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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 2024

Financial Highlights

- Revenue for the year ended 31 December 2024 decreased by 9.9% from RMB1,734.1 million for 2023 to RMB1,562.6 million;
- Gross profit for the year ended 31 December 2024 decreased by 14.3% from RMB940.4 million for 2023 to RMB806.3 million, with a decrease in gross profit margin from 54.2% for 2023 to 51.6% for the year ended 31 December 2024;
- Profit for the year ended 31 December 2024 decreased by 34.9% from RMB213.2 million for 2023 to RMB138.9 million, which corresponded to a decrease in net profit margin from 12.3% for 2023 to 8.9% for the year ended 31 December 2024;
- Basic earnings per share for the year ended 31 December 2024 was RMB0.13, with a decrease of 35.0% compared with basic earning per share of RMB0.20 for the year ended 31 December 2023; and
- The Board proposed a final dividend of HKD0.08 per share (equivalent to RMB0.07 per share) with a decrease of 33.3% compared with the final dividend of RMB0.12 for the year ended 31 December 2023.

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 2024, together with the comparative figures for the year ended 31 December 2023 as below.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

		Year ended 31 December	
	Note	2024	2023
		RMB'000	RMB'000
Revenue	3	1,562,648	1,734,061
Cost of sales		<u>(756,314)</u>	<u>(793,645)</u>
Gross profit		806,334	940,416
Distribution costs		(343,147)	(364,238)
Administrative expenses		(279,136)	(283,048)
Other income	4	35,761	15,120
Other losses – net	5	<u>(426)</u>	<u>(2,093)</u>
Operating profit		219,386	306,157
Finance income		4,830	6,923
Finance costs		<u>(23,151)</u>	<u>(25,921)</u>
Finance costs – net	6	<u>(18,321)</u>	<u>(18,998)</u>
Share of net profit of investments accounted for using the equity method		<u>123</u>	<u>8,182</u>
Profit before income tax		201,188	295,341
Income tax expense	7	<u>(62,313)</u>	<u>(82,103)</u>
Profit for the year, all attributable to the shareholders of the Company		<u>138,875</u>	<u>213,238</u>
Other comprehensive income for the year		<u>–</u>	<u>–</u>
Total comprehensive income for the year, all attributable to the shareholders of the Company		<u>138,875</u>	<u>213,238</u>
Earnings per share for profit attributable to the shareholders of the Company			
– Basic earnings per share	8	RMB0.13	RMB0.20
– Diluted earnings per share	8	<u>RMB0.13</u>	<u>RMB0.20</u>

CONSOLIDATED BALANCE SHEET

As at 31 December 2024

		As at 31 December	
	Note	2024	2023
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		669,973	668,748
Right-of-use assets	10	404,001	413,577
Investment properties		66,404	74,557
Intangible assets		3,449	4,449
Investments accounted for using the equity method		7,957	120,505
Deferred income tax assets		43,304	47,336
Prepayments – non-current portion	11(b)	7,905	8,199
Long-term time deposits		88,000	58,000
		<u>1,290,993</u>	<u>1,395,371</u>
Current assets			
Inventories		960,195	1,015,959
Trade and other receivables	11(a)	245,488	248,268
Prepayments	11(b)	88,281	61,995
Financial assets at fair value through profit or loss		3,490	3,324
Long-term time deposits – current portion		18,000	–
Restricted cash		26,680	1,800
Cash and cash equivalents		340,492	275,127
		<u>1,682,626</u>	<u>1,606,473</u>
Total assets		<u><u>2,973,619</u></u>	<u><u>3,001,844</u></u>

	<i>Note</i>	As at 31 December	
		2024	2023
		RMB'000	RMB'000
EQUITY			
Capital and reserves attributable to the shareholders of the Company			
Share capital	<i>12</i>	89,176	89,474
Treasury shares	<i>12</i>	(3,028)	(9,112)
Other reserves	<i>13</i>	10,778	6,257
Retained earnings		1,668,500	1,699,093
Total equity		1,765,426	1,785,712
LIABILITIES			
Non-current liabilities			
Borrowings	<i>15</i>	–	39,960
Lease liabilities	<i>10</i>	120,800	118,163
Deferred income of government grants	<i>16</i>	42,336	42,882
Deferred income tax liabilities		65,271	69,488
Other payables		6,000	–
		234,407	270,493
Current liabilities			
Trade and other payables	<i>14</i>	250,467	299,477
Dividends payable		–	270
Current income tax liabilities		42,223	46,968
Borrowings	<i>15</i>	571,380	481,100
Contract liabilities	<i>17</i>	67,837	75,606
Lease liabilities	<i>10</i>	41,879	42,218
		973,786	945,639
Total liabilities		1,208,193	1,216,132
Total equity and liabilities		2,973,619	3,001,844

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 18 March 2025.

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.

		Effective for annual periods beginning on or after
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
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements- Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
HKFRS 16 (Amendments)	Lease Liability in Sale and Leaseback	1 January 2024
HKAS 7 and HKFRS 7 (Amendments)	Supplier finance arrangements	1 January 2024

New standards and interpretations not yet adopted

The following new accounting standards and amendments to accounting standards have been published that are not mandatory for 31 December 2024 reporting periods 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 21 (Amendments)	Lack of Exchangeability	1 January 2025
HKFRS 9 and HKFRS 7 (Amendments)	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Annual Improvements to HKFRS Accounting Standards - Volume 11	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027

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 2024 and 2023, 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 2024 and 2023. All revenues are derived from external customers.

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Sales of tea leaves	1,080,770	1,254,692
Sales of tea snacks	247,635	244,518
Sales of tea ware	179,471	175,240
Others	54,772	59,611
	<u>1,562,648</u>	<u>1,734,061</u>

The segment results for the year ended 31 December 2024:

	Tea leaves RMB'000	Tea snacks RMB'000	Tea ware RMB'000	All other segments RMB'000	Total RMB'000
Segment revenue	<u>1,080,770</u>	<u>247,635</u>	<u>179,471</u>	<u>54,772</u>	<u>1,562,648</u>
Segment cost of goods sold	<u>(517,939)</u>	<u>(118,002)</u>	<u>(93,557)</u>	<u>(26,816)</u>	<u>(756,314)</u>
Segment results	<u>155,308</u>	<u>30,671</u>	<u>26,931</u>	<u>(5,399)</u>	<u>207,511</u>
Unallocated administrative expenses					(23,460)
Other income					35,761
Other losses – net					(426)
Finance costs – net					(18,321)
Share of net profit of investments accounted for using the equity method					<u>123</u>
Profit before income tax					<u>201,188</u>
Income tax expense					<u>(62,313)</u>
Profit for the year					<u><u>138,875</u></u>

Other segment items included in the 2024 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	44,741	13,900	7,451	4,236	9,885	80,213
Depreciation of investment properties	-	-	-	-	5,133	5,133
Depreciation and amortisation of right-of-use assets	53,928	12,256	8,721	1,252	-	76,157
Amortisation of intangible assets	133	21	29	7	851	1,041
Losses on disposal of property, plant and equipment, net	177	25	31	3	-	236

The segment assets and liabilities as at 31 December 2024 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>1,885,257</u>	<u>287,708</u>	<u>347,787</u>	<u>206,879</u>	<u>245,988</u>	<u>2,973,619</u>
Segment liabilities	<u>600,657</u>	<u>102,253</u>	<u>80,267</u>	<u>10,625</u>	<u>414,391</u>	<u>1,208,193</u>

The segment results for the year ended 31 December 2023:

	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>1,254,692</u>	<u>244,518</u>	<u>175,240</u>	<u>59,611</u>	<u>1,734,061</u>
Segment cost of goods sold	<u>(560,808)</u>	<u>(115,168)</u>	<u>(89,925)</u>	<u>(27,744)</u>	<u>(793,645)</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					295,341
Income tax expense					<u>(82,103)</u>
Profit for the year					<u>213,238</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 property, plant and equipment, net	944	214	139	6	–	1,303
	<u>944</u>	<u>214</u>	<u>139</u>	<u>6</u>	<u>–</u>	<u>1,303</u>

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>

4 OTHER INCOME

	Year ended 31 December	
	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Government grants	13,651	4,472
Income from investment properties	13,589	8,320
Amortisation of deferred income on government grants (<i>Note 16</i>)	1,655	1,608
Others	6,866	720
	<u>35,761</u>	<u>15,120</u>

5 OTHER LOSSES – NET

	Year ended 31 December	
	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Losses on disposal of property, plant and equipment, net	(236)	(1,303)
Net foreign exchange (losses)/gains – net	(356)	31
Net fair value gains/(losses) on financial assets at fair value through profit or loss	166	(821)
	<u>(426)</u>	<u>(2,093)</u>

6 FINANCE COSTS – NET

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Finance income		
– Interest income on bank deposits and time deposits	4,550	4,772
– Net foreign exchange gains	280	2,151
Total finance income	<u>4,830</u>	<u>6,923</u>
Finance costs		
– Interest expenses on bank borrowings	(16,245)	(18,358)
– Less: amounts capitalised in qualifying assets	1,295	1,367
– Interest expenses for lease liabilities	(8,201)	(8,930)
Total finance costs	<u>(23,151)</u>	<u>(25,921)</u>
Net finance costs	<u>(18,321)</u>	<u>(18,998)</u>

7 INCOME TAX EXPENSE

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Current income tax		
– PRC corporate income tax	49,998	73,036
Deferred income tax	12,315	9,067
Income tax expense	<u>62,313</u>	<u>82,103</u>

(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 2024, Tenfu (Hong Kong) Holdings Co., Ltd., a subsidiary of the Company, applied 5% withholding tax rate (the year ended 31 December 2023: 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 2023: 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	
	2024	2023
Profit attributable to the shareholders of the Company (RMB'000)	138,875	213,238
Weighted average number of ordinary shares in issue ('000)	1,085,960	1,089,826
Basic earnings per share (RMB)	0.13	0.20

Diluted earnings per share for the year ended 31 December 2024 and 2023 were the same as the basic earnings per share as there were no dilutive instruments during the periods.

9 DIVIDENDS

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Interim dividend declared	29,326	50,196
Proposed final dividend	80,270	118,633
	109,596	168,829

At a meeting held on 18 March 2025, the Board proposed a final dividend for 2024 of HKD86,778,000 (equivalent to RMB80,270,000) (2023: HKD130,605,000 (equivalent to RMB118,633,000)), representing HKD8 cents (equivalent to RMB7 cents) (2023: HKD12 cents (equivalent to RMB11 cents)) per share, to be appropriated from retained earnings.

The proposed final dividend for 2024 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 2025.

The interim dividend for 2024 of HKD3 cents (equivalent to RMB2.7 cents) (2023: HKD5 cents (equivalent to RMB4.6 cents)) per share was declared by the Board on 19 August 2024. This interim dividend, amounting to HKD32,584,000 (equivalent to RMB29,326,000) (2023: HKD54,561,000 (equivalent to RMB50,196,000)), has been reflected as an appropriation of retained earnings for the year ended 31 December 2024.

The dividends paid in 2024 amounted to RMB150,522,000 (2023: RMB176,310,000).

10 LEASES

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at 31 December 2024 <i>RMB'000</i>	As at 31 December 2023 <i>RMB'000</i>
Right-of-use assets		
– Land use rights	245,306	260,159
– Retail shops	158,695	153,418
	<u>404,001</u>	<u>413,577</u>
Lease liabilities		
– Current	41,879	42,218
– Non-current	120,800	118,163
	<u>162,679</u>	<u>160,381</u>

(ii) Amounts recognised in the statement of comprehensive income

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

	2024			2023		
	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>
Depreciation and amortisation charge of right-of-use assets						
Distribution costs	55,523	11,661	67,184	59,257	12,196	71,453
Administrative expenses	5,781	313	6,094	3,832	313	4,145
Cost of sales	–	2,879	2,879	–	2,687	2,687
	<u>61,304</u>	<u>14,853</u>	<u>76,157</u>	<u>63,089</u>	<u>15,196</u>	<u>78,285</u>
Interest expense (including in finance cost) (<i>Note 6</i>)			8,201			8,930
Expense relating to short-term leases			19,591			17,858
Total charges to the statement of comprehensive income			<u>103,949</u>			<u>105,073</u>

The total cash outflow for leases in 2024 was RMB72,485,000 (2023: RMB78,712,000).

11 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

(a) Trade and other receivables

	As at 31 December	
	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Trade receivables from third parties	222,395	244,170
Trade receivables from related parties	9,548	–
Total trade receivables	231,943	244,170
Less: provision for impairment	(1,557)	(2,956)
Trade receivables, net	230,386	241,214
Interest receivable on time deposits	4,043	1,178
Dividend receivable from investment in associates	2,655	–
Others	8,404	5,876
	15,102	7,054
Total of trade and other receivables	<u>245,488</u>	<u>248,268</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 2024 and 2023, the ageing analysis of the trade receivables of the Group based on invoice date is as follows:

	As at 31 December	
	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Up to 140 days	224,427	241,558
141 days to 6 months	1,629	492
6 months to 1 year	4,282	548
1 year to 2 years	704	157
2 years to 3 years	901	1,415
	<u>231,943</u>	<u>244,170</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	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
RMB	222,004	237,660
USD	9,939	6,510
	<u>231,943</u>	<u>244,170</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	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current		
Prepayments for property, plant and equipment	<u>7,905</u>	<u>8,199</u>
Current		
Prepayments for lease of property and lease deposits	22,143	20,107
Prepayments to related parties	12,034	3,498
Prepaid taxes	19,266	19,557
Prepayments for raw materials and packaging materials	<u>34,838</u>	<u>18,833</u>
	<u>88,281</u>	<u>61,995</u>
	<u>96,186</u>	<u>70,194</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 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	<u>–</u>	<u>(3,804)</u>	<u>(310)</u>	<u>15,904</u>	<u>15,594</u>
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>
At 1 January 2024	<u>8,000,000</u>	<u>1,088,377</u>	<u>89,474</u>	<u>(9,112)</u>	<u>80,362</u>
Repurchase of shares	–	–	–	(8,630)	(8,630)
Cancellation of shares	<u>–</u>	<u>(3,647)</u>	<u>(298)</u>	<u>14,714</u>	<u>14,416</u>
At 31 December 2024	<u>8,000,000</u>	<u>1,084,730</u>	<u>89,176</u>	<u>(3,028)</u>	<u>86,148</u>

The Company repurchased 2,447,000 ordinary shares of its own through the Stock Exchange from 1 January 2024 to 31 December 2024. The total value of shares repurchased was approximately HKD9,370,000 and has been deducted from shareholders' equity. The payment made for the repurchase was RMB8,639,000 due to the directly attributable incremental costs for shares repurchased before the shares are cancelled.

As at 31 December 2024, the Company cancelled 3,647,000 shares. After the cancellation, the Company's ordinary shares in issue were reduced from 1,088,377,460 to 1,084,730,460. 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

	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 2023	278,811	231	327,597	(599,234)	7,405
Appropriation to statutory reserves	–	–	14,459	–	14,459
Cancellation of shares	–	–	–	(15,607)	(15,607)
At 31 December 2023	<u>278,811</u>	<u>231</u>	<u>342,056</u>	<u>(614,841)</u>	<u>6,257</u>
At 1 January 2024	278,811	231	342,056	(614,841)	6,257
Appropriation to statutory reserves	–	–	18,946	–	18,946
Cancellation of shares	–	–	–	(14,425)	(14,425)
At 31 December 2024	<u>278,811</u>	<u>231</u>	<u>361,002</u>	<u>(629,266)</u>	<u>10,778</u>

As at 31 December 2024, the Company cancelled 3,647,000 shares (2023: 3,804,000 shares) repurchased, resulted in a reduction to other reserve by RMB14,425,000 (2023: RMB15,607,000) including the expenses attributable to the cancellation.

14 TRADE AND OTHER PAYABLES

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables – due to third parties	69,017	100,348
Trade payables – due to related parties	15,026	16,385
Total trade payables	<u>84,043</u>	<u>116,733</u>
Notes Payable	–	11,000
Payables for property, plant and equipment	4,508	1,629
Other taxes payable	23,782	23,077
Employee benefit payables	34,647	41,836
Others	103,487	105,202
	<u>250,467</u>	<u>299,477</u>

As at 31 December 2024 and 2023, 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	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 6 months	83,728	114,951
6 months to 1 year	32	1,057
1 year to 2 years	45	127
Over 2 years	238	598
	<u>84,043</u>	<u>116,733</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	
	2024	2023
	RMB'000	RMB'000
Long-term bank borrowings		
– Guaranteed and unsecured	59,760	39,960
Less: Long-term borrowings to be settled within one year	(59,760)	–
	<hr/>	<hr/>
Total guaranteed and unsecured (i)	–	39,960
	<hr/>	<hr/>
Short-term bank borrowings		
– Guaranteed and unsecured (ii)	486,620	465,700
Add: Long-term borrowings to be settled within one year	59,760	–
	<hr/>	<hr/>
Total guaranteed and unsecured	546,380	465,700
	<hr/>	<hr/>
– Unguaranteed and unsecured	25,000	15,400
	<hr/>	<hr/>
Total short-term bank borrowings	571,380	481,100
	<hr/>	<hr/>
Total borrowings	571,380	521,060
	<hr/> <hr/>	<hr/> <hr/>

- (i) As at 31 December 2023, long-term bank borrowings of RMB39,960,000 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 2024, short-term bank borrowings of RMB546,380,000 (2023: RMB465,700,000) 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 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	
	2024	2023
	RMB'000	RMB'000
Within 1 year	571,380	481,100
1 year to 5 years	–	39,960
	<hr/>	<hr/>
	571,380	521,060
	<hr/> <hr/>	<hr/> <hr/>

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

	As at 31 December	
	2024	2023
RMB	571,380	521,060
	<hr/> <hr/>	<hr/> <hr/>

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

	As at 31 December	
	2024	2023
Long-term bank borrowings	–	3.25%
Short-term bank borrowings	2.76%	3.00%

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	
	2024	2023
	RMB'000	RMB'000
At beginning of year	42,882	42,484
Granted during the year	1,109	2,006
Amortised as income	(1,655)	(1,608)
At end of year	42,336	42,882

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	
	2024	2023
	RMB'000	RMB'000
Advance receipts from customers	56,177	63,055
Deferred revenue: customer loyalty programme	11,660	12,551
	67,837	75,606

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 2024, the global economy continued to face multiple risks such as rising inflation, geopolitical tensions and fluctuations in energy and commodity prices. Under the macro environment, the PRC government actively rolled out a series of policies and measures to promote consumption, focusing on expanding domestic demand and unleashing the potential of consumption. The consumer market demonstrated continuing and slow recovery. Consumers are increasing their concern about product quality, health and convenience, becoming more rational in consumption decisions, and focused on products with value, while paying attention to quality and practical demands.

In 2024, the Group achieved revenue of RMB1,562.6 million, down 9.9% from 2023, and recorded profit for the year of RMB138.9 million, down 34.9% from 2023. The decrease in the Group's revenue for the year was mainly due to the weak consumption market and overall economic conditions affected by multiple global factors.

In 2024, the Group further enhanced its organizational coordination, utilized its advantages in supply chain, maximized its resources utilization efficiency and strengthened its market position. The following measures have been taken to promote 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 titles of “2024 China Tea Industry “Enterprise of the Year” (2024中國茶行業“年度企業”)” by Forbes and “2024 Top 10 Tea Enterprise Brands in China (2024中國茶企業品牌TOP10)” by Chinese Tea Brand Value Evaluation Task Force (中國茶品牌價值評價工作組). The Company has been awarded the title of “2024 Key Tea Enterprise (Formerly Top 100 Tea Industry Enterprise) (2024年度茶葉重點(原百強)企業)” and “China’s Tea Industry Comprehensive Top 100 Enterprises (中國茶葉行業綜合百強企業)” by the China Tea Marketing Association from 2013 to 2024. The Company was listed in the list of each of “Evergreen Companies in the Tea Industry (茶業常青藤企業)”, “2024 Top Enterprises with Comprehensive Competitiveness in the Tea Industry (2024年度茶葉綜合競爭強力企業)”, “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 from 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 the award of “Zhangzhou Time-Honored Brand (漳州老字號)”, “Zhangzhou Municipal Pilot Unit for Quality Empowerment in Industrial and Supply Chains (漳州市產業鏈供應鏈質量賦能試點單位)”, “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 the proportion of wholesale sales and distributors' stores in the PRC. As of 31 December 2024, the Group had a total of 1,349 self-owned and third-party owned retail outlets and retail points, compared with a total of 1,377 as of 31 December 2023.
3. **Adjustment in each tea product category and development of diversified product lines.** For the year ended 31 December 2024, the Group adjusted its tea product categories, and increase the proportion of products with high cost performance. The Group also established a food research and development department to develop diversified traditional food, such as Pork Crispy Strip and Instant Bird's Nest.
4. **Keeping legal compliance.** The tea leaves and tea snacks industries are heavily regulated in the PRC, operation of which includes product approvals, product processing, formulation, manufacturing, packaging, labelling, distribution and sale and maintenance of manufacturing facilities, and the Group kept in compliance with the relevant laws and regulations applicable to the Group, including Food Safety Law, Regulations on Food Production Permits, Regulations on Sale of Food Permits, Product Quality Law, Consumer Protection Law, Trademark Law, Patent Law, Labour Contract Law of the PRC, etc. The Group is also subject to the PRC laws and regulations concerning the discharge of waste water and solid waste during manufacturing processes, which require the Group to obtain certain clearances and authorisations from government authorities for the treatment and disposal of such discharge. The PRC Government may take steps towards the adoption of more stringent environmental regulations, the Group may need to invest more for future environmental expenditures to install, replace, upgrade or supplement pollution control equipment or make operational changes to limit any adverse impact or potential adverse impact on the environment in order to comply with the new environmental regulations.
5. **Guarantee of food safety.** The Group paid high attention on food safety and conducted various quality inspection and testing procedures during the Group's production process, to ensure compliance with applicable quality requirements promulgated by the relevant authorities. In October 2015, the Group got the qualification certification for its egg roll and candy production line and related auxiliary areas, reaching the consolidated standards for prerequisite and food safety programs of American Institute of Baking. Meanwhile, the Company also implemented one product, one bar-code anti-counterfeiting traceability system at all factories. Longjing tea products 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. The Company was also granted the award of Exemplary Enterprise of Integrity in Product and Service Quality (全國產品和服務質量誠信示範企業) and National Consumer Quality and Reputation Guarantee Products (全國消費者質量信譽保障產品) by China Association for Quality Inspection (中國質量檢驗協會).

6. **Relationships with customers and suppliers.** The Group always maintains good relationship with customers and suppliers. For the year ended 31 December 2024, the aggregate percentage of purchases attributable to the Group's five largest suppliers accounted for approximately 20.6% 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 1.8% 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 2024, the Group did not incur any material costs in relation to these complaints and there had not been any material product recall.
7. **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. There has been 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. Consumption appeared more polarized, with high-end and affordable products each having their own market. The Group upholds a value-based marketing strategy, continues to cultivate both offline and online diversified channels, develop products with ingenuity and insist on innovation to satisfy consumers' demands.
- 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 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 2024, 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 2024, 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 2024, the Group derived substantially all of its revenue from the sales of tea leaves, tea snacks and tea ware. The revenue of the Group decreased by 9.9% from RMB1,734.1 million for the year ended 31 December 2023 to RMB1,562.6 million for the year ended 31 December 2024. The following table sets forth a breakdown of revenue by product category for the years indicated:

	Year ended 31 December			
	2024		2023	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Revenue contributed from:				
Sales of tea leaves	1,080,770	69.2	1,254,692	72.4
Sales of tea snacks	247,635	15.8	244,518	14.1
Sales of tea ware	179,471	11.5	175,240	10.1
Others ⁽¹⁾	54,772	3.5	59,611	3.4
Total	<u>1,562,648</u>	<u>100.0</u>	<u>1,734,061</u>	<u>100.0</u>

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 decreased by 13.9% from RMB1,254.7 million for the year ended 31 December 2023 to RMB1,080.8 million for the year ended 31 December 2024. Revenue from sales of the Group’s tea snacks increased by 1.3% from RMB244.5 million for the year ended 31 December 2023 to RMB247.6 million for the year ended 31 December 2024. Revenue from sales of the Group’s tea ware increased by 2.4% from RMB175.2 million for the year ended 31 December 2023 to RMB179.5 million for the year ended 31 December 2024. The revenue increased from sales of the Group’s tea snacks and tea ware were primarily due to changes in product structure and success in sales promotion. The revenue decreased from sales of the Group’s tea leaves was primarily due to the weak consumer market.

As of 31 December 2024, the Group had approximately 157 self-owned retail outlets and approximately 1,192 distributors’ stores throughout Mainland China accounted for approximately 32.8% and 63.7% of total revenue respectively, compared with approximately 166 self-owned retail outlets and approximately 1,211 distributors’ stores as of 31 December 2023.

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 4.7% from RMB793.6 million for the year ended 31 December 2023 to RMB756.3 million for the year ended 31 December 2024, primarily due to the decrease in sales.

Gross profit and gross profit margin

As a result of the foregoing factors, gross profit of the Group decreased by 14.3% from RMB940.4 million for the year ended 31 December 2023 to RMB806.3 million for the year ended 31 December 2024, with gross profit margin decreased by 2.6% from 54.2% for the year ended 31 December 2023 to 51.6% for the year ended 31 December 2024, primarily due to increase of wholesale revenue proportionate with thinner gross profit margin and change in product structure.

Distribution costs

The distribution costs of the Group decreased by 5.8% from RMB364.2 million for the year ended 31 December 2023 to RMB343.1 million for the year ended 31 December 2024. The decrease of distribution costs was primarily due to a decrease of self-owned retail outlets and the cost control measures of the Company to reduce costs and increase efficiency.

Administrative expenses

Administrative expenses for the Group decreased by 1.4% from RMB283.0 million for the year ended 31 December 2023 to RMB279.1 million for the year ended 31 December 2024. The decrease in administrative expenses was primarily due to further cost control on labour by effective use of human resources.

Other income

Other income of the Group increased by 136.5% from RMB15.1 million for the year ended 31 December 2023 to RMB35.8 million for the year ended 31 December 2024. The increase in other income was primarily due to the increase in PRC local government grants which were recognised as income, increased from RMB4.5 million for the year ended 31 December 2023 to RMB13.7 million for the year ended 31 December 2024.

Other (losses) – net

Other losses of the Group amounted to RMB0.4 million for the year ended 31 December 2024 primarily due to foreign exchange losses and losses on disposal of property, plant and equipment and net fair value gains on financial assets at fair value through profit or loss. Other losses of the Group amounted to RMB2.1 million for the year ended 31 December 2023 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 30.2% from RMB6.9 million for the year ended 31 December 2023 to RMB4.8 million for the year ended 31 December 2024. The decrease in finance income was primarily due to a decrease in net foreign exchange gains of the Group.

Finance costs

Finance costs of the Group decreased by 10.7% from RMB25.9 million for the year ended 31 December 2023 to RMB23.2 million for the year ended 31 December 2024, reflecting a decrease in interest expenses on the Group's bank borrowings and interest expenses for lease liabilities.

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 RMB0.1 million and RMB8.2 million for the years ended 31 December 2024 and 2023, respectively. The decrease was primarily due to a decrease in the profits gain from invested business and an increase of disposal loss for some joint ventures.

Income tax expense

Income tax expense of the Group decreased by 24.1% from RMB82.1 million for the year ended 31 December 2023 to RMB62.3 million for the year ended 31 December 2024, primarily due to a decrease in the Group's profit before tax of the subsidiaries located in Mainland China for the year ended 31 December 2024 as compared with the year ended 31 December 2023.

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, decreased by RMB74.4 million, or 34.9%, to RMB138.9 million for the year ended 31 December 2024 as compared to RMB213.2 million for the year ended 31 December 2023. Net profit margin of the Group decreased from 12.3% for the year ended 31 December 2023 to 8.9% for the year ended 31 December 2024, primarily due to a decrease in 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 increased by RMB65.4 million, or 23.8%, from RMB275.1 million as of 31 December 2023 to RMB340.5 million as of 31 December 2024.

The Group had net cash inflow from operating activities of RMB280.7 million, net cash outflow from investing activities of RMB9.4 million and net cash outflow from financing activities of RMB206.2 million for the year ended 31 December 2024.

Bank borrowings and gearing ratio

The Group had total bank borrowings of RMB571.4 million as of 31 December 2024, compared to RMB521.1 million as of 31 December 2023. As of 31 December 2024, the weighted average effective interest rate of the Group's borrowings was 2.76%. Bank borrowings as at 31 December 2024 and those in corresponding period last year were charged at variable interest rate.

As of 31 December 2024, bank borrowings of RMB546,380,000 (2023: RMB505,660,000) 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 Directors are of the view that the guarantee of bank borrowings of RMB546,380,000 as at 31 December 2024 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 2024	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	571,380	–	–	–	571,380
Interest payments on borrowings (<i>Note</i>)	9,995	–	–	–	9,995
Lease liabilities	42,803	42,992	48,741	35,558	170,094
Trade and other payables	192,038	–	–	–	192,038
Other payables	–	–	–	6,000	6,000
	<u>816,216</u>	<u>42,992</u>	<u>48,741</u>	<u>41,558</u>	<u>949,507</u>
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>

Note: The interest payments on borrowings are calculated based on borrowings held as at 31 December 2024 and 2023, 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 net debt as a percentage of total equity. Net debt is calculated as total borrowings (including current and non-current borrowings) add lease liabilities less cash and cash equivalents. As of 31 December 2024, the gearing ratio of the Group was 22.3%, as compared to 22.8% as of 31 December 2023. The decrease in the gearing ratio during 2024 was primarily due to decrease of net debt.

Capital and other commitments

As of 31 December 2024, the Group had total investment, capital and operating lease commitments of RMB42.6 million, as compared to RMB85.5 million as of 31 December 2023. 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	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Investments in joint ventures and associate	<u>4,717</u>	<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:

	As of 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	<u>32,075</u>	<u>75,006</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	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
No later than 1 year	<u>5,805</u>	<u>5,793</u>

Working capital

	As of 31 December	
	2024	2023
	RMB'000	RMB'000
Trade and other receivables	245,488	248,268
Trade and other payables	250,467	299,477
Inventories	960,195	1,015,959
Trade receivables turnover days ⁽¹⁾	80	80
Trade payables turnover days ⁽²⁾	48	55
Inventories turnover days ⁽³⁾	470	472

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 RMB2.8 million from RMB248.3 million as of 31 December 2023 to RMB245.5 million as of 31 December 2024, 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 decreased by RMB49.0 million from RMB299.5 million as of 31 December 2023 to RMB250.5 million as of 31 December 2024, primarily due to decrease in trade payables due to third parties and employee benefit payables.

The Group's inventories comprise raw materials (including packaging materials), work-in-progress and finished products. The Group's inventories decreased by RMB55.8 million from RMB1,016.0 million as of 31 December 2023 to RMB960.2 million as of 31 December 2024, primarily reflecting a decrease in purchase volume.

As of 31 December 2024, 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 2024, 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 2024.

Employee and Remuneration Policy

As of 31 December 2024, the Group had a total of 3,354 employees, with 3,349 employees based in the PRC and 5 employees based in Hong Kong. For the year ended 31 December 2024, the staff cost of the Group was RMB319.6 million, compared to RMB337.5 million for the year ended 31 December 2023.

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 2024.

OTHER INFORMATION

Final Dividend

At the Board meeting held on 18 March 2025 (Tuesday), it was proposed that a final dividend of HK\$0.08 per ordinary share (equivalent to RMB0.07 per ordinary share) be paid on or after 28 May 2025 to the shareholders of the Company whose names appear on the Company's register of members on 21 May 2025 (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 9 May 2025 (Friday).

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

As at the date of this announcement, there are no treasury Shares held by the Company (whether held or deposited in the Central Clearing and Settlement System, or otherwise).

Annual General Meeting

The Annual General Meeting will be held on 9 May 2025 (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 6 May 2025 (Tuesday) to 9 May 2025 (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 2 May 2025 (Friday).

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed on 20 May 2025 (Tuesday) and 21 May 2025 (Wednesday), during which period no transfer of shares will be registered. In order to qualify for receiving the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 19 May 2025 (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 2024, 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 2024. 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 2024.

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 10 May 2024 (the "2024 AGM") the general mandate to repurchase up to 108,622,646 shares, being 10% of the total number of the issued shares of the Company as at the date of the 2024 AGM, on the Stock Exchange. During the year ended 31 December 2024, the Company had repurchased a total of 2,447,000 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 2024, the aggregate consideration of HK\$9,335,700 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.

The table below set out the numbers of shares repurchased and the respective cancellation dates during the year ended 31 December 2024 and before the date of this announcement:

The numbers of shares repurchased	Cancellation dates	Disclosure dates of the respective next day disclosure return
2,151,000	9 April 2024	9 April 2024
96,000	7 June 2024	7 June 2024
65,000	24 July 2024	24 July 2024
22,000	4 September 2024	4 September 2024
186,000	23 October 2024	23 October 2024
1,127,000	23 December 2024	23 December 2024
869,000	21 January 2025	21 January 2025

There are no treasury shares held by the Company as at 31 December 2024 and the date of this announcement.

There were 834,000 shares outstanding (repurchased but not yet cancelled) as at 31 December 2024. Subsequently in January 2025, the Company had repurchased a total of 35,000 shares in the aggregate consideration of HK\$132,430 and all outstanding repurchased shares were cancelled on 21 January 2025. Therefore, no outstanding and not yet cancelled repurchased shares as at the date of this announcement. 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 2024	13,000	4.79	4.60	60,970
March 2024	89,000	3.90	3.65	335,790
April 2024	68,000	4.60	4.00	293,480
May 2024	39,000	4.70	4.55	179,180
June 2024	39,000	4.61	4.50	179,030
July 2024	30,000	4.60	4.59	137,900
August 2024	22,000	4.32	4.05	91,330
September 2024	128,000	4.05	3.85	505,290
October 2024	93,000	3.92	3.67	351,930
November 2024	1,049,000	3.79	3.60	3,782,750
December 2024	877,000	4.00	3.61	3,418,050

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 (including sale of treasury shares) during the year ended 31 December 2024.

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 the Directors have confirmed their compliance with the required standard set out in the Model Code throughout the year ended 31 December 2024.

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 2024 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 2024. 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 2024 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, 18 March 2025

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.