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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 2021 PROPOSED ADOPTION OF THE AMENDED AND RESTATED ARTICLES OF ASSOCIATION

Financial Highlights

- Revenue for the year ended 31 December 2021 increased by 12.4% from RMB1,712.6 million for 2020 to RMB1,924.7 million;
- Gross profit for the year ended 31 December 2021 increased by 9.4% from RMB1,045.8 million for 2020 to RMB1,144.0 million, with a decrease in gross profit margin from 61.1% for 2020 to 59.4% for the year ended 31 December 2021;
- Profit for the year ended 31 December 2021 increased by 17.7% from RMB305.4 million for 2020 to RMB359.5 million, which corresponded to an increase in net profit margin from 17.8% for 2020 to 18.7% for the year ended 31 December 2021;
- Basic earnings per share for the year ended 31 December 2021 was RMB0.33; and
- The Board proposed a final dividend of HKD0.23 per share (equivalent to RMB0.19 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 2021, together with the comparative figures for the year ended 31 December 2020 as below.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	Year ended 31 December	
		2021	2020
		RMB'000	RMB'000
Revenue	3	1,924,651	1,712,595
Cost of sales		<u>(780,604)</u>	<u>(666,755)</u>
Gross profit		1,144,047	1,045,840
Distribution costs		(401,612)	(365,258)
Administrative expenses		(236,961)	(222,486)
Other income	4	19,733	30,091
Other gains/(losses) – net	5	<u>2,250</u>	<u>(421)</u>
Operating profit		527,457	487,766
Finance income		7,437	8,470
Finance costs		<u>(28,918)</u>	<u>(31,306)</u>
Finance costs – net	6	<u>(21,481)</u>	<u>(22,836)</u>
Share of profits of investments accounted for using the equity method		<u>2,756</u>	<u>2,161</u>
Profit before income tax		508,732	467,091
Income tax expense	7	<u>(149,251)</u>	<u>(161,682)</u>
Profit for the year, all attributable to the shareholders of the Company		359,481	305,409
Other comprehensive income for the year		<u>–</u>	<u>–</u>
Total comprehensive income for the year, all attributable to the shareholders of the Company		359,481	305,409
Earnings per share for profit attributable to the shareholders of the Company			
– Basic earnings per share	8	RMB0.33	RMB0.28
– Diluted earnings per share	8	RMB0.33	RMB0.28

CONSOLIDATED BALANCE SHEET

As at 31 December 2021

		As at 31 December	
	Note	2021	2020
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		693,684	644,146
Right-of-use assets	10	424,400	394,751
Investment properties		25,864	7,621
Intangible assets		4,592	4,003
Investments accounted for using the equity method		112,797	112,969
Deferred income tax assets		46,753	47,745
Prepayments – non-current portion	11(b)	22,841	273
Restricted cash		–	110,000
Long-term time deposits		–	20,000
		<u>1,330,931</u>	<u>1,341,508</u>
Current assets			
Inventories		1,061,873	875,976
Trade and other receivables	11(a)	380,895	321,354
Prepayments	11(b)	64,983	62,884
Financial assets at fair value through profit or loss		5,000	1,000
Long-term time deposits – current portion		130,000	–
Restricted cash		–	4,000
Cash and cash equivalents		238,380	360,999
		<u>1,881,131</u>	<u>1,626,213</u>
Total assets		<u><u>3,212,062</u></u>	<u><u>2,967,721</u></u>

		As at 31 December	
	Note	2021	2020
		RMB'000	RMB'000
EQUITY			
Capital and reserves attributable to the shareholders of the Company			
Share capital	12	90,025	90,571
Treasury shares	12	(2,897)	(11,871)
Other reserves	13	7,420	19,275
Retained earnings		1,738,271	1,653,549
Total equity		1,832,819	1,751,524
LIABILITIES			
Non-current liabilities			
Lease liabilities	10	101,098	102,912
Deferred income on government grants	16	44,049	32,793
Deferred income tax liabilities		46,704	50,052
		191,851	185,757
Current liabilities			
Trade and other payables	14	403,965	275,979
Dividends payable		243	251
Current income tax liabilities		52,407	54,710
Borrowings	15	619,400	586,600
Contract liabilities	17	74,252	75,438
Lease liabilities	10	37,125	37,462
		1,187,392	1,030,440
Total liabilities		1,379,243	1,216,197
Total equity and liabilities		3,212,062	2,967,721

NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION

Tenfu (Cayman) Holdings Company Limited (the “Company”) and its subsidiaries (together, the “Group”) are 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, Guangxi Zhuang Autonomous Region, Guizhou 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 (“the Stock Exchange”) 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 18 March 2022.

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

A number of new or amended standards became applicable for the current reporting period. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting these standards:

		Effective for annual periods beginning on or after
HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2	1 January 2021
HKFRS 16 (Amendments)	Covid-19-related Rent Concessions	1 April 2021

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2021 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 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
AG 5 (Revised)	Merger Accounting for Common Control Combinations	1 January 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKFRS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKFRS 17	Insurance contracts	1 January 2023
HK Int 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Annual Improvements to HKFRS Standards 2018-2020		1 January 2022
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023

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 2021 and 2020, 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 2021 and 2020. All revenues are derived from external customers.

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of tea leaves	1,398,189	1,222,145
Sales of tea snacks	248,016	213,420
Sales of tea ware	197,950	182,588
Others	80,496	94,442
	1,924,651	1,712,595

The segment results for the year ended 31 December 2021:

	Tea leaves <i>RMB'000</i>	Tea snacks <i>RMB'000</i>	Tea ware <i>RMB'000</i>	All other segments <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	<u>1,398,189</u>	<u>248,016</u>	<u>197,950</u>	<u>80,496</u>	<u>1,924,651</u>
Segment results	<u>419,540</u>	<u>53,295</u>	<u>45,549</u>	<u>6,772</u>	<u>525,156</u>
Unallocated administrative expenses					(19,682)
Other income					19,733
Other gains – net					2,250
Finance costs – net					(21,481)
Share of net profits of investments accounted for using the equity method					<u>2,756</u>
Profit before income tax					<u>508,732</u>
Income tax expense					<u>(149,251)</u>
Profit for the year					<u><u>359,481</u></u>

Other segment items included in the 2021 consolidated statement of comprehensive income:

	Tea leaves <i>RMB'000</i>	Tea snacks <i>RMB'000</i>	Tea ware <i>RMB'000</i>	All other segments <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Depreciation of property, plant and equipment	35,952	12,864	6,751	4,456	10,006	70,029
Depreciation of investment properties	–	–	–	–	1,821	1,821
Depreciation and amortisation of right-of-use assets	58,460	10,434	8,126	325	–	77,345
Amortisation of intangible assets	272	38	51	18	604	983
Losses on disposal of property, plant and equipment, net	<u>736</u>	<u>127</u>	<u>107</u>	<u>13</u>	<u>–</u>	<u>983</u>

The segment assets and liabilities as at 31 December 2021 are as follows:

	Tea leaves <i>RMB'000</i>	Tea snacks <i>RMB'000</i>	Tea ware <i>RMB'000</i>	All other segments <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	<u>2,074,333</u>	<u>300,018</u>	<u>298,044</u>	<u>316,055</u>	<u>223,612</u>	<u>3,212,062</u>
Segment liabilities	<u>667,305</u>	<u>107,082</u>	<u>96,956</u>	<u>50,124</u>	<u>457,776</u>	<u>1,379,243</u>

The segment results for the year ended 31 December 2020:

	Tea leaves <i>RMB'000</i>	Tea snacks <i>RMB'000</i>	Tea ware <i>RMB'000</i>	All other segments <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	<u>1,222,145</u>	<u>213,420</u>	<u>182,588</u>	<u>94,442</u>	<u>1,712,595</u>
Segment results	<u>380,638</u>	<u>53,508</u>	<u>46,145</u>	<u>1,807</u>	<u>482,098</u>
Unallocated administrative expenses					(24,002)
Other income					30,091
Other losses – net					(421)
Finance costs – net					(22,836)
Share of net profit of investments accounted for using the equity method					<u>2,161</u>
Profit before income tax					467,091
Income tax expense					<u>(161,682)</u>
Profit for the year					<u><u>305,409</u></u>

Other segment items included in the 2020 consolidated statement of comprehensive income:

	Tea leaves <i>RMB'000</i>	Tea snacks <i>RMB'000</i>	Tea ware <i>RMB'000</i>	All other segments <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Depreciation of property, plant and equipment	30,364	13,830	6,735	7,879	13,383	72,191
Depreciation of investment properties	–	–	–	–	560	560
Depreciation and amortisation of right-of-use assets	61,532	10,955	9,063	1,745	–	83,295
Amortisation of intangible assets	436	80	87	24	298	925
Losses on disposal of property, plant and equipment, net	<u>598</u>	<u>170</u>	<u>99</u>	<u>18</u>	<u>–</u>	<u>885</u>

The segment assets and liabilities as at 31 December 2020 are as follows:

	Tea leaves <i>RMB'000</i>	Tea snacks <i>RMB'000</i>	Tea ware <i>RMB'000</i>	All other segments <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Segment assets	<u>1,796,358</u>	<u>237,709</u>	<u>288,225</u>	<u>340,312</u>	<u>305,117</u>	<u>2,967,721</u>
Segment liabilities	<u>632,675</u>	<u>103,235</u>	<u>87,405</u>	<u>61,407</u>	<u>331,475</u>	<u>1,216,197</u>

4 OTHER INCOME

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants	13,693	23,516
Income from investment properties	3,299	2,442
Amortisation of deferred income on government grants (<i>Note 16</i>)	1,424	2,132
Others	1,317	2,001
	<u>19,733</u>	<u>30,091</u>

5 OTHER GAINS/(LOSSES) – NET

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Gains on acquisition of subsidiary	3,153	–
Losses on disposal of land use rights and property, plant and equipment, net	(983)	(885)
Net foreign exchange gains	–	177
Gains from sale of financial assets at fair value through profit or loss	80	287
	<u>2,250</u>	<u>(421)</u>

6 FINANCE COSTS – NET

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Finance income		
– Interest income on bank deposits and time deposits	7,437	8,470
Total finance income	<u>7,437</u>	<u>8,470</u>
Finance costs		
– Interest expenses on bank borrowings	(18,439)	(22,135)
– Less: amounts capitalised in qualifying assets	760	44
– Net foreign exchange losses	(2,937)	(1,364)
– Interest expenses for lease liabilities	(8,302)	(7,851)
Total finance costs	<u>(28,918)</u>	<u>(31,306)</u>
Net finance costs	<u>(21,481)</u>	<u>(22,836)</u>

7 **INCOME TAX EXPENSE**

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Current income tax		
– PRC corporate income tax	115,607	117,446
Deferred income tax	33,644	44,236
	<hr/>	<hr/>
Income tax expense	149,251	161,682
	<hr/> <hr/>	<hr/> <hr/>

(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% (2020: 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. For the year ended 31 December 2021, Tenfu (Hong Kong) Holdings Co., Ltd. (“Tenfu HK”), a subsidiary of the Company, applied 10% withholding tax rate (the year ended 31 December 2020: 5%), on its estimate of deferred income tax. Ten Rui (Hong Kong) Sales Holdings Co., Ltd. (“Ten Rui HK”), a subsidiary of the Company, applied 5% withholding tax rate (the year ended 31 December 2020: 10%), on its estimate of deferred income tax.

8 EARNINGS PER SHARE

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

	Year ended 31 December	
	2021	2020
Profit attributable to the shareholders of the Company (RMB'000)	<u>359,481</u>	<u>305,409</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,097,294</u>	<u>1,106,534</u>
Basic earnings per share (RMB)	<u>0.33</u>	<u>0.28</u>

Diluted earnings per share for the year ended 31 December 2021 and 2020 were the same as the basic earnings per share as there were no dilutive instruments during the periods.

9 DIVIDENDS

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Interim dividend declared	72,298	59,727
Proposed final dividend	<u>204,789</u>	<u>183,427</u>
	<u>277,087</u>	<u>243,154</u>

At a meeting held on 18 March 2022, the Board proposed a final dividend for 2021 of Hong Kong Dollar ("HKD") 251,879,000 (equivalent to RMB204,789,000) (2020: 220,362,000 (equivalent to RMB183,427,000)), representing HKD23 cents (equivalent to RMB19 cents) (2020: HKD20 cents (equivalent to RMB17 cents)) per share, to be appropriated from retained earnings.

The proposed final dividend for 2021 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 2022.

The interim dividend for 2021 of HKD8 cents (equivalent to RMB7 cents) (2020: HKD6 cents (equivalent to RMB5.4 cents) per share) was declared by the Board on 17 August 2021. This interim dividend, amounting to HKD87,850,000 (equivalent to RMB72,298,000) (2020: HKD66,476,000 (equivalent to RMB59,727,000)), has been reflected as an appropriation of retained earnings for the year ended 31 December 2021.

The dividends paid in 2021 amounted to RMB255,725,000 (2020: RMB201,704,000).

10 LEASES

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000
Right-of-use assets		
– Land use rights	290,635	259,724
– Retail shops	133,765	135,027
	<u>424,400</u>	<u>394,751</u>
Lease liabilities		
– Current	37,125	37,462
– Non-current	101,098	102,912
	<u>138,223</u>	<u>140,374</u>

(ii) Amounts recognised in the statement of comprehensive income

The statement of comprehensive income shows the following amounts relating to leases:

	2021			2020		
	Retail Shops RMB'000	Land use rights RMB'000	Total RMB'000	Retail Shops RMB'000	Land use rights RMB'000	Total RMB'000
Depreciation and amortisation charge of right-of-use assets						
Distribution costs	61,548	11,861	73,409	62,894	12,004	74,898
Administrative expenses	1,997	313	2,310	5,807	313	6,120
Cost of sales	–	1,626	1,626	–	2,277	2,277
	<u>63,545</u>	<u>13,800</u>	<u>77,345</u>	<u>68,701</u>	<u>14,594</u>	<u>83,295</u>
Interest expense (including in finance cost) (Note 6)			8,302			7,851
Expense relating to short-term leases			27,523			29,205
Exemption of lease expenses due to COVID-19			–			(8,770)
Total charges to the statement of comprehensive income			<u>113,170</u>			<u>111,581</u>

The total cash outflow for leases in 2021 was RMB72,735,000 (2020: RMB46,091,000).

11 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

(a) Trade and other receivables

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables from third parties	360,843	309,288
Less: provision for impairment	<u>(4,041)</u>	<u>(4,190)</u>
Trade receivables, net	<u>356,802</u>	<u>305,098</u>
Other receivables due from related parties	3,135	–
Interest receivable on time deposits	14,328	9,088
Others	<u>6,630</u>	<u>7,168</u>
	<u>24,093</u>	<u>16,256</u>
Total of trade and other receivables	<u><u>380,895</u></u>	<u><u>321,354</u></u>

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 2021 and 2020, the ageing analysis of the trade receivables of the Group based on invoice date is as follows:

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 140 days	338,012	303,005
141 days to 6 months	15,925	861
6 months to 1 year	5,574	2,559
1 year to 2 years	449	2,046
2 years to 3 years	<u>883</u>	<u>817</u>
	<u>360,843</u>	<u>309,288</u>

As at 31 December 2021, trade receivables of RMB22,831,000 (2020: RMB6,283,000) 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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Past due within 40 days	15,925	861
Past due over 40 days and within 220 days	5,574	2,559
Past due over 220 days	<u>1,332</u>	<u>2,863</u>
	<u>22,831</u>	<u>6,283</u>

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

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

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
RMB	384,339	324,725
USD	597	819
	<u>384,936</u>	<u>325,544</u>

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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current		
Prepayments for property, plant and equipment	<u>22,841</u>	<u>273</u>
Current		
Prepayments for lease of property and lease deposits	23,159	23,354
Prepayments to related parties	–	942
Prepaid taxes	29,420	31,293
Prepayments for raw materials and packaging materials	<u>12,404</u>	<u>7,295</u>
	<u>64,983</u>	<u>62,884</u>
	<u>87,824</u>	<u>63,157</u>

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 (i) RMB'000	Total RMB'000
At 1 January 2021	8,000,000	1,101,812	90,571	(11,871)	78,700
Repurchase of shares	–	–	–	(22,501)	(22,501)
Cancellation of shares	–	(6,686)	(546)	31,475	30,929
At 31 December 2021	<u>8,000,000</u>	<u>1,095,126</u>	<u>90,025</u>	<u>(2,897)</u>	<u>87,128</u>
At 1 January 2020	<u>8,000,000</u>	<u>1,110,410</u>	<u>91,274</u>	<u>(8,336)</u>	<u>82,938</u>
Repurchase of shares	–	–	–	(46,617)	(46,617)
Cancellation of shares	–	(8,598)	(703)	43,082	42,379
At 31 December 2020	<u>8,000,000</u>	<u>1,101,812</u>	<u>90,571</u>	<u>(11,871)</u>	<u>78,700</u>

(i) Details of treasury shares

	Number of issued shares (thousands)
At 1 January 2020	1,541
Repurchase of shares	9,391
Cancellation of shares	<u>(8,598)</u>
At 31 December 2020	<u>2,334</u>
At 1 January 2021	2,334
Repurchase of shares	4,992
Cancellation of shares	<u>(6,686)</u>
At 31 December 2021	<u>640</u>

The Company repurchased 9,391,000 ordinary shares of its own through the Stock Exchange from 1 January 2020 to 31 December 2020. The total value of shares repurchased was approximately HKD54,029,000 and has been deducted from shareholders' equity. The payment made for the repurchase was RMB46,479,000 due to the dividends received by the Company for shares repurchased before ex-dividend date.

As at 31 December 2020, the Company cancelled 8,598,000 shares. After the cancellation, the Company's ordinary shares in issue were reduced from 1,110,410,460 to 1,101,812,460. The amount of share capital was deducted accordingly.

The Company repurchased 4,992,000 ordinary shares of its own through the Stock Exchange from 1 January 2021 to 31 December 2021. The total value of shares repurchased was approximately HKD27,122,000 and has been deducted from shareholders' equity. The payment made for the repurchase was RMB22,461,000 due to the dividends received by the Company for shares repurchased before ex-dividend date.

As at 31 December 2021, the Company cancelled 6,686,000 shares. After the cancellation, the Company's ordinary shares in issue were reduced from 1,101,812,460 to 1,095,126,460. The amount of share capital was deducted accordingly.

13 OTHER RESERVES

	Merger reserve <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Statutory reserves <i>RMB'000</i>	Other <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2021	278,811	231	295,843	(555,610)	19,275
Appropriation to statutory reserves	–	–	19,034	–	19,034
Cancellation of shares	–	–	–	(30,889)	(30,889)
At 31 December 2021	<u>278,811</u>	<u>231</u>	<u>314,877</u>	<u>(586,499)</u>	<u>7,420</u>
At 1 January 2020	278,811	231	276,253	(513,369)	41,926
Appropriation to statutory reserves	–	–	19,590	–	19,590
Cancellation of shares	–	–	–	(42,241)	(42,241)
At 31 December 2020	<u>278,811</u>	<u>231</u>	<u>295,843</u>	<u>(555,610)</u>	<u>19,275</u>

As at 31 December 2021, the Company cancelled 6,686,000 shares (2020: 8,598,000 shares) repurchased, resulted in a reduction to other reserve by RMB30,889,000 (2020: RMB42,241,000) including the expenses attributable to the cancellation.

14 TRADE AND OTHER PAYABLES

	As at 31 December	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables – due to third parties	113,975	105,130
Trade payables – due to related parties	52,612	39,609
Total trade payables	<u>166,587</u>	<u>144,739</u>
Payables for property, plant and equipment	2,463	2,330
Other taxes payable	23,256	20,539
Employee benefit payables	28,568	29,806
Other payables for acquisition	92,183	–
Others	90,908	78,565
	<u>403,965</u>	<u>275,979</u>

As at 31 December 2021 and 2020, 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	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Up to 6 months	155,369	128,503
6 months to 1 year	10,465	14,535
1 year to 2 years	113	1,286
Over 2 years	640	415
	<u>166,587</u>	<u>144,739</u>

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

15 BORROWINGS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Short-term bank borrowings		
– Secured (i)	–	110,000
– Unsecured	64,000	26,600
– Others (ii)	555,400	450,000
	<u>619,400</u>	<u>586,600</u>
Total borrowings	<u><u>619,400</u></u>	<u><u>586,600</u></u>

- (i) As at 31 December 2020, short-term bank borrowings of RMB110,000,000 raised from discounted bank receipt notes of RMB110,000,000 were pledged by time deposits of RMB110,000,000 as collateral.
- (ii) As at 31 December 2021, short-term bank borrowings of RMB555,400,000 (2020: RMB450,000,000) 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	
	2021	2020
	RMB'000	RMB'000
6 months or less	397,800	256,600
7-12 months	221,600	330,000
	<u>619,400</u>	<u>586,600</u>
	<u><u>619,400</u></u>	<u><u>586,600</u></u>

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

	As at 31 December	
	2021	2020
RMB	<u>619,400</u>	<u>586,600</u>
	<u><u>619,400</u></u>	<u><u>586,600</u></u>

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

	As at 31 December	
	2021	2020
Short-term bank borrowings	<u>3.06%</u>	<u>3.60%</u>
	<u><u>3.06%</u></u>	<u><u>3.60%</u></u>

The fair value of short-term bank borrowings of the Group approximate their carrying amounts as at the balance sheet date.

16 DEFERRED INCOME ON GOVERNMENT GRANTS

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year	32,793	33,925
Granted during the year	12,680	1,000
Amortised as income	(1,424)	(2,132)
	<hr/>	<hr/>
At end of year	44,049	32,793
	<hr/> <hr/>	<hr/> <hr/>

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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Advance receipts from customers	64,020	65,976
Deferred revenue: customer loyalty programme	10,232	9,462
	<hr/>	<hr/>
	74,252	75,438
	<hr/> <hr/>	<hr/> <hr/>

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 2021, it was still challenging, exacerbated by the significant negative impact of coronavirus disease (“COVID-19”), coupled with the impact of the global economy, geopolitics and a slowdown in its economic growth in China, with customers’ daily-life consumption tightened. However, under the macro environment established by the government with domestic circulation as the main focus and domestic and international dual circulation as the driving force, policies such as stabilizing employment, protecting people’s livelihood, stimulating consumption, etc. will continue to be in force, and the consumer and retail markets are expected to propel a continued rebound.

In 2021, the Group achieved revenue of RMB1,924.7 million, up 12.4% from 2020, and recorded profit for the year of RMB359.5 million, up 17.7% from 2020. The increase in the Group’s revenue for the year was mainly due to adjustment of sales network, product categories and marketing strategies to maximize the profitability under the general market conditions affected by COVID-19.

In 2021, 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.** The Company has been awarded the title of “China’s Tea Industry Comprehensive Top 100 Enterprises” by the China Tea Marketing Association from 2013 to 2021. 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. Mr. Lee Rie-Ho, the chairman of the Board, obtained the honorary title of Outstanding Chinese Tea People (Lifetime Achievement) in November 2020. The tea mooncakes of the Group have been awarded the honorable titles of Golden Mooncakes and China Mooncakes for the three consecutive years from 2016 to 2018, the title of National Classic Mooncakes for 2018 and the titles of Quality Mooncakes and China Mooncakes for 2019. The tea mooncakes of the Group also won the first prize for China Mooncake Quality in 2019. With its high level of brand awareness and more than 25 years of presence in the market, the Group believes that it is in a strong position to continue to occupy a large market share of branded traditional Chinese tea leaves and wait for the market re-bounce.
- 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 2021, the Group had a total of 1,313 self-owned and third-party owned retail outlets and retail points, compared with a total of 1,243 as of 31 December 2020.
- 3. Adjustment in each tea product category and development of diversified product lines.** During 2021, 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 Kinmen Kaoliang Liquor Inc. in the PRC from mid of 2019. The Group also established a food research and development department to develop diversified traditional food, such as Buddha Jumping over the Wall and Instant Bird’s Nest.

4. **Growth in net profit margin.** In 2021, net profit margin increased to 18.7% from 17.8% for 2020 mainly due to the increase of the revenue.
5. **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.
6. **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 meanwhile, the Company also implemented one product, one bar-code anti-counterfeiting traceability system at all factories. Longjing tea of the Group was regarded as the raw materials of Longjing tea sensory grading standard samples developed according to GB/T18650-2008 geographical indication product Longjing tea.

7. **Relationships with customers and suppliers.** The Group always maintains good relationship with customers and suppliers. For the year ended 31 December 2021, the aggregate percentage of purchases attributable to the Group's five largest suppliers accounted for approximately 29.5% 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 2.0% 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 2021, the Group did not incur any material costs in relation to these complaints and there had not been any material product recall.

In 2022, the Group plans to continue to adjust and optimise its network of self-owned retail outlets and retail points, including both self-owned and third-party owned retail outlets and retail points, tap the profitability of existing self-owned retail outlets and retail points and maximize the enthusiasm of the third-party retailers.

In particular, the Group plans to:

1. **Continue to adjust and optimise retail sales network.** The Group will further adjust retail outlets and retail points, including both self-owned and third-party owned retail outlets and retail points, according to the economic development of the PRC. As part of 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 small 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 promote internet sales through its subsidiary, namely, Xiamen Tianyu Commerce and Trading Co., Limited (廈門天鈺商貿有限公司). 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. The COVID-19 pandemic unexpectedly swept across the world and influenced the retail industry, bringing about continuous uncertainties and ups and downs. The pandemic boosted the "Stay-at-home Economy", which resulted in a significant increase in customer stickiness to online consumption. The accelerated development of digital economy continued to drive the upgrading of online consumption and the online and offline integration speeded up, accelerating the development of emerging consumption models such as food delivery and delivery-to-home services. Consumer demands showed a trend of diversified, personalised and rational development and the Group will follow the trend.

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” (天福) brand. The Group also plans to continue the promotion of an enhanced rewards program for its customers in order to encourage repeating business and increase customer loyalty.
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. Xiamen Tianqia Catering Management Co., Limited (廈門天洽餐飲管理有限公司), a subsidiary of the Group, offers the tea drink (including milk tea) 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), further developed the tea drink business with the trademark of “喫茶趣 TO GO”. The Group will further monitor the opportunity and expand its market share in other tea products once available.
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 2021, 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 2021, 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, Zhejiang province, Guangxi Zhuang Autonomous Region and Guizhou 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 2021, 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 12.4% from RMB1,712.6 million for the year ended 31 December 2020 to RMB1,924.7 million for the year ended 31 December 2021. The following table sets forth a breakdown of revenue by product category for the years indicated:

	Year ended 31 December			
	2021		2020	
	RMB'000	%	RMB'000	%
Revenue contributed from:				
Sales of tea leaves	1,398,189	72.6	1,222,145	71.4
Sales of tea snacks	248,016	12.9	213,420	12.5
Sales of tea ware	197,950	10.3	182,588	10.7
Others ⁽¹⁾	80,496	4.2	94,442	5.4
Total	<u>1,924,651</u>	<u>100.0</u>	<u>1,712,595</u>	<u>100.0</u>

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 14.4% from RMB1,222.1 million for the year ended 31 December 2020 to RMB1,398.2 million for the year ended 31 December 2021. Revenue from sales of the Group's tea snacks increased by 16.2% from RMB213.4 million for the year ended 31 December 2020 to RMB248.0 million for the year ended 31 December 2021. Revenue from sales of the Group's tea ware increased by 8.4% from RMB182.6 million for the year ended 31 December 2020 to RMB198.0 million for the year ended 31 December 2021. The revenue increases from sales of the Group's tea leaves, tea snacks and tea ware were primarily due to the domestic epidemic has been controlled and market recovered.

As of 31 December 2021, the Group had approximately 208 self-owned retail outlets and approximately 1,105 distributors' stores throughout Mainland China accounted for approximately 42.1% and 54.9% of total revenue respectively, compared with approximately 238 self-owned retail outlets and approximately 1,005 distributors' stores as of 31 December 2020.

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 17.1% from RMB666.8 million for the year ended 31 December 2020 to RMB780.6 million for the year ended 31 December 2021, primarily due to the increase in sales and of the proportion of wholesale sales to distributors.

Gross profit and gross profit margin

As a result of the foregoing factors, gross profit of the Group increased by 9.4% from RMB1,045.8 million for the year ended 31 December 2020 to RMB1,144.0 million for the year ended 31 December 2021, with gross profit margin decreased by 1.7% from 61.1% for the year ended 31 December 2020 to 59.4% for the year ended 31 December 2021, primarily due to the increase of the proportion of wholesale sales and product structure adjustment.

Distribution costs

The distribution costs of the Group increased by 10.0% from RMB365.3 million for the year ended 31 December 2020 to RMB401.6 million for the year ended 31 December 2021. The increase was primarily due to the increase of sales and the fact that the government will no longer reduce medical and social security fees and landlords will no longer reduce rent.

Administrative expenses

Administrative expenses for the Group increased by 6.5% from RMB222.5 million for the year ended 31 December 2020 to RMB237.0 million for the year ended 31 December 2021. The increase was primarily due to the increase in cost of human resources.

Other income

Other income of the Group decreased by 34.4% from RMB30.1 million for the year ended 31 December 2020 to RMB19.7 million for the year ended 31 December 2021. The decrease was primarily due to the decrease in PRC local government grants which were recognised as income immediately from RMB23.5 million for the year ended 31 December 2020 to RMB13.7 million for the year ended 31 December 2021.

Other losses and gains – net

Other gains of the group amounted to RMB2.3 million for the year ended 31 December 2021 primarily due to gains on acquisition of a subsidiary. Other losses of the Group amounted to RMB0.4 million for the year ended 31 December 2020 primarily due to the disposal of property, plant and equipment.

Finance income

Finance income of the Group decreased by 12.2% from RMB8.5 million for the year ended 31 December 2020 to RMB7.4 million for the year ended 31 December 2021. 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 decreased by 7.6% from RMB31.3 million for the year ended 31 December 2020 to RMB28.9 million for the year ended 31 December 2021, reflecting a decrease in interest expenses on the Group's bank borrowings.

Share of profits of investments accounted for using the equity method

Share of profits of investments accounted for using the equity method of the Group was a net gain amounting to RMB2.8 million and RMB2.2 million for the years ended 31 December 2021 and 2020, respectively. The increase was primarily due to the profits gain from newly invested business.

Income tax expense

Income tax expense of the Group decreased by 7.7% from RMB161.7 million for the year ended 31 December 2020 to RMB149.3 million for the year ended 31 December 2021, primarily due to the fact that some subsidiaries are subject to preferential tax rates for small and micro enterprises.

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 RMB54.1 million, or 17.7%, to RMB359.5 million for the year ended 31 December 2021 as compared to RMB305.4 million for the year ended 31 December 2020. Net profit margin of the Group increased from 17.8% for the year ended 31 December 2020 to 18.7% for the year ended 31 December 2021, primarily due to the increase of revenue while good control over expense.

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 RMB122.6 million, or 34.0%, from RMB361.0 million as of 31 December 2020 to RMB238.4 million as of 31 December 2021.

The Group had net cash inflow from operating activities of RMB308.6 million, net cash outflow from investing activities of RMB114.1 million and net cash outflow from financing activities of RMB314.1 million for the year ended 31 December 2021.

Bank borrowings and gearing ratio

The Group had total bank borrowings of RMB619.4 million as of 31 December 2021, compared to RMB586.6 million as of 31 December 2020. As of 31 December 2021, the weighted average effective interest rate of the Group's bank borrowings was 3.06%, and 100% of the Group's bank borrowings were denominated in RMB. Bank borrowings as at 31 December 2021 and those in corresponding period last year were charged at variable interest rate.

As at 31 December 2020, short-term bank borrowings of RMB110,000,000 raised from discounted bank receipt notes of RMB110,000,000 were pledged by time deposits of RMB110,000,000 as collateral. As at 31 December 2021, short-term bank borrowings of RMB555,400,000 (2020: RMB450,000,000) were guaranteed by Mr. Lee Rie-Ho, Mr. Lee Chia Ling and Mr. Lee Kuo-Lin, all of them are Directors, either separately or jointly.

The Directors are of the view that the guarantee of bank borrowings of RMB555.4 million as at 31 December 2021 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 2021	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	619,400	–	–	–	619,400
Interest payments on borrowings (<i>Note</i>)	6,714	–	–	–	6,714
Lease liabilities	38,462	39,360	46,014	21,057	144,893
Trade and other payables	352,141	–	–	–	352,141
	1,016,717	39,360	46,014	21,057	1,123,148
As at 31 December 2020	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	586,600	–	–	–	586,600
Interest payments on borrowings (<i>Note</i>)	751	–	–	–	751
Lease liabilities	38,885	37,403	46,208	19,992	142,488
Trade and other payables	225,634	–	–	–	225,634
	851,870	37,403	46,208	19,992	955,473

Note: The interest payments on borrowings are calculated based on borrowings held as at 31 December 2021 and 2020, 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 2021, the gearing ratio of the Group was 25.3%, compared to 25.1% as of 31 December 2020. The increase in the gearing ratio during 2021 was primarily due to increase of bank borrowings.

Capital and other commitments

As of 31 December 2021, the Group had total investment, capital and operating lease commitments of RMB35.3 million, as compared to RMB41.0 million as of 31 December 2020. 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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Investments in joint ventures and associate	<u>4,717</u>	<u>5,577</u>

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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	23,554	27,976
Intangible assets	<u>–</u>	<u>521</u>
	<u>23,554</u>	<u>28,497</u>

The Group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The lease terms are between one to ten 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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
No later than 1 year	6,986	6,943
	6,986	6,943

Working capital

	As of 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade and other receivables	380,895	321,354
Trade and other payables	403,965	275,979
Inventories	1,061,873	875,976
Trade receivables turnover days ⁽¹⁾	98	112
Trade payables turnover days ⁽²⁾	69	93
Inventories turnover days ⁽³⁾	447	448

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 RMB59.5 million from RMB321.4 million as of 31 December 2020 to RMB380.9 million as of 31 December 2021, primarily due to increase of trade receivables from the third parties because of the large amount of wholesale at the end of 2021.

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 RMB128.0 million from RMB276.0 million as of 31 December 2020 to RMB404.0 million as of 31 December 2021, primarily due to increase in trade payables due to acquisition of subsidiaries.

The Group's inventories comprise raw materials (including packaging materials), work-in-progress and finished products. The Group's inventories increased by RMB185.9 million from RMB876.0 million as of 31 December 2020 to RMB1,061.9 million as of 31 December 2021, primarily reflecting increased procurement.

As of 31 December 2021, 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 2021, 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 2021.

Employee and Remuneration Policy

As of 31 December 2021, the Group had a total of 3,508 employees, with 3,503 employees based in the PRC and 5 employees based in Hong Kong. For the year ended 31 December 2021, the staff cost of the Group was RMB315.4 million, compared to RMB267.3 million for the year ended 31 December 2020.

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 2021.

Major Acquisition

On 26 August 2021, Zhangzhou Tian Fu Tea Industrial Co., Ltd. (漳州天福茶業有限公司) (“**Zhangzhou Tenfu**”), an indirectly wholly-owned subsidiary of the Company, and Ten Yuan (Singapore) Holdings Co. Pte. Ltd. (“**Ten Yuan Singapore**”) entered into the equity transfer agreements to acquire the entire equity interest in each of Anxi Tianfu Tea Industry Co., Ltd. (安溪天福茶業有限公司) and Guigang Tianfu Tea Industry Co., Ltd. (廣西貴港天福茶業有限公司) at the purchase price of RMB35,047,400 and RMB57,135,900, respectively. For the details, please refer to the announcements of the Company dated 26 August 2021 and 27 August 2021.

Save for the above, the Group did not have any other major acquisition or disposal during the year.

OTHER INFORMATION

Final Dividend

At the Board meeting held on 18 March 2022 (Friday), it was proposed that a final dividend of HK\$0.23 per ordinary share (equivalent to RMB0.19 per ordinary share) be paid on or after 31 May 2022 to the shareholders of the Company whose names appear on the Company’s register of members on 24 May 2022 (Tuesday). 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 17 May 2022 (Tuesday).

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 17 May 2022 (Tuesday). 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 12 May 2022 (Thursday) to 17 May 2022 (Tuesday), 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 11 May 2022 (Wednesday).

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed on 24 May 2022 (Tuesday), 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 23 May 2022 (Monday).

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 2021, 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 2021. 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 2021.

Purchase, Sale and Redemption of Shares

The Directors have been granted by the shareholders of the Company at the annual general meeting of the Company held on 13 May 2021 (the "2021 AGM") the general mandate to repurchase up to 110,181,246 shares (the "Repurchase Mandate"), being 10% of the total number of the issued shares of the Company as at the date of the 2021 AGM, on the Stock Exchange. During the year ended 31 December 2021, the Company had repurchased a total of 4,992,000 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 Act of the Cayman Islands and all applicable laws and regulations to which the Company is subject to. During the year ended 31 December 2021, the aggregate consideration of HK\$27,033,990 was paid for the share 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. 3,689,000, 890,000, 1,402,000 and 705,000 shares repurchased during the year ended 31 December 2021 were cancelled on 14 May 2021, 18 August 2021, 11 October 2021 and 3 December 2021, respectively. Subsequently, the Company had repurchased a total of 58,000 shares in the aggregate consideration of HK\$314,090 in January 2022. 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 2021	422,000	6.07	5.90	2,537,570
March 2021	587,000	5.50	5.40	3,218,910
April 2021	306,000	5.50	5.40	1,671,650
May 2021	491,000	5.50	5.09	2,664,480
June 2021	226,000	5.45	5.35	1,222,770
July 2021	233,000	5.43	5.25	1,241,850
August 2021	380,000	5.30	5.20	1,993,070
September 2021	972,000	5.35	5.09	4,991,280
October 2021	373,000	5.60	5.05	1,946,600
November 2021	372,000	5.75	5.40	2,068,350
December 2021	630,000	5.70	5.40	3,477,460

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 2021.

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 2021.

Audit Committee

The audit committee of the Company (the “**Audit Committee**”) consists of Mr. Lo Wah Wai, Dr. Huang Wei 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 2021 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 2021. 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 2021 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.

PROPOSED ADOPTION OF THE AMENDED AND RESTATED ARTICLES OF ASSOCIATION

This announcement is made by the Company pursuant to Rule 13.51(1) of the Listing Rules. The Board proposes to make certain amendments (the “**Proposed Amendments**”) to the current articles of association (the “**Articles of Association**”) and adopt the amended and restated articles of association for purpose of, among others, to (i) bring the Articles of Association in line with the relevant requirements of the applicable laws of the Cayman Islands and the Listing Rules; and (ii) make some other housekeeping improvements.

Some of the major changes to the Articles of Association to be made by the Proposed Amendments are summarised below:

1. to provide that the Board may arrange for persons entitled to attend a general meeting to do so by simultaneous attendance and participation by means of electronic facilities at such location or locations determined by the Board at its absolute discretion. Any member of the Company or any proxy attending and participating in such way or any member participating in an electronic meeting by means of electronic facilities is deemed to be present at and shall be counted in the quorum of the meeting;
2. to provide that Directors may participate in any Board meeting by means of a conference telephone, electronic or other communications equipment; and
3. to make other miscellaneous amendments to update, modernise or clarify provisions of the Articles of Association where it is considered desirable and to better align the wording with the Listing Rules and the Companies Act of the Cayman Islands.

The Board also proposes certain minor house-keeping amendments to the Articles of Association for the purpose of clarifying existing practices and making consequential amendments in line with the Proposed Amendments. The Proposed Amendments as well as the adoption of the amended and restated articles of association of the Company are subject to approval by the shareholders of the Company at the annual general meeting to be held on 17 May 2022 or any adjourned meeting by way of special resolution. A circular of the Company containing detailed information of the Proposed Amendments as well as the adoption of the amended and restated articles of association of the Company will be despatched to the shareholders of the Company in due course.

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

Hong Kong, 18 March 2022

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