due to increase of bank borrowings.

Capital and other commitments

As of 31 December 2019, the Group had total investment, capital and operating lease commitments of RMB46.9 million, as compared to RMB198.3 million as of 31 December 2018. The Group plans to fund these commitments primarily with available cash.

The Group's investment commitments comprise commitments to inject registered capital into joint ventures of the Group. The table below sets forth the investment commitments of the Group as of the dates indicated:

	As of 31 December	
	2019	2018
	RMB'000	*RMB'000*
Investments in joint ventures	**8,397**	5,577

The Group's capital commitments comprise unpaid amounts under executed agreements for purchasing property, plant and equipment and intangible assets, primarily in relation to the construction of plants. The table below sets forth capital expenditure contracted for but not yet incurred as of the dates indicated:

	As of 31 December	
	2019	2018
	RMB'000	*RMB'000*
Property, plant and equipment	**29,901**	35,960
Intangible assets	**2,084**	3,647
	31,985	39,607

The Group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The lease terms are between one to five years, and the majority of the Group's lease agreements are renewable at the end of the lease period at market rate. From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases.

	As of 31 December	
	2019	2018
	RMB'000	*RMB'000*
No later than 1 year	**6,533**	72,214
Later than 1 year and no later than 5 years	**–**	71,914
Later than 5 years	**–**	9,004
	6,533	153,132

Working capital

	As of 31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade and other receivables	**320,000**	243,778
Trade and other payables	**345,502**	255,579
Inventories	**782,635**	648,687
Trade receivables turnover days[(1)]	**94**	96
Trade payables turnover days[(2)]	**86**	72
Inventories turnover days[(3)]	**349**	330

Notes:

(1) Trade receivables turnover days = the average of the beginning and ending trade receivables balances for the year, divided by revenue from wholesales to third-party retailers plus sales from the Group's self-owned retail points located in hypermarkets and department stores and sales through other sales channel mainly representing wholesales to other end customers for the year, multiplied by the number of days in the year.

(2) Trade payables turnover days = the average of the beginning and ending trade payables balances for the year, divided by cost of sales for the year, multiplied by the number of days in the year.

(3) Inventories turnover days = the average of the beginning and ending inventory balances for the year, divided by the cost of sales for the year, multiplied by the number of days in the year.

The Group's trade and other receivables represent primarily the balances due from third-party retailers. The Group's trade and other receivables increased by RMB76.2 million from RMB243.8 million as of 31 December 2018 to RMB320.0 million as of 31 December 2019, primarily due to increase of trade receivables from the third parties because of the large amount of wholesale at the end of 2019.

The Group's trade and other payables principally comprise payables to its raw material suppliers, employee benefit payables, other taxes payable, accrued operating expenses and advances from customers. The Group's trade and other payables increased by RMB89.9 million from RMB255.6 million as of 31 December 2018 to RMB345.5 million as of 31 December 2019, primarily due to increase in trade related amounts.

The Group's inventories comprise raw materials (including packaging materials), work-in-progress and finished products. The Group's inventories increased by RMB133.9 million from RMB648.7 million as of 31 December 2018 to RMB782.6 million as of 31 December 2019, primarily reflecting increased procurement.

As of 31 December 2019, the Group has sufficient working capital and financial resources to support its regular operations.

Foreign exchange risk

The Group's normal operating activities are principally conducted in RMB, since all of its operating subsidiaries are based in the PRC. As of 31 December 2019, most of the operating entities' revenue, expenses, assets and liabilities were denominated in RMB. The Group's foreign exchange risk mainly arises from the portion of its sales and purchases of products denominated in USD and financing activities denominated in USD and HKD. The Directors are of the view that the Group does not have significant foreign currency risk.

Any future depreciation of the RMB could adversely affect the value of any dividends the Group pays to its shareholders. There are limited hedging instruments available in the PRC to reduce our exposure to exchange rate fluctuations between the RMB and other currencies. The Group currently does not engage in hedging activities designed or intended to manage such exchange rate risk.

Contingent liabilities

The Group had no material contingent liabilities as of 31 December 2019.

Employee and Remuneration Policy

As of 31 December 2019, the Group had a total of 4,206 employees, with 4,202 employees based in the PRC and 4 employees based in Hong Kong. For the year ended 31 December 2019, the staff cost of the Group was RMB309.5 million, compared to RMB312.9 million for the year ended 31 December 2018.

The Group's employee remuneration policy is determined by reference to factors such as remuneration in respect of the local market, the overall remuneration standard in the industry, inflation level, corporate operating efficiency and employee performance. The Group conducts performance appraisals once every year for its employees, the results of which are applied in annual salary review and promotion assessment. The Group's employees are considered for annual bonuses according to 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 customer services. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or any material labour dispute during the year ended 31 December 2019.

The Company adopted a share option scheme on 17 December 2010. During the years ended 31 December 2010 and 2011, no share options were granted. Subsequently, the Company granted share options to subscribe for an aggregate of 7,046,000 shares on 6 January 2012 to certain Directors, employees and independent third party distributors of the Group and an aggregate of 1,307,000 shares options on 12 January 2012 to certain Directors. On 18 March 2013, the Company granted share options to certain Directors, employees and independent third party distributors of the Group to subscribe for an aggregate of 8,353,000 shares. These share options vest in tranches over a period of up to 3 years. During the three years ended 31 December 2014, 2015 and 2016, no share options were granted. During the year ended 31 December 2015, 8,133,000 and 61,000 share options were lapsed due to unfulfillment of vesting conditions, i.e., unrealisation of performance targets set out for the three years ended 31 December 2014 and the resignation of the employees, respectively, and none of the share options were exercised by the grantees, or cancelled by the Company during the year ended 31 December 2015. During the year ended 31 December 2016, 8,191,000 and 10,000 share options were lapsed due to unfulfilment of vesting conditions, i.e., unrealisation of performance targets set out for the three years ended on 31 December 2015 and the resignation of the employees, respectively, and none of the share options were exercised by the grantees, or cancelled by the Company during the year ended 31 December 2016. During the three years ended 31 December 2019, the Company did not grant any options to subscribe for the shares. The Company has no outstanding share options as at 31 December 2019.

OTHER INFORMATION

Use of Proceeds from Initial Public Offering

In September 2011, the Group completed its listing (the "**Listing**") on the Main Board of the Stock Exchange and raised net proceeds of RMB933.3 million. The table below sets out the Company's planned use of the net proceeds at the time of Listing and its use of such net proceeds as of 31 December 2019:

	Planned use of net proceeds at Listing		Net proceeds used as of 31 December 2019		Remaining balance as at 31 December 2019		Expected time of full utilisation of remaining balance
	Amount * *(million RMB)*	Percentage *(%)*	Amount * *(million RMB)*	Percentage * *(%)*	Amount * *(million RMB)*	Percentage * *(%)*	
Expand and optimize network of self-owned retail outlets and retail points	373.3	40.0	335.1	35.9	38.2	4.1	By 31 December 2024
Acquire store premises for self-owned retail outlets	233.3	25.0	233.3	25.0	–	–	–
Working capital and other general corporate purposes	93.3	10.0	93.3	10.0	–	–	–
Maintain and promote brands	140.0	15.0	111.3	11.9	28.7	3.1	By 31 December 2022
Expand production capacity	93.3	10.0	93.3	10.0	–	–	–
Total	933.3	100.0	866.3	92.8	66.9	7.2	

* *Each of the figures is rounded up to one decimal place and may not add up due to rounding.*

The Company plans to use the remaining net proceeds as stated in the section headed "Future Plans and Use of Proceeds" of the Company's prospectus dated 14 September 2011.

Final Dividend

At the Board meeting held on 20 March 2020 (Friday), it was proposed that a final dividend of HK$0.14 per ordinary share (equivalent to RMB0.13 per ordinary share) be paid on or after 29 May 2020 to the shareholders of the Company whose names appear on the Company's register of members on 20 May 2020 (Wednesday). The proposed final dividend is subject to approval by the shareholders at the annual general meeting of the Company (the "**Annual General Meeting**") to be held on 14 May 2020 (Thursday).

There is no arrangement that a shareholder of the Company has waived or agreed to waive any dividends.

Annual General Meeting

The Annual General Meeting will be held on 14 May 2020 (Thursday). A notice convening the Annual General Meeting will be published and despatched to the shareholders of the Company in the manner required by the Listing Rules in due course.

Closure of Register of Members

For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from 11 May 2020 (Monday) to 14 May 2020 (Thursday), both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 8 May 2020 (Friday).

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed on 20 May 2020 (Wednesday), during which period no transfer of shares will be registered. In order to qualify for receiving the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 19 May 2020 (Tuesday).

Corporate Governance

The Company is committed to the establishment of stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company strives to maintain a high standard of corporate governance. For the year ended 31 December 2019, the Company has complied with the code provisions included in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "**CG Code**") and there has been no deviation from the code provisions as set forth under the CG Code for the year ended 31 December 2019. Further information of the corporate governance practice of the Company will be set out in the Corporate Governance Report in the annual report of the Company for the year ended 31 December 2019.

Purchase, Sale and Redemption of Shares

The Directors has been granted by the shareholders of the Company at the annual general meeting of the Company held on 14 May 2019 (the "**2019 AGM**") the general mandate to repurchase up to 119,999,746 shares (the "**Repurchase Mandate**"), being 10% of the total number of the issued shares of the Company as at the date of the 2019 AGM, on the Stock Exchange. During the year ended 31 December 2019, the Company had repurchased a total of 90,770,000 ordinary shares of the Company of HK$0.1 each in compliance with the memorandum and articles of association of the Company, the Listing Rules, the Codes on Takeovers and Mergers and Share Buy-backs, the Companies Law of the Cayman Islands and all applicable laws and regulations to which the Company is subject to. During the year ended 31 December 2019, the aggregate consideration of HK$459,091,260 was paid for the shares repurchase. The Company confirms that the shares repurchase has not resulted in the number of the Shares held by the public falling below the relevant minimum percentage prescribed by the Listing Rules. 1,266,000, 1,623,000, 36,727,000, 197,000, 600,000 and 49,174,000 of the shares repurchased during the year ended 31 December 2019 were cancelled on 20 December 2019, 18 November 2019, 4 October 2019, 28 August 2019, 24 June 2019 and 22 May 2019, respectively. Subsequently, the Company had repurchased a total of 941,000 shares in the aggregate consideration of HK$5,645,660 in January 2020 and on 17 March 2020, 2,482,000 of the shares repurchased were cancelled. Details of the repurchases during the year under review are as follows:

Month of shares repurchase	**Total number of shares repurchased**	**Highest price paid per share** *(HK$)*	**Lowest price paid per share** *(HK$)*	**Aggregate consideration** *(HK$)*
January 2019	683,000	5.62	5.19	3,727,850
March 2019	23,000	5.22	5.12	119,430
April 2019	387,000	5.29	5.15	2,019,860
May 2019	48,275,000	5.30	4.99	241,492,380
June 2019	89,000	5.15	5.05	454,040
July 2019	140,000	5.12	5.08	714,300
August 2019	52,000	5.12	5.05	264,330
September 2019	36,713,000	5.60	5.00	184,294,730
October 2019	1,268,000	5.85	5.53	7,337,080
November 2019	965,000	5.90	5.80	5,644,100
December 2019	2,175,000	6.10	5.85	13,023,160

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2019.

Model Code for Securities Transactions by Directors

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code for the dealings in securities transactions by the Directors. The Company has made specific enquiries with all Directors and the Directors have confirmed their compliance with the required standard set out in the Model Code throughout the year ended 31 December 2019.

Audit Committee

The audit committee of the Company (the "**Audit Committee**") consists of Mr. Lo Wah Wai, Mr. Fan Ren Da, Anthony and Mr. Lee Kwan Hung, Eddie, all of whom are the independent non-executive Directors, and Mr. Tseng Ming-Sung, the non-executive Director. The chairman of the Audit Committee is Mr. Lo Wah Wai.

The annual results of the Company for the year ended 31 December 2019 have been reviewed by the Audit Committee and agreed with the auditor of the Company, namely PricewaterhouseCoopers.

Auditor

The Company appointed PricewaterhouseCoopers as the auditor of the Company for the year ended 31 December 2019. The Company will submit a resolution in the Annual General Meeting to re-appoint PricewaterhouseCoopers as the auditor of the Company.

Publication of Annual Report

This annual results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.tenfu.com). The annual report of the Company for the year ended 31 December 2019 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and made available for review on the same websites in due course.

By order of the Board
Tenfu (Cayman) Holdings Company Limited
Lee Chia Ling
Director

Hong Kong, 20 March 2020

As at the date of this announcement, the Board comprises nine members, of which Mr. Lee Rie-Ho, Mr. Lee Shih-Wei, Mr. Lee Chia Ling and Mr. Lee Kuo-Lin are the executive Directors; Mr. Tseng Ming-Sung and Ms. Li Jie are the non-executive Directors; and Mr. Lo Wah Wai, Mr. Lee Kwan Hung, Eddie and Mr. Fan Ren Da, Anthony are the independent non-executive Directors.