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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)

CONTINUING CONNECTED TRANSACTIONS UNCLE LEE MASTER SALE AGREEMENT

UNCLE LEE MASTER SALE AGREEMENT

On 19 August 2024, the Company has entered into the Uncle Lee Master Sale Agreement with Uncle Lee to sell the tea leaves not exceeding RMB12,000,000, RMB13,200,000 and RMB14,520,000, respectively, for a period of three years commencing on 1 January 2024 to 31 December 2026. The Group sells tea leaves to Uncle Lee in the ordinary and usual course of business.

LISTING RULES IMPLICATIONS

Uncle Lee is beneficially owned as to 80% by Mr. Lee Chia Ling, 12.56% by Mr. Lee Kuo-Lin, both the substantial shareholders of the Company and Directors, and 7.44% by various relatives of Mr. Lee Chia Ling and Mr. Lee Kuo-Lin, and thus an associate of core connected persons of the Company, entering into of the Uncle Lee Master Sale Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios (other than profits ratio) in respect of the transactions under the Uncle Lee Master Sale Agreement is expected to be more than 0.1% and less than 5% on an annual basis, the transactions contemplated thereunder will be subject to the reporting, annual review and announcement requirements set out in Rule 14A.34 of the Listing Rules but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

UNCLE LEE MASTER SALE AGREEMENT

Background

The Group sold tea leaves to Uncle Lee from 1 January 2024 to 30 June 2024 in the ordinary and usual course of business. The historical transaction for sale of tea leaves by the Group to Uncle Lee for the six months ended 30 June 2024 was RMB2,072,700, approaching the threshold of the applicable percentage ratios (other than profits ratio) for the reporting, annual review and announcement requirements. For avoidance of doubt, the applicable percentage ratios (other than profits ratio) in respect of the transactions with Uncle Lee for the six months ended 30 June 2026 fell within the exemption under Rule 14A. 76(1)(C). It is expected that the Group will continue to sell tea leaves to Uncle Lee.

On 19 August 2024, the Company has entered into the Uncle Lee Master Sale Agreement with Uncle Lee to sell tea leaves for a period of three years commencing on 1 January 2024 to 31 December 2026. The Group sells tea leaves to Uncle Lee in the ordinary and usual course of business.

Details of the Uncle Lee Master Sale Agreement

- Date: 19 August 2024
- Parties: (i) the Company; and
- (ii) Uncle Lee, a limited liability company incorporated in the State of California of the United States and principally engaged in the marketing and sales of tea bags under its “Uncle Lee’s” brand in North and South America as well as Europe, which is beneficially owned as to 80% by Mr. Lee Chia Ling, 12.56% by Mr. Lee Kuo-Lin, both the substantial shareholders of the Company and Directors, and 7.44% by various relatives of Mr. Lee Chia Ling and Mr. Lee Kuo-Lin.
- Subject: Pursuant to the Uncle Lee Master Sale Agreement, the Company agreed to sell or procure members of the Group to sell tea leaves to Uncle Lee.
- Term: The Uncle Lee Master Sale Agreement has a fixed term of three years commencing on 1 January 2024 to 31 December 2026 (both days inclusive).
- Annual caps: The annual caps under the Uncle Lee Master Sale Agreement for the three years ending 31 December 2026 will not exceed RMB12,000,000, RMB13,200,000 and RMB14,520,000, respectively. The annual caps have been determined based on the estimated purchase orders of Uncle Lee and the sale of tea leaves with reference to the market prices for similar tea leaves, which the Group sold to Independent Third Parties. In arriving at the annual caps, the Directors have considered (1) the proposed transaction amounts for the tea leaves ordered by Uncle Lee; (2) the market recognition and acceptance of the Uncle Lee brand in the United States and Europe; and (3) the expected 10% increase of future growth of the tea leaves sale to Uncle Lee.
- Pricing policy: The price of the tea leaves shall be determined through good faith negotiations between the Company and Uncle Lee by reference to the prevailing market prices of similar tea leaves, and the terms of sale shall be no less favourable than those made available to Independent Third Parties. The tea leaves sale department of the Group is responsible for reviewing and approving the sale price under each sale order to Uncle Lee, according to the historical sale price of similar tea leaves and the prevailing market prices of tea leaves. The Directors (including the independent non-executive Directors) are of the view that the pricing policy and the methods and procedures taken by the Group can ensure that the transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders.
- Payment: The payment for the sale of the tea leaves under the Uncle Lee Master Sale Agreement will be as stated in the relevant purchase orders from Uncle Lee or as agreed from time to time. Payment shall be made by telegraphic transfer or other payment methods generally acceptable in the PRC.

Historical transaction amounts

There is no historical transaction for sale of tea leaves by the Group to Uncle Lee for the three years ended 31 December 2023. The historical transaction for sale of tea leaves by the Group to Uncle Lee for the six months ended 30 June 2024 was RMB2,072,700.

Reasons for the transactions under the Uncle Lee Master Sale Agreement

The Group is principally engaged in the sale and marketing of a comprehensive range of tea products and the development of product concepts, tastes and packaging designs. The key products of the Group are tea leaves, tea snacks and tea ware, which are sold through a nationwide network of self-owned and third-party owned retail outlets and retail points. Uncle Lee is principally engaged in the marketing and sales of tea bags under its “Uncle Lee’s” brand in North and South America as well as Europe. Sale of tea leaves to Uncle Lee is part of the ordinary and usual course of business of the Group. The Group will extend its sale channels by sale of tea leaves through Uncle Lee to international markets, e.g., North and South America and the Europe.

Directors’ View

Given that tea leaves are to be sold based on prevailing market rates, the Directors (including the independent non-executive Directors) consider that the Uncle Lee Master Sale Agreement is entered into on an arm’s length basis under normal commercial terms, in the usual and ordinary course of business of the Group and the transactions contemplated under the Uncle Lee Master Sale Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Listing Rules Implications

Uncle Lee is beneficially owned as to 80% by Mr. Lee Chia Ling, 12.56% by Mr. Lee Kuo-Lin, both the substantial shareholders of the Company and Directors, and 7.44% by various relatives of Mr. Lee Chia Ling and Mr. Lee Kuo-Lin, and thus an associate of core connected persons of the Company, entering into of the Uncle Lee Master Sale Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Mr. Lee Chia-Ling, Mr. Lee Kuo-Lin and Mr. Lee Rie-Ho, who is the father of Mr. Lee Chia Ling and Mr. Lee Kuo-Lin, are considered to be interested in the transactions contemplated under the Uncle Lee Master Sale Agreement and have abstained from voting on the Board resolutions for approving the Uncle Lee Master Sale Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the Directors has material interests in the transactions contemplated under the Uncle Lee Master Sale Agreement.

As each of the applicable percentage ratios (other than profits ratio) in respect of the transactions under the Uncle Lee Master Sale Agreement is expected to be more than 0.1% and less than 5% on an annual basis, the transactions contemplated thereunder will be subject to the reporting, annual review and announcement requirements set out in Rule 14A.34 of the Listing Rules but exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

Internal Control Measures

The Group adopted the following internal control measures to ensure that the continuing connected transactions will be conducted on normal commercial terms going forward:

- (i) where applicable and commercially sensible, the Group will continue to request the connected persons to provide the products or services through a bidding process, on arm's length basis and on the best available terms, with reference to the prevailing market prices;
- (ii) as part of the internal control measures, the implementation of the continuing connected transactions agreements and the actual number and amount of products and services will be monitored and reviewed by the Board (including the independent non-executive Directors) and the senior management on a regular basis, with reference to terms of similar transactions with the Independent Third Parties;
- (iii) the relevant operational divisions of the Group will report regularly to senior management with respect to the actual performance of the transactions of sale of products and services with the connected persons;
- (iv) the Director(s) and/or the Shareholder(s) with an interest in the relevant transaction(s) shall abstain from voting in respect of the resolution(s);
- (v) the Group shall use the best endeavour to comply with the relevant reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules for the continuing connected transactions;
- (vi) the Company will engage its auditor to report on the continuing connected transactions between the Group and the connected persons contemplated under the continuing connected transactions agreements every year in accordance with Rule 14A.56 of the Listing Rules; and
- (vii) the Group will duly disclose in the annual reports and accounts the transactions of sale of products and services with the connected persons during each financial period, together with the conclusions (with related basis) drawn by the independent non-executive Directors whether the transactions are conducted on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Definitions

In this announcement, the following expressions shall have the meanings set out below unless the context otherwise requires:

“associate”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Company”	Tenfu (Cayman) Holdings Company Limited (天福(開曼)控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange;
“core connected person”	has the same meaning as given to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are not connected with the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China, excluding Taiwan, Hong Kong and Macao Special Administrative Region for the purpose of this announcement;
“Uncle Lee Master Sale Agreement”	the purchase agreement entered into between the Company and Uncle Lee dated 19 August 2024, pursuant to which the Company agreed to sell or procure members of the Group to sell tea leaves to Uncle Lee for a period of three years commencing on 1 January 2024 to 31 December 2026;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	shareholder(s) of the Company;

“Shares”	ordinary shares of nominal value HK\$0.10 each in the capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the same meaning ascribed to it under the Listing Rules;
“Uncle Lee”	Uncle Lee’s Tea Inc., a limited liability company incorporated in the State of California of the United States, which is beneficially owned as to 80% by Mr. Lee Chia Ling, 12.56% by Mr. Lee Kuo-Lin and 7.44% by various relatives of Mr. Lee Chia Ling and Mr. Lee Kuo-Lin and principally engaged in the marketing and sales of tea bags under its “Uncle Lee’s” brand in North and South America as well as Europe; and
“%”	per cent.

By order of the Board
Tenfu (Cayman) Holdings Company Limited
Lee Rie-Ho
Chairman

Hong Kong, 19 August 2024

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