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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 2023**

#### **Financial Highlights**

- Revenue for the year ended 31 December 2023 increased by 1.1% from RMB1,715.4 million for 2022 to RMB1,734.1 million;
- Gross profit for the year ended 31 December 2023 increased by 2.2% from RMB920.1 million for 2022 to RMB940.4 million, with an increase in gross profit margin from 53.6% for 2022 to 54.2% for the year ended 31 December 2023;
- Profit for the year ended 31 December 2023 increased by 3.2% from RMB206.5 million for 2022 to RMB213.2 million, which corresponded to an increase in net profit margin from 12.0% for 2022 to 12.3% for the year ended 31 December 2023;
- Basic earnings per share for the year ended 31 December 2023 was RMB0.20; and
- The Board proposed a final dividend of HKD0.12 per share (equivalent to RMB0.11 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 2023, together with the comparative figures for the year ended 31 December 2022 as below.

## FINANCIAL INFORMATION

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

		Year ended 31 December	
	Note	2023	2022
		RMB'000	RMB'000
Revenue	3	1,734,061	1,715,400
Cost of sales		<u>(793,645)</u>	<u>(795,283)</u>
<b>Gross profit</b>		<b>940,416</b>	920,117
Distribution costs		(364,238)	(380,259)
Administrative expenses		(283,048)	(272,598)
Other income	4	15,120	28,263
Other losses – net	5	<u>(2,093)</u>	<u>(2,203)</u>
<b>Operating profit</b>		<b>306,157</b>	<u>293,320</u>
Finance income		6,923	19,624
Finance costs		<u>(25,921)</u>	<u>(29,646)</u>
Finance costs – net	6	<u>(18,998)</u>	<u>(10,022)</u>
Share of net profit of investments accounted for using the equity method		<u>8,182</u>	<u>4,923</u>
<b>Profit before income tax</b>		<b>295,341</b>	288,221
Income tax expense	7	<u>(82,103)</u>	<u>(81,769)</u>
<b>Profit for the year, all attributable to the shareholders of the Company</b>		<b><u>213,238</u></b>	<b><u>206,452</u></b>
<b>Other comprehensive income for the year</b>		<u>–</u>	<u>–</u>
<b>Total comprehensive income for the year, all attributable to the shareholders of the Company</b>		<b><u>213,238</u></b>	<b><u>206,452</u></b>
<b>Earnings per share for profit attributable to the shareholders of the Company</b>			
– Basic earnings per share	8	<b>RMB0.20</b>	RMB0.19
– Diluted earnings per share	8	<b><u>RMB0.20</u></b>	<b><u>RMB0.19</u></b>

## CONSOLIDATED BALANCE SHEET

As at 31 December 2023

		As at 31 December	
	Note	2023	2022
		RMB'000	RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		668,748	696,260
Right-of-use assets	10	413,577	439,742
Investment properties		74,557	52,057
Intangible assets		4,449	5,722
Investments accounted for using the equity method		120,505	115,152
Deferred income tax assets		47,336	45,005
Prepayments – non-current portion	11(b)	8,199	7,905
Long-term time deposits		58,000	–
		<u>1,395,371</u>	<u>1,361,843</u>
<b>Current assets</b>			
Inventories		1,015,959	1,063,367
Trade and other receivables	11(a)	248,268	282,301
Prepayments	11(b)	61,995	79,393
Financial assets at fair value through profit or loss		3,324	4,145
Restricted cash		1,800	–
Cash and cash equivalents		275,127	348,443
		<u>1,606,473</u>	<u>1,777,649</u>
<b>Total assets</b>		<u><b>3,001,844</b></u>	<u><b>3,139,492</b></u>

		<b>As at 31 December</b>	
	<i>Note</i>	<b>2023</b>	2022
		<b>RMB'000</b>	<b>RMB'000</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the shareholders of the Company</b>			
Share capital	<i>12</i>	<b>89,474</b>	89,784
Treasury shares	<i>12</i>	<b>(9,112)</b>	(3,747)
Other reserves	<i>13</i>	<b>6,257</b>	7,405
Retained earnings		<b>1,699,093</b>	1,676,624
<b>Total equity</b>		<b>1,785,712</b>	1,770,066
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	<i>15</i>	<b>39,960</b>	19,700
Lease liabilities	<i>10</i>	<b>118,163</b>	132,068
Deferred income on government grants	<i>16</i>	<b>42,882</b>	42,484
Deferred income tax liabilities		<b>69,488</b>	58,090
		<b>270,493</b>	252,342
<b>Current liabilities</b>			
Trade and other payables	<i>14</i>	<b>299,477</b>	294,309
Dividends payable		<b>270</b>	266
Current income tax liabilities		<b>46,968</b>	45,841
Borrowings	<i>15</i>	<b>481,100</b>	658,429
Contract liabilities	<i>17</i>	<b>75,606</b>	72,723
Lease liabilities	<i>10</i>	<b>42,218</b>	45,516
		<b>945,639</b>	1,117,084
<b>Total liabilities</b>		<b>1,216,132</b>	1,369,426
<b>Total equity and liabilities</b>		<b>3,001,844</b>	3,139,492

# 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 Act, Cap 22 (Act 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 12 March 2024.

## 2 SUMMARY OF ACCOUNTING POLICIES

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.

### *New and amended standards adopted by the Group*

A number of new or amended standards and interpretations became applicable for the current reporting period. The adoption of these new standards and amendments did not have material impact on the Group’s financial position or operating result and did not require retrospective adjustment.

		<b>Effective for annual periods beginning on or after</b>
HKFRS 17	Insurance Contracts	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKAS 12 (Amendments)	OECD Pillar Two Rules	Immediately, except for certain disclosures

### *New standards and interpretations not yet adopted*

The following new interpretations and amendments to standards and interpretations have been issued but were not mandatory for annual reporting periods ending on 31 December 2023 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.

		<b>Effective for annual periods beginning on or after</b>
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendments)	Non-current liabilities with covenants	1 January 2024
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
HKAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
HKAS 7 and HKFRS 7 (Amendments)	Supplier finance arrangements	1 January 2024
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	January 2024

### **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 2023 and 2022, 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 2023 and 2022. All revenues are derived from external customers.

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Sales of tea leaves	1,254,692	1,243,753
Sales of tea snacks	244,518	243,747
Sales of tea ware	175,240	169,225
Others	59,611	58,675
	<u>1,734,061</u>	<u>1,715,400</u>

The segment results for the year ended 31 December 2023:

	Tea leaves RMB'000	Tea snacks RMB'000	Tea ware RMB'000	All other segments RMB'000	Total RMB'000
Segment revenue	<u>1,254,692</u>	<u>244,518</u>	<u>175,240</u>	<u>59,611</u>	<u>1,734,061</u>
Segment results	<u>254,139</u>	<u>32,117</u>	<u>33,951</u>	<u>(3,085)</u>	<u>317,122</u>
Unallocated administrative expenses					(23,992)
Other income					15,120
Other losses – net					(2,093)
Finance costs – net					(18,998)
Share of net profit of investments accounted for using the equity method					<u>8,182</u>
Profit before income tax					<u>295,341</u>
Income tax expense					<u>(82,103)</u>
Profit for the year					<u><u>213,238</u></u>

Other segment items included in the 2023 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	42,974	14,199	7,568	4,379	9,694	78,814
Depreciation of investment properties	-	-	-	-	4,367	4,367
Depreciation and amortisation of right-of-use assets	57,869	11,250	7,962	1,204	-	78,285
Amortisation of intangible assets	374	60	58	12	873	1,377
Losses on disposal of investment properties and property, plant and equipment, net	944	214	139	6	-	1,303

The segment assets and liabilities as at 31 December 2023 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>1,734,458</u>	<u>298,980</u>	<u>364,078</u>	<u>339,646</u>	<u>264,682</u>	<u>3,001,844</u>
Segment liabilities	<u>571,480</u>	<u>103,223</u>	<u>81,429</u>	<u>17,972</u>	<u>442,028</u>	<u>1,216,132</u>

The segment results for the year ended 31 December 2022:

	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>1,243,753</u>	<u>243,747</u>	<u>169,225</u>	<u>58,675</u>	<u>1,715,400</u>
Segment results	<u>231,170</u>	<u>31,146</u>	<u>32,662</u>	<u>(4,540)</u>	<u>290,438</u>
Unallocated administrative expenses					(23,178)
Other income					28,263
Other losses – net					(2,203)
Finance costs – net					(10,022)
Share of net profit of investments accounted for using the equity method					<u>4,923</u>
Profit before income tax					288,221
Income tax expense					<u>(81,769)</u>
Profit for the year					<u>206,452</u>



Other segment items included in the 2022 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	43,391	14,647	7,776	4,025	9,867	79,706
Depreciation of investment properties	268	–	–	–	1,633	1,901
Depreciation and amortisation of right-of-use assets	58,228	11,407	7,785	491	–	77,911
Amortisation of intangible assets	336	57	48	14	441	896
Losses on disposal of investment properties and property, plant and equipment, net	831	149	123	16	–	1,119

The segment assets and liabilities as at 31 December 2022 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	1,856,369	329,337	376,842	318,140	258,804	3,139,492
Segment liabilities	667,229	116,501	93,712	44,599	447,385	1,369,426

#### 4 OTHER INCOME

	Year ended 31 December	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Government grants	4,472	19,101
Income from investment properties	8,320	7,059
Amortisation of deferred income on government grants ( <i>Note 16</i> )	1,608	1,565
Others	720	538
	<b>15,120</b>	<b>28,263</b>

#### 5 OTHER LOSSES – NET

	Year ended 31 December	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Losses on disposal of investment properties and property, plant and equipment, net	(1,303)	(1,119)
Net foreign exchange gains/(losses) – net	31	(45)
Net fair value losses on financial assets at fair value through profit or loss	(821)	(1,039)
	<b>(2,093)</b>	<b>(2,203)</b>

## 6 FINANCE COSTS – NET

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Finance income		
– Interest income on bank deposits and time deposits	4,772	2,936
– Net foreign exchange gains	2,151	16,688
	<hr/>	<hr/>
Total finance income	6,923	19,624
	<hr/>	<hr/>
Finance costs		
– Interest expenses on bank borrowings	(18,358)	(21,959)
– Less: amounts capitalised in qualifying assets	1,367	1,309
– Interest expenses for lease liabilities	(8,930)	(8,996)
	<hr/>	<hr/>
Total finance costs	(25,921)	(29,646)
	<hr/>	<hr/>
Net finance costs	(18,998)	(10,022)
	<hr/> <hr/>	<hr/> <hr/>

## 7 INCOME TAX EXPENSE

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Current income tax		
– PRC corporate income tax	73,036	68,635
Deferred income tax	9,067	13,134
	<hr/>	<hr/>
Income tax expense	82,103	81,769
	<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”)

The applicable corporate income tax rate for Mainland China subsidiaries is 25% except for subsidiaries which are qualified as small and micro enterprises and would be entitled to enjoy a beneficial tax rate of 5%.

**(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 2023, Tenfu (Hong Kong) Holdings Co., Ltd., a subsidiary of the Company, applied 5% withholding tax rate (the year ended 31 December 2022: 5%), on its estimate of deferred income tax. Ten Rui (Hong Kong) Sales Holdings Co., Ltd., a subsidiary of the Company, applied 5% withholding tax rate (the year ended 31 December 2022: 5%), 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	
	2023	2022
Profit attributable to the shareholders of the Company (RMB'000)	<u>213,238</u>	<u>206,452</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,089,826</u>	<u>1,090,476</u>
Basic earnings per share (RMB)	<u>0.20</u>	<u>0.19</u>

Diluted earnings per share for the year ended 31 December 2023 and 2022 were the same as the basic earnings per share as there were no dilutive instruments during the periods.

**9 DIVIDENDS**

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Interim dividend declared	50,196	37,182
Proposed final dividend	<u>118,633</u>	<u>124,509</u>
	<u>168,829</u>	<u>161,691</u>

At a meeting held on 12 March 2024, the Board proposed a final dividend for 2023 of HKD130,605,000 (equivalent to RMB118,633,000) (2022: HKD141,984,000 (equivalent to RMB124,509,000)), representing HKD12 cents (equivalent to RMB11 cents) (2022: HKD13 cents (equivalent to RMB11 cents)) per share, to be appropriated from retained earnings.

The proposed final dividend for 2023 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 2024.

The interim dividend for 2023 of HKD5 cents (equivalent to RMB4.6 cents) (2022: HKD4 cents (equivalent to RMB3.4 cents)) per share was declared by the Board on 17 August 2023. This interim dividend, amounting to HKD54,561,000 (equivalent to RMB50,196,000) (2022: HKD43,744,000 (equivalent to RMB37,182,000)), has been reflected as an appropriation of retained earnings for the year ended 31 December 2023.

The dividends paid in 2023 amounted to RMB176,310,000 (2022: RMB255,379,000).

## 10 LEASES

### (i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at 31 December 2023 <i>RMB'000</i>	As at 31 December 2022 <i>RMB'000</i>
<b>Right-of-use assets</b>		
– Land use rights	260,159	275,815
– Retail shops	153,418	163,927
	<u>413,577</u>	<u>439,742</u>
<b>Lease liabilities</b>		
– Current	42,218	45,516
– Non-current	118,163	132,068
	<u>160,381</u>	<u>177,584</u>

### (ii) Amounts recognised in the statement of comprehensive income

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

	2023			2022		
	Retail Shops <i>RMB'000</i>	Land use rights <i>RMB'000</i>	Total <i>RMB'000</i>	Retail Shops <i>RMB'000</i>	Land use rights <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Depreciation and amortisation charge of right-of-use assets</b>						
Distribution costs	59,257	12,196	71,453	61,945	11,772	73,717
Administrative expenses	3,832	313	4,145	1,140	313	1,453
Cost of sales	–	2,687	2,687	–	2,741	2,741
	<u>63,089</u>	<u>15,196</u>	<u>78,285</u>	<u>63,085</u>	<u>14,826</u>	<u>77,911</u>
Interest expense (including in finance costs) ( <i>Note 6</i> )			8,930			8,996
Expense relating to short-term leases			17,858			19,383
Exemption of lease expenses due to COVID-19			–			(376)
Total charges to the statement of comprehensive income			<u>105,073</u>			<u>105,914</u>

The total cash outflow for leases in 2023 was RMB78,712,000 (2022: RMB62,506,000).

## 11 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

### (a) Trade and other receivables

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Trade receivables from third parties	244,170	279,746
Less: provision for impairment	(2,956)	(3,850)
Trade receivables, net	241,214	275,896
Interest receivable on time deposits	1,178	–
Others	5,876	6,405
	7,054	6,405
Total of trade and other receivables	248,268	282,301

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 2023 and 2022, the ageing analysis of the trade receivables of the Group based on invoice date is as follows:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Up to 140 days	241,558	270,992
141 days to 6 months	492	3,415
6 months to 1 year	548	2,462
1 year to 2 years	157	2,877
2 years to 3 years	1,415	–
	244,170	279,746

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 receivables are denominated in the following currencies:

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
RMB	237,660	285,040
USD	6,510	1,111
	244,170	286,151

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	
	2023	2022
	RMB'000	RMB'000
<b>Non-current</b>		
Prepayments for property, plant and equipment	<u>8,199</u>	<u>7,905</u>
<b>Current</b>		
Prepayments for lease of property and lease deposits	20,107	24,406
Prepayments to related parties	3,498	10,163
Prepaid taxes	19,557	18,691
Prepayments for raw materials and packaging materials	<u>18,833</u>	<u>26,133</u>
	<u>61,995</u>	<u>79,393</u>
	<u>70,194</u>	<u>87,298</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 RMB'000	Total RMB'000
At 1 January 2022	<u>8,000,000</u>	<u>1,095,126</u>	<u>90,025</u>	<u>(2,897)</u>	<u>87,128</u>
Repurchase of shares	–	–	–	(13,935)	(13,935)
Cancellation of shares	–	(2,945)	(241)	13,085	12,844
At 31 December 2022	<u>8,000,000</u>	<u>1,092,181</u>	<u>89,784</u>	<u>(3,747)</u>	<u>86,037</u>
At 1 January 2023	<u>8,000,000</u>	<u>1,092,181</u>	<u>89,784</u>	<u>(3,747)</u>	<u>86,037</u>
Repurchase of shares	–	–	–	(21,269)	(21,269)
Cancellation of shares	–	(3,804)	(310)	15,904	15,594
At 31 December 2023	<u>8,000,000</u>	<u>1,088,377</u>	<u>89,474</u>	<u>(9,112)</u>	<u>80,362</u>

The Company repurchased 3,121,000 ordinary shares of its own through the Stock Exchange from 1 January 2022 to 31 December 2022. The total value of shares repurchased was approximately HKD15,956,000 and has been deducted from shareholders' equity. The payment made for the repurchase was RMB13,826,000 due to the dividends received by the Company for shares repurchased before ex-dividend date.

As at 31 December 2022, the Company cancelled 2,945,000 shares. After the cancellation, the Company's ordinary shares in issue were reduced from 1,095,126,460 to 1,092,181,460. The amount of share capital was deducted accordingly.

The Company repurchased 5,022,000 ordinary shares of its own through the Stock Exchange from 1 January 2023 to 31 December 2023. The total value of shares repurchased was approximately HKD23,331,000 and has been deducted from shareholders' equity. The payment made for the repurchase was RMB21,282,000 due to the directly attributable incremental costs for shares repurchased before the shares are cancelled.

As at 31 December 2023, the Company cancelled 3,804,000 shares. After the cancellation, the Company's ordinary shares in issue were reduced from 1,092,181,460 to 1,088,377,460. The amount of share capital was deducted accordingly.

### 13 OTHER RESERVES

	<b>Merger reserve</b>	<b>Capital reserve</b>	<b>Statutory reserves</b>	<b>Other</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2022	278,811	231	314,877	(586,499)	7,420
Appropriation to statutory reserves	–	–	12,720	–	12,720
Cancellation of shares	–	–	–	(12,735)	(12,735)
	<u>278,811</u>	<u>231</u>	<u>327,597</u>	<u>(599,234)</u>	<u>7,405</u>
At 31 December 2022	<u>278,811</u>	<u>231</u>	<u>327,597</u>	<u>(599,234)</u>	<u>7,405</u>
At 1 January 2023	<b>278,811</b>	<b>231</b>	<b>327,597</b>	<b>(599,234)</b>	<b>7,405</b>
Appropriation to statutory reserves	–	–	14,459	–	14,459
Cancellation of shares	–	–	–	(15,607)	(15,607)
	<u>278,811</u>	<u>231</u>	<u>342,056</u>	<u>(614,841)</u>	<u>6,257</u>
At 31 December 2023	<u><b>278,811</b></u>	<u><b>231</b></u>	<u><b>342,056</b></u>	<u><b>(614,841)</b></u>	<u><b>6,257</b></u>

As at 31 December 2023, the Company cancelled 3,804,000 shares (2022: 2,945,000 shares) repurchased, resulted in a reduction to other reserve by RMB15,607,000 (2022: RMB12,735,000) including the expenses attributable to the cancellation.

### 14 TRADE AND OTHER PAYABLES

	<b>As at 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables – due to third parties	<b>100,348</b>	107,182
Trade payables – due to related parties	<b>16,385</b>	18,884
	<u>116,733</u>	<u>126,066</u>
Total trade payables	<u><b>116,733</b></u>	<u>126,066</u>
Notes payable	<b>11,000</b>	10,000
Payables for property, plant and equipment	<b>1,629</b>	3,161
Other taxes payable	<b>23,077</b>	20,490
Employee benefit payables	<b>41,836</b>	37,245
Others	<b>105,202</b>	97,347
	<u>299,477</u>	<u>294,309</u>
	<u><b>299,477</b></u>	<u>294,309</u>

As at 31 December 2023 and 2022, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice date is as follows:

	<b>As at 31 December</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Up to 6 months	114,951	125,206
6 months to 1 year	1,057	137
1 year to 2 years	127	116
Over 2 years	598	607
	<u>116,733</u>	<u>126,066</u>

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

## 15 BORROWINGS

	<b>As at 31 December</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Long-term bank borrowings		
– Guaranteed and unsecured (i)	<u>39,960</u>	19,700
Short-term bank borrowings		
– Unguaranteed and unsecured	15,400	123,129
– Guaranteed and unsecured (ii)	<u>465,700</u>	535,300
	<u>481,100</u>	658,429
Total borrowings	<u><u>521,060</u></u>	<u><u>678,129</u></u>

(i) As at 31 December 2023, long-term bank borrowings of RMB39,960,000 (31 December 2022: RMB19,700,000) were guaranteed by Mr. Lee Rie-Ho, Mr. Lee Chia Ling, Mr. Lee Kuo-Lin, all of them are directors of the Company, and the subsidiaries of the Company, either separately or jointly. The borrowing bears interest at the rates quoted by People's Bank of China from time to time and requires one time repayment at 2025.

(ii) As at 31 December 2023, short-term bank borrowings of RMB465,700,000 (2022: RMB535,300,000) were guaranteed by Mr. Lee Rie-Ho, Mr. Lee Chia Ling, Mr. Lee Kuo-Lin, all of them are directors of the Company, and the subsidiaries 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:

	<b>As at 31 December</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Within 1 year	481,100	658,429
1 year to 5 years	<u>39,960</u>	19,700
	<u>521,060</u>	<u>678,129</u>



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

	<b>As at 31 December</b>	
	<b>2023</b>	2022
RMB	<b>521,060</b>	678,129

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

	<b>As at 31 December</b>	
	<b>2023</b>	2022
Long-term bank borrowings	<b>3.25%</b>	3.60%
Short-term bank borrowings	<b>3.00%</b>	3.18%

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

## 16 DEFERRED INCOME ON GOVERNMENT GRANTS

	<b>Year ended 31 December</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
At beginning of year	<b>42,484</b>	44,049
Granted during the year	<b>2,006</b>	–
Amortised as income	<b>(1,608)</b>	(1,565)
At end of year	<b>42,882</b>	42,484

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

	<b>As at 31 December</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Advance receipts from customers	<b>63,055</b>	60,248
Deferred revenue: customer loyalty programme	<b>12,551</b>	12,475
	<b>75,606</b>	72,723

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 within one year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review and Outlook

In 2023, the retail market was still in the post pandemic mood, coupled with the impact of the global economy, geopolitics and a slowdown in its economic growth in China. The retail customers kept their daily-life consumption tightened. However, under the macro environment established by the PRC 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 2023, the Group achieved revenue of RMB1,734.1 million, up 1.1% from 2022, and recorded profit for the year of RMB213.2 million, up 3.2% from 2022. The increase in the Group's revenue for the year was mainly due to various adjustment measures adopted by the Group in the post pandemic market.

In 2023, 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 in various aspect.

- 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 2022. The Company was listed in the list of each of "Benchmark Brands for Tea Industry Competitiveness 2022 (2022年度茶業市場競爭力標桿品牌)", "Leading Tea Enterprises for Comprehensive Strength 2023 (2023年度綜合實力引領茶企業)" and "Key Tea Enterprises 2023 (2023年度重點茶企)" by China Tea Marketing Association. 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. The Company was also granted each of the award of "2nd Zhangzhou Municipal Government Quality (第二屆漳州市政府品質獎稱號)" by Zhangzhou municipal government and "Enterprise with Outstanding Economic Contribution 2022 (2022年度突出經濟貢獻企業)" by Zhangpu county government, respectively. Mr. Lee Rie-Ho, the chairman of the Board, obtained the honorary title of Outstanding Chinese Tea People (Lifetime Achievement) in November 2020 and listed as one of the tea industry influencers in 2022 by Chinese Tea Association and China Tea Industry Alliance. The tea mooncakes of the Group have been awarded the honorable titles of Golden Mooncakes (金牌月餅) and China Mooncakes (中國名餅) for the five consecutive years from 2016 to 2020. The tea mooncakes of the Group also won the first prize for China Mooncake Quality (中華月餅品質一等獎) in 2019 and honorable titles of Golden Mooncakes (金牌月餅) and China Mooncakes (中國名餅) in the 28th China Mooncake Festival in 2022. 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 increased of the proportion of wholesale sales and distributors' stores in the PRC. As of 31 December 2023, the Group had a total of 1,377 self-owned and third-party owned retail outlets and retail points, compared with a total of 1,332 as of 31 December 2022.
3. **Adjustment in each tea product category and development of diversified product lines.** For the year ended 31 December 2023, the Group adjusted its tea product categories, increasing the sales percentage of middle – and higher-ended products to meet Chinese consumers' need and the sales income of green tea increased during the year. 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 2023, net profit margin increased to 12.3% from 12.0% for 2022 mainly due to the increase of the revenue of the Group.
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 2023, the aggregate percentage of purchases attributable to the Group's five largest suppliers accounted for approximately 28% 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 2.5% 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 2023, the Group did not incur any material costs in relation to these complaints and there had not been any material product recall.
8. **Environmental, social and governance ("ESG") endeavours.** The Company obtained the best practice awards of Wind ESG in the fast consumer goods industry for Hong Kong listing companies in 2022 (2022 年度 Wind ESG 港股日常消費行業最佳實踐獎). The Company ranked no. 4 for Wind ESG Rating Distribution (Beverage) in 2023.

In 2024, 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 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, live commerce and delivery-to-home services. Consumer demands showed a trend of diversified, personalised and rational development and the Group will also adapt to the market demand and launch a variety of marketing methods.
- 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”. 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 currently has two packaging facilities in Fujian province and one packaging facility in each of Sichuan province, Zhejiang province, Guangxi Zhuang Autonomous Region and Guizhou province for tea leaves and two production facilities in Fujian province and one production facility in Sichuan province for tea snacks. 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. 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 acquired land in Xiapu county, Ningde, Fujian Province, for construction of a packaging facility of white tea. 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 the PRC, which would achieve optimisation in procurement costs.

In 2023, 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 2023, 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”.

During the year ended 31 December 2023, 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 1.1% from RMB1,715.4 million for the year ended 31 December 2022 to RMB1,734.1 million for the year ended 31 December 2023. The following table sets forth a breakdown of revenue by product category for the years indicated:

	Year ended 31 December			
	2023		2022	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Revenue contributed from:				
Sales of tea leaves	<b>1,254,692</b>	<b>72.4</b>	1,243,753	72.5
Sales of tea snacks	<b>244,518</b>	<b>14.1</b>	243,747	14.2
Sales of tea ware	<b>175,240</b>	<b>10.1</b>	169,225	9.9
Others <sup>(1)</sup>	<b>59,611</b>	<b>3.4</b>	58,675	3.4
Total	<b><u>1,734,061</u></b>	<b><u>100.0</u></b>	<b><u>1,715,400</u></b>	<b><u>100.0</u></b>

#### Notes:

- (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.
- (2) Each of the figures is rounded up to one decimal place and may not add up due to rounding.

Revenue from sales of the Group's tea leaves increased by 0.9% from RMB1,243.8 million for the year ended 31 December 2022 to RMB1,254.7 million for the year ended 31 December 2023. Revenue from sales of the Group's tea snacks increased by 0.3% from RMB243.7 million for the year ended 31 December 2022 to RMB244.5 million for the year ended 31 December 2023. Revenue from sales of the Group's tea ware increased by 3.5% from RMB169.2 million for the year ended 31 December 2022 to RMB175.2 million for the year ended 31 December 2023. The revenue increased from sales of the Group's tea leaves, tea snacks and tea ware were primarily due to changes in product structure and success in sales promotion.

As of 31 December 2023, the Group had approximately 166 self-owned retail outlets and approximately 1,211 distributors' stores throughout Mainland China accounted for approximately 34.5% and 62.1% of total revenue respectively, compared with approximately 176 self-owned retail outlets and approximately 1,156 distributors' stores as of 31 December 2022.

### **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 decreased by 0.2% from RMB795.3 million for the year ended 31 December 2022 to RMB793.6 million for the year ended 31 December 2023, primarily due to the decrease in the cost of raw material.

### **Gross profit and gross profit margin**

As a result of the foregoing factors, gross profit of the Group increased by 2.2% from RMB920.1 million for the year ended 31 December 2022 to RMB940.4 million for the year ended 31 December 2023, with gross profit margin increased by 0.6% from 53.6% for the year ended 31 December 2022 to 54.2% for the year ended 31 December 2023, primarily due to increase of revenue in other segment.

### **Distribution costs**

The distribution costs of the Group decreased by 4.2% from RMB380.3 million for the year ended 31 December 2022 to RMB364.2 million for the year ended 31 December 2023. The decrease was primarily due to a decrease in advertising costs caused by cost control measures of the Group and a decrease of self-owned retail outlets.

### **Administrative expenses**

Administrative expenses for the Group increased by 3.8% from RMB272.6 million for the year ended 31 December 2022 to RMB283.0 million for the year ended 31 December 2023. The increase was primarily due to the increase in labour cost and travelling expenses of the Group.



## **Other income**

Other income of the Group decreased by 46.6% from RMB28.3 million for the year ended 31 December 2022 to RMB15.1 million for the year ended 31 December 2023. The decrease in other income was primarily due to the decrease in PRC local government grants which were recognised as income, reduced from RMB19.1 million for the year ended 31 December 2022 to RMB4.5 million for the year ended 31 December 2023.

## **Other losses – net**

Other losses of the Group amounted to RMB2.1 million for the year ended 31 December 2023, which is comparable with other losses of the Group of RMB2.2 million for the year ended 31 December 2022, both primarily due to losses on disposal of property, plant and equipment and net fair value losses on financial assets at fair value through profit or loss.

## **Finance income**

Finance income of the Group decreased by 64.8% from RMB19.6 million for the year ended 31 December 2022 to RMB6.9 million for the year ended 31 December 2023. The decrease was primarily due to the decrease in net foreign exchange gains of the Group.

## **Finance costs**

Finance costs of the Group decreased by 12.5% from RMB29.6 million for the year ended 31 December 2022 to RMB25.9 million for the year ended 31 December 2023, reflecting a decrease in interest expenses on the Group's bank borrowings.

## **Share of net profit of investments accounted for using the equity method**

Share of net profit of investments accounted for using the equity method of the Group was a net gain amounting to RMB8.2 million and RMB4.9 million for the years ended 31 December 2023 and 2022, respectively. The increase was primarily due to the profits gain from invested business.

## **Income tax expense**

Income tax expense of the Group increased by 0.4% from RMB81.8 million for the year ended 31 December 2022 to RMB82.1 million for the year ended 31 December 2023, primarily due to an increase in the Group's profit before tax of the subsidiaries located in Mainland China for the year ended 31 December 2023 as compared with the year ended 31 December 2022.

## **Profit for the year**

As a result of the foregoing factors and primarily due to optimisation of the proportion of wholesale sales, product structure adjustment and cost control, profit of the Group, all of which was attributable to the shareholders of the Company, increased by RMB6.7 million, or 3.2%, to RMB213.2 million for the year ended 31 December 2023 as compared to RMB206.5 million for the year ended 31 December 2022. Net profit margin of the Group increased from 12.0% for the year ended 31 December 2022 to 12.3% for the year ended 31 December 2023, primarily due to the increase of revenue.

## 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 RMB73.3 million, or 21.0%, from RMB348.4 million as of 31 December 2022 to RMB275.1 million as of 31 December 2023.

The Group had net cash inflow from operating activities of RMB488.9 million, net cash outflow from investing activities of RMB129.1 million and net cash outflow from financing activities of RMB435.2 million for the year ended 31 December 2023.

### *Bank borrowings and gearing ratio*

The Group had total bank borrowings of RMB521.1 million as of 31 December 2023, compared to RMB678.1 million as of 31 December 2022. As of 31 December 2023, the weighted average effective interest rate of the Group's long-term and short-term bank borrowings was 3.25% and 3.00%, respectively, and the Group's bank borrowings in the amount of RMB521,060,000 were denominated in RMB. Bank borrowings as at 31 December 2023 and those in corresponding period last year were charged at variable interest rate.

As at 31 December 2023, long-term bank borrowings of RMB39,960,000 (31 December 2022: RMB19,700,000) were guaranteed by Mr. Lee Rie-Ho, Mr. Lee Chia Ling, Mr. Lee Kuo-Lin, all of them are the Directors, and the subsidiaries of the Company, either separately or jointly. The borrowing bears interest at the rates quoted by People's Bank of China from time to time and requires one time repayment at 2025. As at 31 December 2023, short-term bank borrowings of RMB465,700,000 (2022: RMB535,300,000) were guaranteed by Mr. Lee Rie-Ho, Mr. Lee Chia Ling, Mr. Lee Kuo-Lin, all of them are the Directors, and the subsidiaries of the Company, either separately or jointly.

The Directors are of the view that the guarantee of bank borrowings of RMB441.7 million as at 31 December 2023 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 Exchange 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 2023	Less than 1 year <i>RMB'000</i>	Between 1 and 2 years <i>RMB'000</i>	Between 2 and 5 years <i>RMB'000</i>	Over 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
Borrowings	481,100	39,960	–	–	521,060
Interest payments on borrowings ( <i>Note</i> )	8,915	694	–	–	9,609
Lease liabilities	43,223	42,380	47,699	34,593	167,895
Trade and other payables	234,564	–	–	–	234,564
	<u>767,802</u>	<u>83,034</u>	<u>47,699</u>	<u>34,593</u>	<u>933,128</u>
	Less than 1 year <i>RMB'000</i>	Between 1 and 2 years <i>RMB'000</i>	Between 2 and 5 years <i>RMB'000</i>	Over 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2022					
Borrowings	658,429	–	19,700	–	678,129
Interest payments on borrowings ( <i>Note</i> )	8,350	709	150	–	9,209
Lease liabilities	46,605	47,042	51,630	40,829	186,106
Trade and other payables	236,574	–	–	–	236,574
	<u>949,958</u>	<u>47,751</u>	<u>71,480</u>	<u>40,829</u>	<u>1,110,018</u>

*Note:* The interest payments on borrowings are calculated based on borrowings held as at 31 December 2023 and 2022, 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 2023, the gearing ratio of the Group was 22.6%, as compared to 27.7% as of 31 December 2022. The decrease in the gearing ratio during 2023 was primarily due to the repayment of the Group's bank borrowings and increases in its total capital driven by higher net profit earned during the year.

### ***Capital and other commitments***

As of 31 December 2023, the Group had total investment, capital and operating lease commitments of RMB85.5 million, as compared to RMB32.9 million as of 31 December 2022. 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:

	<b>As of 31 December</b>	
	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Investments in joint ventures and associate	<b><u>4,717</u></b>	<u>4,717</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:

	<b>As of 31 December</b>	
	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Property, plant and equipment	<b><u>75,006</u></b>	<u>24,714</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.

	<b>As of 31 December</b>	
	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
No later than 1 year	<b><u>5,793</u></b>	<u>3,491</u>

## **Working capital**

	<b>As of 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Trade and other receivables	<b>248,268</b>	282,301
Trade and other payables	<b>299,477</b>	294,309
Inventories	<b>1,015,959</b>	1,063,367
Trade receivables turnover days <sup>(1)</sup>	<b>80</b>	98
Trade payables turnover days <sup>(2)</sup>	<b>55</b>	66
Inventories turnover days <sup>(3)</sup>	<b>472</b>	481

### *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 decreased by RMB34.0 million from RMB282.3 million as of 31 December 2022 to RMB248.3 million as of 31 December 2023, primarily due to the settlement of trade receivables due from third parties.

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 RMB5.2 million from RMB294.3 million as of 31 December 2022 to RMB299.5 million as of 31 December 2023, primarily due to increase in deposit of newly set up distributors' stores.

The Group's inventories comprise raw materials (including packaging materials), work-in-progress and finished products. The Group's inventories decreased by RMB47.4 million from RMB1,063.4 million as of 31 December 2022 to RMB1,016.0 million as of 31 December 2023, primarily reflecting a decrease in purchase volume.

As of 31 December 2023, 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 2023, 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 JPY and financing activities denominated in HKD. The Directors are of the view that the Group does not have significant foreign currency risk.

Any future depreciation of 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 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 2023.

## **Employee and Remuneration Policy**

As of 31 December 2023, the Group had a total of 3,596 employees, with 3,591 employees based in the PRC and 5 employees based in Hong Kong. For the year ended 31 December 2023, the staff cost of the Group was RMB337.5 million, compared to RMB334.9 million for the year ended 31 December 2022.

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 2023.

## **OTHER INFORMATION**

### **Final Dividend**

At the Board meeting held on 12 March 2024 (Tuesday), it was proposed that a final dividend of HK\$0.12 per ordinary share (equivalent to RMB0.11 per ordinary share) be paid on or after 29 May 2024 to the shareholders of the Company whose names appear on the Company's register of members on 22 May 2024 (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 10 May 2024 (Friday).

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 10 May 2024 (Friday). A notice convening the Annual General Meeting will be published 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 7 May 2024 (Tuesday) to 10 May 2024 (Friday), 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 6 May 2024 (Monday).

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed on 21 May 2024 (Tuesday) and 22 May 2024 (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 20 May 2024 (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 2023, the Company has complied with the code provisions included in the Corporate Governance Code as set out in Appendix C1 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 2023. 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 2023.



## 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 17 May 2023 (the “2023 AGM”) the general mandate to repurchase up to 109,121,546 shares, being 10% of the total number of the issued shares of the Company as at the date of the 2023 AGM, on the Stock Exchange. During the year ended 31 December 2023, the Company had repurchased a total of 5,022,000 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 2023, the aggregate consideration of HK\$23,250,150 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. 938,000, 28,000, 73,000, 56,000, 52,000 and 2,657,000 shares repurchased during the year ended 31 December 2023 were cancelled on 19 April 2023, 9 May 2023, 7 July 2023, 15 September 2023, 25 October 2023 and 8 December 2023, respectively. There were 2,034,000 shares outstanding (repurchased but not yet cancelled) as at 31 December 2023. Subsequently, the Company had repurchased a total of 13,000 shares in the aggregate consideration of HK\$60,970. 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 2023	99,000	5.15	4.68	487,860
March 2023	12,000	4.70	4.63	56,200
April 2023	33,000	4.70	4.60	154,620
May 2023	36,000	4.70	4.69	169,140
June 2023	42,000	4.90	4.63	196,700
July 2023	21,000	4.75	4.50	96,900
August 2023	24,000	4.60	4.49	109,740
September 2023	41,000	4.70	4.46	187,280
October 2023	35,000	4.60	4.37	157,990
November 2023	2,643,000	4.57	3.99	11,617,710
December 2023	2,036,000	5.10	4.01	10,016,010

The Board considers that the current trading price of the shares does not reflect their intrinsic value. The Board believes that the share repurchases reflected the Company’s confidence in its long-term business prospects and would ultimately benefit the Company and create value for its shareholders. The Board also believes that the Company’s stable financial position will enable it to conduct the share repurchases while maintaining a solid financial position for the continuation of the Company’s business and growth in the current financial year.

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 2023.



## **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 C3 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 they have confirmed their compliance with the required standard set out in the Model Code throughout the year ended 31 December 2023.

## **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 2023 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 2023. 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 2023 containing all the information required by the Listing Rules will be made available for review on the aforesaid websites in due course.

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

Hong Kong, 12 March 2024

*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, Dr. 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.*