天福(開曼)控股有限公司

Tenfu (Cayman) Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6868

Annual Report 2019

Contents

Corporate Profile

Tenfu (Cayman) Holdings Company Limited (the "Company" or "we", together with the subsidiaries, collectively the "Group") are a leading traditional Chinese tea-product enterprise in the People's Republic of China (the "PRC") engaged in the sale and marketing of a comprehensive range of tea products and the development of product concepts, tastes and packaging designs. Our key products are tea leaves, tea snacks and tea ware, which we sell through a nationwide network of self-owned and third-party owned retail outlets and retail points.

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

We presently offer over 1,300 varieties of traditional Chinese tea-leaf products. Our branded traditional Chinese tea leaves had the largest market share in terms of retail sales value of all branded traditional Chinese tea leaves in the PRC and our Oolong tea and green tea dominated the respective market segments.

We offer over 300 varieties of tea snacks, most of which are infused with the flavours of tea leaves and are produced at our own facilities. As part of our business, we also sell tea ware under our own brands.

We adopt a multi-brand strategy to capture different segments of the traditional Chinese tea market in the PRC. Our most popular and well-known brand is the "Tenfu" brand. Our "Tenfu" brand tea products are primarily sold in our self-owned and third-party owned retail outlets and retail points where we strive to offer a personalised tea shopping experience. We also offer a separate line of products under the "Tenfu Ten Xin" (天福天心) and "Uncle Lee" (安可李) brands which are primarily sold through our concession points at hypermarkets in the PRC.

As at 31 December 2019, our tea products were sold in 1,172 retail outlets and retail points across 31 provinces, autonomous regions and municipalities in the PRC, including stores with shop fronts at street level and in shopping malls and concession counters in department stores and hypermarkets.

We have started sale of tea drink (including milk tea) since acquisition of Xiamen Tianqia Catering Management Co., Limited with the trademark of "放牛斑" and formation of a joint venture company, Xiamen Daily Plus Food Beverage Management Co., Ltd. with the trademark of "喫茶趣 TO GO".

Corporate Information

DIRECTORS

Executive Directors

LEE Rie-Ho *(Chairman)*

LEE Shih-Wei *(Vice Chairman)*

LEE Chia Ling *(Chief Executive Officer)*

LEE Kuo-Lin *(Chief Operating Officer)*

Non-executive Directors

TSENG Ming-Sung

LI Jie

Independent Non-executive Directors

LO Wah Wai

LEE Kwan Hung, Eddie

FAN Ren Da, Anthony

BOARD COMMITTEES

Audit Committee

LO Wah Wai *(Chairman)*

TSENG Ming-Sung

FAN Ren Da, Anthony

LEE Kwan Hung, Eddie

Remuneration Committee

FAN Ren Da, Anthony *(Chairman)*

LEE Rie-Ho

LO Wah Wai

LEE Kwan Hung, Eddie

LEE Chia Ling

Nomination Committee

LEE Kwan Hung, Eddie *(Chairman)*

LEE Kuo-Lin

FAN Ren Da, Anthony

LO Wah Wai

REGISTERED OFFICE

P.O. Box 2681

Cricket Square, Hutchins Drive

Grand Cayman KY1-1111

Cayman Islands

HEADQUARTERS IN THE PRC

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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CNT Tower

338 Hennessy Road

Wanchai

Hong Kong

AUTHORISED REPRESENTATIVES

LEE Chia Ling

LAM Yuk Ling

COMPANY SECRETARY

LAM Yuk Ling

Corporate Information

PRINCIPAL SHARE REGISTRAR

SMP Partners (Cayman) Limited
Royal Bank House-3rd Floor
24 Shedden Road, P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PLACE OF LISTING

The main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")

NAME OF STOCK

Tenfu (Cayman) Holdings Company Limited

STOCK CODE

6868 (listed on the Stock Exchange since 26 September 2011)

PRINCIPAL BANKERS

Bank of China Limited, Zhangpu Sub-branch
Bank of Communications Co. Ltd., Xiamen Branch

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central
Hong Kong

WEBSITE

www.tenfu.com

Financial Highlights

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

Comparison of Key Financial Figures

Results

	For the year ended 31 December (RMB'000)				
	2015	2016	2017	2018	**2019**
Revenue	1,518,045	1,484,718	1,576,561	1,635,562	**1,796,834**
Gross profit	931,600	909,281	955,273	985,750	**1,057,603**
Gross profit margin (%)	61.4	61.2	60.6	60.3	**58.9**
Profit before income tax	227,640	245,703	335,106	371,272	**415,979**
Profit for the year, all attributable to the owners of the Company	146,354	165,420	243,511	268,618	**273,137**
Net profit margin (%)	9.6	11.1	15.4	16.4	**15.2**

Assets and liabilities

	As at 31 December (RMB'000)				
	2015	2016	2017	2018	**2019**
Total assets	2,502,749	2,406,261	2,696,591	2,837,648	**2,903,112**
Total equity	1,924,830	1,986,889	2,101,922	2,037,678	**1,694,298**
Total liabilities	577,919	419,372	594,669	799,970	**1,208,814**
Gearing ratio (%)	12	5	7.9	14.7	**23.4**
Trade receivables turnover days (days)	118	123	116	96	**94**
Trade payables turnover days (days)	60	60	59	72	**86**
Inventories turnover days (days)	274	287	287	330	**349**

Chairman's Statement

In 2019, China has experienced a slowdown in its economic growth in the midst of trade tension with the United States of America (the "United States" or "U.S."), with customers' daily-life consumption tightened. Although the economic environment may not be favourable to retailing market, the Group remained aggressive in adjusting its sales network, developed products to meet different consumers' demand, continued to maintain its customer-oriented service, cut its operating costs, and accelerated the expansion of tea beverage market, which rewarded it with an overall revenue of RMB1.8 billion in 2019. Meanwhile, the Group strived to increase its procurement and production efficiency, continuously optimise cost management and effectively control expenses and shop opening costs, which enabled it to keep up the profit against the rising costs of raw materials and other items. The Group expects that these measures will have a positive influence on the Group's financial performance for the foreseeable future.

Operational Review for 2019

In order to make the Tenfu tea products and brands more popular in the ultimate markets and distribution channels and maintain its leading position and advantage in the highly competitive Chinese tea market, in 2019, the Group continued to implement a number of significant operational measures to streamline the Group's organisation structure, adopt active marketing strategy to satisfy customers' demand, sell tea products together with tea beverage to expand product categories and sales channels. In 2020, the Group will pursue the following moves to meet market demands:

1. Continuing to develop new stores and optimise sales network;
2. Holding tea fairs in major cities, promoting tea culture and the sales of tea and tea ware;
3. Developing new tea products, expanding market share of milk tea, and promoting the sales of milk tea, such as "放牛斑" brand milk tea to meet the needs of different consumer groups and their changing preferences for fashion;
4. Promoting famous teas of different origins by selling them at our sales outlets so as to truly cater for the local consumption preference;
5. Adjusting the product structure to meet the demand of the consumers in accordance with the consumer groups in different areas and shops;
6. Emphasising on the number of visitors and enhancing the quality of services provided to customers in order to increase the number of successful deals;
7. Maintaining loyalty cards to consolidate and develop our customer base; and
8. Continuing to carry out various marketing activities.

We believe that we have a good structure and got well prepared for future growth. Our team is working tirelessly for the Group's success in the long term.

Business Outlook for 2020

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

1. Actively exploring new outlets

   (1) In addition to the first and second-tier cities, accelerating the development of outlets in the third and fourth-tier cities and the development of e-commerce;

   (2) Building No.1 brand image through opening flagship stores across the country; and

   (3) Expanding cooperation with Kinmen Kaoliang Liquor Inc. of Taiwan to sell the sorghum liquor with double brands, i.e. Tenfu and KKL, in the PRC which has already started from mid of 2019.

2. Upgrading the benefits offered to the core management and staff to strengthen corporate solidarity and expand paths of promotion so that our key talents with good performance can work without distraction;

3. Strengthening education and training, so that our employees can master appropriate and applicable management and marketing skills, enhance their awareness of service and quality, so as to ensure that our operating principles and policies can be achieved;

4. Prioritising product quality and safety, and continuing to develop new products and improve packaging, so as to meet the needs of middle and low-end consumers;

5. Strengthening control over all aspects of the costs and eliminate extravagance and waste;

6. Emphasising computerised operation and make good use of technology to simplify the work at the shops so that the staff can concentrate on sales and service, resulting in improvement on the human output value and the per capita income;

7. Actively promoting original equipment manufacturer business for tea snacks to add to the revenue of the Group;

8. Actively organising tea exhibitions, incense lore exhibitions, new tea tasting and tea art teaching activities, so that our regular customers can grow and evolve together with our staff; and

9. Implementing customer-friendly economy with focus on the products that the ordinary people actually consume, i.e. localisation of the packaging of goods, simplification of commodity specifications, customer-friendliness of commodity prices, and guarantee of product quality.

I believe that, through the joint efforts of our management and staff, we will be able to adapt to the rapidly changing environment, grasp market trends, lead the trend of consumption and achieve the continuous development goal of the Company without disappointing our shareholders!

Chairman's Statement

Acknowledgement

In this year, 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, so I would like to express my deepest appreciation to our customers, suppliers, business partners and shareholders for their support on behalf of the Board, and in particular for the efforts and contributions and dedication of all our staff over the past year!

LEE Rie-Ho

Chairman

Hong Kong, 20 March 2020

Business Review and Outlook

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

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

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

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

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

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

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

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

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

In particular, the Group plans to:

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

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

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

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

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

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

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

Financial Review

Revenue

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

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

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

Note:

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

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

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

Cost of sales

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

Gross profit and gross profit margin

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

Distribution costs

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

Administrative expenses

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

Other income

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

Other gains – net

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

Finance income

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

Finance costs

Finance costs of the Group increased by 160.1% from RMB14.0 million for the year ended 31 December 2018 to RMB36.4 million for the year ended 31 December 2019, reflecting an increase in interest expenses on the Group's bank borrowings and interest expense for lease liabilities due to the Hong Kong Financial Reporting Standard 16 adoption.

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

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

Income tax expense

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

Profit for the year

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

Liquidity and capital resources

Cash position

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

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

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

Bank borrowings and gearing ratio

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

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

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

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

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

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

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

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

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

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

Capital and other commitments

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

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

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

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

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

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

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

Working capital

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

Notes:

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

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

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

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

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

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

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

Foreign exchange risk

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

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

Contingent liabilities

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

Employee and Remuneration Policy

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

The Group's employee remuneration policy is determined by reference to factors such as remuneration in respect of the local market, the overall remuneration standard in the industry, inflation level, corporate operating efficiency and employee performance. The Group conducts performance appraisals once every year for its employees, the results of which are applied in annual salary review and promotion assessment. The Group's employees are considered for annual bonuses according to certain performance criteria and appraisal results. Social insurance contributions are made by the Group for its PRC employees in accordance with the relevant PRC regulations.

The Group also provides continuous learning and training programs to its employees to enhance their skills and knowledge, so as to maintain their competitiveness and improve customer services. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or any material labour dispute during the year ended 31 December 2019.

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

Directors and Senior Management

DIRECTORS

Executive Directors

LEE Rie-Ho (李瑞河), aged 84, is an executive Director and the Chairman of the Group. He was appointed as the Director and Chairman on 22 April 2010 and was redesignated as an executive Director on 31 August 2011. Mr. Lee is also a member of the remuneration committee of the Company. He is primarily responsible for the overall corporate strategy, expansion and investment decisions of the Group. Mr. Lee has over 65 years of experience in the tea industry. He is one of the founders of the Group and has served as the Chairman since 1993. Before co-founding the Group in 1993, Mr. Lee founded Ten Ren Tea Co., Ltd. (天仁茶葉股份有限公司) ("Ten Ren") in 1975 in Taiwan. Ten Ren is in the business of the manufacturing and retail sales of tea leaves and various tea products through its self-operated and franchise stores in Taiwan, the United States and Canada. Ten Ren has been listed on the main board of the Taiwan Stock Exchange (Stock code: 1233) since 1999. Mr. Lee has extensive personal and business connections in the tea industry. He was named "Worldwide King of Tea (世界茶王)" by People's Daily (人民日報) in 2000. Mr. Lee is the father of Mr. Lee Chia Ling and Mr. Lee Kuo-Lin and the uncle of Mr. Lee Shih-Wei and Mr. Lee Min-Zun, the chief financial officer of the Company. With extensive experience in the tea industry, Mr. Lee has led the Group to become a leader in the tea industry in the PRC by promoting the Group's business and developing a well-known premium brand. In recognition of Mr. Lee's character, integrity and contribution to the local development of Zhangzhou, Mr. Lee Rie-Ho was awarded honorary citizenship by the People's Government of Zhangzhou in 2000. Since 2000, Mr. Lee has also been appointed as the Citizen Supervisor of Police Discipline (警風廉政監督員) in Zhangzhou. As part of the selection criteria of the PRC authorities, preferable candidates of Citizen Supervisor of Police Discipline include deputies of People's Congress, members of People's Political Consultative Conference, journalists and well-known persons in the community and only candidates with a strong sense of responsibility, care and support for public security work may be re-appointed.

LEE Shih-Wei (李世偉), aged 60, is an executive Director and the Vice Chairman of the Group. He was appointed as the executive Director on 31 August 2011. Mr. Lee is one of the founders of the Group, and is primarily responsible for the management of the Group and coordination of the factory operations and retail businesses of the Group. He has been a director of the Group since 1997. Mr. Lee has more than 25 years of experience in the tea industry. Between 1987 and 1998, he worked for Ten Ren in Taiwan, and acted as the head of the international trading department of Ten Ren since 1987. Mr. Lee has been a director of Ten Ren since 2007. Mr. Lee joined the Group in 1993 and served as the general manager of 福州天福茶業有限公司 (Fuzhou Tianfu Tea Industry Co., Ltd.) from 1993 to 1997. Mr. Lee is a nephew of Mr. Lee Rie-Ho and a cousin of both Mr. Lee Kuo-Lin and Mr. Lee Chia Ling. He graduated from National Chung Hsing High School (previously known as Taiwan Provincial Chung Hsing High School) in 1978.

LEE Chia Ling (李家麟), aged 57, is an executive Director and the Chief Executive Officer of the Group. He was appointed as the Director on 22 April 2010 and was designated as an executive Director on 31 August 2011. He is also a member of the remuneration committee of the Company. He has been one of the authorised representatives of the Company since 27 August 2012. Mr. Lee is one of the founders of the Group and is primarily responsible for the overall management, business development and the daily operations of the Group as well as the implementation of the business strategies. He has more than 25 years of experience in the tea industry. Mr. Lee joined Ten Ren as an executive assistant to the manager of tea business development in 1991 and was then appointed as the executive assistant to the chairman (董事長特別助理) in Taiwan, responsible for assisting the chairman with the overall management of Ten Ren, and subsequently became a director of the domestic sales department of Ten Ren in Taiwan in the same year. Mr. Lee joined the Group as the deputy general manager (副總經理) in 1996 and was appointed as general manager in 1997. Mr. Lee is the son of Mr. Lee Rie-Ho and the younger brother of Mr. Lee Kuo-Lin and a cousin of both Mr. Lee Shih-Wei and Mr. Lee Min-Zun. He obtained a master's degree in business administration from Oklahoma City University in the United States in 1990.

LEE Kuo-Lin (李國麟), aged 58, is an executive Director and the Chief Operating Officer of the Group. He was appointed as the executive Director on 31 August 2011. Mr. Lee is also a member of the nomination committee of the Company. He is primarily responsible for the overall management of the tea processing operations. Mr. Lee has more than 25 years of experience in the tea industry. Before joining the Group, between 1989 to 1997, Mr. Lee worked for and eventually became the chief executive officer of Uncle Lee's Tea Inc. based in the United States. Mr. Lee is the chairman of certain subsidiaries of the Group, including 漳州天福茶業有限公司 (Zhangzhou Tianfu Tea Industry Co., Ltd.) since 1998, and 漳浦天福觀光茶園有限公司 (Zhangpu Tian Fu Tea Garden Co., Ltd.) since 1999. Mr. Lee is the son of Mr. Lee Rie-Ho and the elder brother of Mr. Lee Chia Ling and a cousin of both Mr. Lee Shih-Wei and Mr. Lee Min-Zun. He received his associate in arts degree from Los Angeles City College in the United States in 1988.

Directors and Senior Management

Non-executive Directors

TSENG Ming-Sung (曾明順), aged 63, is a non-executive Director. He was appointed as the non-executive Director on 31 August 2011. Mr. Tseng is also a member of the audit committee of the Company. Mr. Tseng is one of the founders of the Group and is responsible for advising on the overall corporate finance plans of the Group. Mr. Tseng has been the chief executive officer of 天心中醫醫院 (Ten Xin Traditional Chinese Medicine Hospital) since 1998. He is also the director of the following entities: 天心堂參藥股份有限公司 (Ten Xin Ginseng Company Limited) since 1998, 天廬育樂事業股份有限公司 (Ten Lu Entertainment Co. Ltd.) since 2003, 太仁開發事業股份有限公司 (Tai Ren Development Co., Ltd.) since 2003, 天仁茶藝文化基金會 (Ten Ren Tea Culture Foundation) since 1994, and 天福投資股份有限公司 (Ten Fu Investment Co. Ltd.) since 2010. Mr. Tseng obtained a bachelor's degree in mechanical engineering from Chung Yuan Christian University in Taiwan in 1979.

LI Jie (李潔), aged 40, is a non-executive Director. She was appointed as the non-executive Director on 27 August 2018. Ms. Li is an operating vice president at General Atlantic as part of the firm's Resources Group and focuses on providing financial and analytical expertise to the portfolio companies in China. Prior to joining General Atlantic in February 2018, Ms. Li was the chief financial officer at GLP (a leading global provider of modern logistics facilities and technology-led solutions) in the financial services segment from February 2017 to January 2018. From January 2016 to January 2017, she was the chief financial officer of Yunmanman, a start-up logistic platform. Ms. Li also has more than 10 years of financial due diligence experience with PricewaterhouseCoopers Transaction Services in China and Australia M&A markets. From June 2018, Ms. Li is an alternate director of a non-executive director of Xiabuxiabu Catering Management (China) Holdings Co., Ltd. (Stock code: 520), a company listed on the main board of the Stock Exchange. Ms. Li has a bachelor degree in International Journalism from Shanghai International Studies University and a bachelor degree in Law from Fudan University.

Independent Non-executive Directors

LO Wah Wai (盧華威), aged 56, is an independent non-executive Director. He was appointed as the independent non-executive Director on 31 August 2011. Mr. Lo is the chairman of the audit committee of the Company. He is also a member of the nomination committee and the remuneration committee of the Company. Mr. Lo holds a bachelor's degree in business administration from the Chinese University of Hong Kong and a master's degree in management science from New Jersey Institute of Technology in the United States. He is a practicing member of the Hong Kong Institute of Certified Public Accountants and is a member of the American Institute of Certified Public Accountants. Mr. Lo has more than 25 years' service experience in auditing and business consulting services, in which he had more than 7 years' experience in auditing and business consulting services in an international accounting firm (Deloitte Touche Tohmatsu), of which two years were spent in the United States. Save from serving as an incumbent director of BMI Consultants Limited, Mr. Lo is also an independent non-executive director of each of Chongqing Machinery & Electric Co., Ltd. (Stock code: 2722) and Shangdong Xinhua Pharmaceutical Company Limited (Stock code: 719), all of which are listed on the main board of the Stock Exchange. Mr. Lo is an outside director of Fasteps Co., Ltd. (Stock code: 23380), a company listed on the Tokyo Stock Exchange.

LEE Kwan Hung, Eddie (李均雄), aged 54, is an independent non-executive Director. He was appointed as the independent non-executive Director on 31 August 2011. Mr. Lee is the chairman of the nomination committee of the Company. He is also a member of the audit committee and the remuneration committee of the Company. Mr. Lee received his Bachelor of Laws (Honours) degree and Postgraduate Certificate in Laws from the University of Hong Kong in 1988 and 1989 respectively. He was then admitted as a solicitor in Hong Kong in 1991 and in the United Kingdom in 1997. Mr. Lee was a senior manager of the Listing Division of the Stock Exchange from 1993 to 1994 and was a partner of a famous law firm in Hong Kong from 2001 to 2011. He is currently a practicing lawyer, joined Howse Williams as a consultant on 1 July 2014 and serves as an independent non-executive director of various companies listed on the main board of the Stock Exchange, including Embry Holdings Limited; NetDragon Websoft Holdings Limited; Newton Resources Ltd; Red Star Macalline Group Corporation Ltd.; Glory Sun Financial Group Limited (formerly known as China Goldjoy Group Limited); FSE Services Group Limited; Ten Pao Group Holdings Limited; China BlueChemical Ltd. and Landsea Green Properties Co., Ltd. (formerly known as Landsea Green Group Co., Ltd.). Mr. Lee was also an independent non-executive director of Asia Cassava Resources Holdings Limited, Futong Technology Development Holdings Limited and Walker Group Holdings Limited (now known as Vestate Group Holdings Limited) (all of which are listed on the main board of the Stock Exchange).

FAN Ren Da, Anthony (范仁達), aged 60, is an independent non-executive Director. He was appointed as the independent non-executive Director on 31 August 2011. Mr. Fan is the chairman of remuneration committee of the Company. He is also a member of the audit committee and the nomination committee of the Company. Mr. Fan holds a master's degree in business administration from the University of Dallas in the United States. He is currently the chairman and the managing director of AsiaLink Capital Limited (東源資本有限公司). Mr. Fan serves as an independent non-executive director of various listed companies, including Raymond Industrial Limited, CITIC Resources Holdings Limited, Uni-President China Holdings Ltd., China Dili Group (formerly known as Renhe Commercial Holdings Company Limited), Hong Kong Resources Holdings Company Limited, Shanghai Industrial Urban Development Group Limited, Technovator International Limited, China Development Bank International Investment Limited, Semiconductor Manufacturing International Corporation and Neo-Neon Holdings Limited, which are all listed on the main board of the Stock Exchange. Mr. Fan was also an independent non-executive director of LT Commercial Real Estate Limited (now known as Lerthai Group Limited), CGN New Energy Holdings Co., Ltd. and Guodian Technology & Environment Group Corporation Limited, all of which are listed on the main board of the Stock Exchange. Mr. Fan is the President of Hong Kong Independent Non-Executive Director Association.

Directors and Senior Management

SENIOR MANAGEMENT

LEE Min-Zun (李銘仁), aged 55, is the Chief Financial Officer of the Company. Mr. Lee was an executive Director between 31 August 2011 and 27 August 2012. Mr. Lee is primarily responsible for the corporate finance operations and the overall financial and accounting affairs of the Group. He has over 15 years of finance experience. Before joining the Group, Mr. Lee was the assistant and deputy general manager of the corporate finance department of Ten Ren in 1999 and 2000, respectively and was responsible for its general financial affairs. Mr. Lee has been the supervisor (監察人) of Ten Ren since 2004. Mr. Lee is a nephew of Mr. Lee Rie-Ho and a cousin of both Mr. Lee Kuo-Lin and Mr. Lee Chia Ling. He graduated from Northrop University in the United States with a master's degree in business administration in 1989.

LEE Shen-Chih (李勝治), aged 75, is the Deputy President of the Company. He is responsible for procurement of raw materials, market research, and formulating and executing the overall production and procurement strategies of the Group. He joined the Group in 2007. He graduated from the University of Texas at Austin in the United States with a master's degree in social work studies in 1985. Mr. Lee was the chairman of Ten Ren between 1990 and 2007, and has been the director of 天仁茶藝文化基金會 (Ten Ren Tea Culture Foundation) since 1991, 陸羽茶藝股份有限公司 (Lu Yu Tea Artcraft Co., Ltd.) since September 1993, and 天廬育樂事業股份有限公司 (Tenlu Leisure Business Co., Ltd.) from November 2004 to August 2007. Mr. Lee is a founder of the Rotary Club of Taipei Hsin-Yi branch in 1987. He is a cousin of Mr. Lee Rie-Ho.

LEE Mao-Ling (李茂林), aged 58, is the Deputy General Manager of the General Administration Department of the Company. He is responsible for assisting in the overall corporate management and marketing planning and development of the Group. Between 1987 and 1995, he was the executive assistant to the chairman of 陸羽茶藝股份有限公司 (Lu Yu Tea Artcraft Co., Ltd.), and the director and assistant manager of the Enterprise Resources Planning Department and Business Development Department of Ten Ren respectively. Before joining the Group in 2001, Mr. Lee worked for 雅博股份有限公司 (Apex Medical Corp.) as manager of its Domestic Sales Division. Mr. Lee graduated from National Chung Hsing University in Taiwan in 1985, majoring in agricultural transportation and sales.

LEE Yen-Ping (李彥屏), aged 50, is the Head of the Marketing and Enterprise Planning Department of the Company. He is responsible for the business positioning, brand development, product research and development and the overall marketing initiatives of the Group. He joined the Group as the manager of the sale planning department in 2004. Mr. Lee was the manager of the Procurement and Research and Development Division of Ten Ren in 1996 and 2001, respectively. In 2003, he worked as the sales manager of Ten Ren Tea & Ginseng Co., Ltd. in Toronto, Canada. Mr. Lee graduated from Tsoying Senior High School (高雄市立左營高中) in Taiwan in 1988.

The Board is pleased to present this Corporate Governance Report in the Group's Annual Report for the year ended 31 December 2019.

Corporate governance practices

The Group strives to maintain high standards of corporate governance to enhance shareholder's value and safeguard shareholder's interests. The Group's corporate governance principles emphasise the importance of a quality Board, effective internal controls and accountability to shareholders.

For the year ended 31 December 2019, the Company has complied with the code provisions included in the Corporate Governance Code (the "Corporate Governance Code") as set out in Appendix 14 to the Listing Rules and there has been no deviation from the code provisions as set forth under the Corporate Governance Code for the year ended 31 December 2019.

The Company reviews its corporate governance practices regularly to ensure compliance with the Corporate Governance Code.

The Board of Directors

Responsibilities

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The Board has delegated to the Chief Executive Officer, of which the Directors also undertake, and through him, to the senior management the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

Board composition

Membership of the Board is currently made up of nine members in total, with four executive Directors, two non-executive Directors and three independent non-executive Directors.

The Company has complied with Rule 3.10A of the Listing Rules for the Board to have at least one-third of its membership comprising independent non-executive Directors. The composition of the Board is set out below:

Executive Directors

Mr. LEE Rie-Ho	Chairman
Mr. LEE Shih-Wei	Vice Chairman
Mr. LEE Chia Ling	Chief Executive Officer
Mr. LEE Kuo-Lin	Chief Operating Officer

Non-executive Directors

Mr. TSENG Ming-Sung

Ms. LI Jie

Independent Non-executive Directors

Mr. LO Wah Wai

Mr. LEE Kwan Hung, Eddie

Mr. FAN Ren Da, Anthony

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The relationships among the members of the Board are disclosed under "Directors and Senior Management" on page 20 to 24 of this annual report.

During the year ended 31 December 2019, the Board at all times complied with the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the Listing Rules.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit, Remuneration and Nomination Committees of the Company.

Chairman and Chief Executive Officer

The roles and duties of the Chairman and the Chief Executive Officer of the Company are carried out by different individuals and have been clearly defined in writing.

The Chairman of the Board is Mr. Lee Rie-Ho and the Chief Executive Officer of the Company is Mr. Lee Chia Ling. The positions of Chairman and Chief Executive Officer are held by separate persons in order to preserve independence and a balance of views and judgement. With the support of the senior management, the Chairman is responsible for ensuring that the Directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings. The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Group's day-to-day management and operations. The Chief Executive Officer is also responsible for developing strategic plans and formulating the organisational structure, control systems and internal procedures and processes for the Board's approval.

Appointment and re-election of Directors

Each of our Directors is engaged on a service contract for a term of three years, and the appointment may be terminated by not less than three months' notice in writing.

In accordance with the Company's Articles of Association, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed by the Board to fill a causal vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after appointment or in case as an addition to the Board, the new Director shall hold office only until the next following annual general meeting of the Company and then be eligible for re-election.

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's Articles of Association. The Nomination Committee established on 31 August 2011 is to be responsible for reviewing the Board composition, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive Directors.

The Board is collectively responsible for performing the corporate governance duties and formalised the inclusion of the following corporate governance duties into the terms of reference of the Board:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report in the annual report of the Company.

Nomination Committee

The Nomination Committee comprises four members, namely Mr. Lee Kwan Hung, Eddie (Chairman), Mr. Lee Kuo-Lin, Mr. Fan Ren Da, Anthony and Mr. Lo Wah Wai, the majority of which are independent non-executive Directors.

The principal duties of the Nomination Committee include reviewing the structure, size and composition of the Board regularly, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of the independent non-executive Directors. In carrying out the responsibility for identifying suitably qualified candidates to become members of the Board, the Nomination Committee will give adequate consideration to the board diversity policy. The Nomination Committee is provided with sufficient resources to perform its duties.

In accordance with the Company's Articles of Association, one-third of the Directors, shall retire by rotation and the newly appointed Director (if any) in 2019 shall retire and being eligible, offer themselves for re-election at the next forthcoming annual general meeting and every Director shall be subject to retirement at the annual general meeting at least once every three years.

The Company's circular dated 9 April 2020 contains detailed information of the Directors standing for re-election.

The Nomination Committee reviewed the nomination policy and procedures, which includes the nomination procedures and process and criteria adopted by the Nomination Committee to select and recommend candidates for directorship during the year ended 31 December 2019. The nomination policy and procedures of the Company summarised below:

The Board should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. To ensure changes to the Board composition can be managed without undue disruption, there should be a formal, considered and transparent procedure for selection, appointment and re-appointment of Directors, as well as plans in place for orderly succession (if considered necessary), including periodical review of such plans. The appointment of a new Director (to be an additional Director or fill a casual vacancy as and when it arises) or any re-appointment of Directors is a matter for decision by the Board upon the recommendation of the proposed candidate by the Nomination Committee.

The criteria to be applied in considering whether a candidate is qualified shall be his or her ability to devote sufficient time and attention to the affairs of the Company and contribute to the diversity of the Board as well as the effective carrying out by the Board of the responsibilities which, in particular, are set out as follows:

(a) participating in Board meetings to bring an independent judgment on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conducts;

(b) taking the lead where potential conflicts of interests arise;

(c) serving on the Audit Committee, the Remuneration Committee, Nomination Committee (in the case of candidate for non-executive Director) and other relevant Board committees, if invited;

(d) bringing a range of business and financial experience to the Board, giving the Board and any committees of the Company on which he or she serves the benefit of his or her skills, expertise, and varied backgrounds and qualifications and diversity through attendance and participation in the Board/committee meetings;

(e) scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance;

(f) ensuring the committees of the Company on which he or she serves to perform their powers and functions conferred on them by the Board; and

(g) conforming to any requirement, direction and regulation that may from time to time be prescribed by the Board or contained in the constitutional documents of the Company or imposed by legislation or the Listing Rules, where appropriate.

The Nomination Committee also review the board diversity policy and the measurable objectives during the year ended 31 December 2019. The Board has adopted a board diversity policy setting out the approach to diversity of members of the Board on 30 August 2013. The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates of Board members will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

The Nomination Committee held 2 meetings during the year ended 31 December 2019 and the attendance records are set out below:

Name of Director	**Attendance/Number of Meetings**
Mr. LEE Kwan Hung, Eddie	2/2
Mr. LEE Kuo-Lin	2/2
Mr. FAN Ren Da, Anthony	2/2
Mr. LO Wah Wai	2/2

Induction and continuing development of Directors

Each newly appointed Director receives formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are continually updated on the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for Directors will be arranged where necessary. Individual Directors also participated in the courses relating to the roles, functions and duties of a listed company director or further enhancement of their professional development by way of attending training courses or via online aids or reading relevant materials.

During the year ended 31 December 2019, all Directors are provided with the latest version of "A Guide on Directors' Duties" issued by the Companies Registry, Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571, the Laws of Hong Kong), the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules, the Director Training Programme as set out in the website of the Stock Exchange and other regulatory regime, the e-training for directors of companies listed on the Stock Exchange and Guidance for Boards and Directors.

According to the records provided by the Directors, a summary of training received by the Directors for the year ended 31 December 2019 is as follows:

	Type of continuous professional development programmes
Executive Directors	
Mr. LEE Rie-Ho	1, 2, 3
Mr. LEE Shih-Wei	1, 2, 3
Mr. LEE Chia Ling	1, 2, 3
Mr. LEE Kuo-Lin	1, 2, 3
Non-executive Directors	
Mr. TSENG Ming-Sung	1, 2, 3
Ms. LI Jie	1, 2, 3
Independent Non-executive Directors	
Mr. LO Wah Wai	1, 2, 3
Mr. LEE Kwan Hung, Eddie	1, 2, 3
Mr. FAN Ren Da, Anthony	1, 2, 3

Notes:

1. *Reading materials and updates relating to the latest development of the Listing Rules and other applicable regulatory requirements.*
2. *Internal group discussion on the updates relating to the latest development of the Listing Rules and other applicable regulatory requirements.*
3. *Attending briefing sessions and/or seminars offered by external professionals and/or experts.*

Board meetings

Board Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance.

Notice of regular Board meetings is served to all Directors at least 14 days before the meeting. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or committee meeting to keep Directors apprised of the latest developments and financial position of the Group and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management where necessary.

The senior management, including Chief Executive Officer and Chief Financial Officer, attend all regular Board meetings and where necessary, other Board and committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and final versions are open for Directors' inspection.

The Company's Articles of Association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Directors' Attendance Records

During the year ended 31 December 2019, 4 regular Board meetings were held, including for reviewing and approving the interim results for the six months ended 30 June 2019, and considering and approving the overall strategies and policies of the Group.

The attendance records of each Director at the Board meetings during the year ended 31 December 2019 are set out below:

Name of Director	Attendance/Number of Meetings
Mr. LEE Rie-Ho	4/4
Mr. LEE Shih-Wei	4/4
Mr. LEE Chia Ling	4/4
Mr. LEE Kuo-Lin	4/4
Mr. TSENG Ming-Sung	4/4
Ms. LI Jie	4/4
Mr. LO Wah Wai	4/4
Mr. LEE Kwan Hung, Eddie	4/4
Mr. FAN Ren Da, Anthony	4/4

Model code for securities transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules and devised its own code of conduct regarding Directors' dealings in the Company's securities (the "Company Code") on terms no less exacting than the Model Code.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code and the Company Code for the year ended 31 December 2019.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

Delegation by the board

The Board undertakes responsibility for decision making in major Group matters, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the senior management. The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers.

The Board has established three committees, namely, the Nomination Committee, Remuneration Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are available to shareholders upon request.

The Board also has the full support of the Chief Executive Officer and the senior management for the discharge of its responsibilities.

Remuneration of Directors and senior management

The Company has established a formal and transparent procedure for formulating policies on remuneration of senior management of the Group. Details of the remuneration of each of the Directors for the year ended 31 December 2019 are set out in Note 36 to the Consolidated Financial Statements.

The biographies of the senior management are disclosed in the section headed "Directors and Senior Management" in this annual report. Remuneration paid to the senior management (excluding the Directors) for the year ended 31 December 2019 is within the following bands:

	Number of individuals	
	2019	2018
Nil – RMB500,000	**3**	3
RMB500,001 – RMB1,000,000	**1**	1

Remuneration Committee

The Remuneration Committee comprises five members, namely, Mr. Fan Ren Da, Anthony (Chairman), Mr. Lee Rie-Ho, Mr. Lo Wah Wai, Mr. Lee Kwan Hung, Eddie and Mr. Lee Chia Ling, the majority of which are independent non-executive Directors.

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive Directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee has reviewed the remuneration policy and structure of the Group, and the remuneration packages of the executive Directors and the senior management for the year ended 31 December 2019.

The Remuneration Committee held 1 meeting during the year ended 31 December 2019 and the attendance records are set out below:

Name of Director	Attendance/Number of Meetings
Mr. FAN Ren Da, Anthony	1/1
Mr. LEE Rie-Ho	1/1
Mr. LO Wah Wai	1/1
Mr. LEE Kwan Hung, Eddie	1/1
Mr. LEE Chia Ling	1/1

Accountability and audit

Directors' responsibilities for financial reporting in respect of Consolidated Financial Statements

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2019.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's consolidated financial statements, which are put to the Board for approval.

Risk Management and Internal Control

Responsibility of the Board

The Board acknowledges that it is the responsibility of the Board for ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems and reviewing the effectiveness of such systems on an annual basis. The Board is also aware of the fact that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable assurance and not absolute assurance against material misstatement or loss.

The Risk Management and Internal Control Systems

The Group adopted the three lines of defence model in the management of risk. Operational management forms the core of the first line of defence as they contact with the risk sources in the first place. They are responsible for identifying, reporting and preliminarily managing risks in their daily operations. Our second line of defence is aimed to facilitate and monitor the implementation of effective risk management practices by operational management and assists risk owners in defining risk exposures and reporting adequate risk-related information throughout the Group. Our internal audit function is the core of the third line of defence and mainly responsible for checking, auditing and monitoring the work performed by the first and second lines of defence.

The Group's risks are identified from business processes in our established enterprise-wide risk assessment methodologies. We select key participants across the Group who are involved in each of the business process as interviewees to identify the risks to form our risk universe. Each risk within the risk universe is assessed in terms of likelihood of occurrence and the significance of impact, taken into account the current internal controls in place to mitigate these risks. The risk assessment results are reported to senior management and the Board for the confirmation of our risk response strategies, based on their preferences towards risk, the available resources for risk mitigation, and the current controls in place.

The Group's internal control system is based on Internal Control – Integrated Framework of the Committee of Sponsoring Organisations of the Treadway Commission, and has five components, namely Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring Activities. The system intends to facilitate the design and functioning of good control practices and reduce the likelihood and impact of risks to an acceptably low level, in order for us to achieve our objectives in operations, reporting, and compliance.

Any material internal control defects identified are timely communicated and carefully evaluated for their potential impacts. The departments or functions who are owners of these controls, are required to propose corrective measures and obtain approval from management before implementation. The implementation status are monitored by both management and the internal audit function to ensure these control defects are properly resolved in a timely manner. The Group has also established policies and procedures for the handling and dissemination of inside information. The information to be disclosed should be properly reviewed and approved by our compliance functions and management to ensure its appropriateness and accuracy, and is closely monitored after disclosure. The Group plans to use its best endeavour to continuously refine our internal control system whenever necessary.

Internal Audit Function

The Group's internal audit department plays a major role in the monitoring of the Group's internal governance processes. The major tasks of the department include providing reasonable assurance on the effectiveness of the Group's governance, risk management and internal controls in areas of operations, safeguarding of assets, reporting, and compliance, and conducting risk-based audits of all branches and subsidiaries of the Group on a regular basis with recommended action plans to audit findings. The department also provides consulting services in risk management and internal control related issues within the Group.

Review of the Effectiveness and Adequacy of Our Systems

We prepare and submit reports to the Board in risk and control related issues at least annually, detailing our risk management activities, the overall risk exposures, prioritisation of risks based on risk assessment results and management's risk preferences with a careful evaluation of the current internal control systems and availability of resources. The Board reviews the reasonableness of reports and representations from management and makes sufficient enquiries whenever they feel necessary, before reaching their conclusions.

During the year ended 31 December 2019, the Board has conducted a review of the effectiveness of the Group's risk management and internal control systems with the application of the above review process, and considered our risk management and internal control systems effective and adequate in all material aspects in both design and operations.

Audit Committee

The Audit Committee comprises four members, namely, Mr. Lo Wah Wai (Chairman), Mr. Tseng Ming-Sung, Mr. Fan Ren Da, Anthony and Mr. Lee Kwan Hung, Eddie, the majority of which are independent non-executive Directors and of which one of the independent non-executive Directors possesses the appropriate professional qualifications or accounting or related financial management expertise.

The main duties of the Audit Committee include the following:

- To review the consolidated financial statements and reports and consider any significant or unusual items raised by the internal auditor or external auditor before submission to the Board;

- To review the relationship with the external auditor by reference to the work performed by the external auditor, its fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditor; and
- To review the adequacy and effectiveness of the Group's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee oversees the internal control and risk management systems of the Group, reports to the Board on any material issues, and makes recommendations to the Board.

During the year ended 31 December 2019, the Audit Committee discussed with the management of the Company the internal controls, risk management and financial reporting matters, and reviewed the accounting principles and practices adopted by the Group and the effectiveness of the Group's internal control and risk management systems. The Audit Committee also met with the external auditor twice and reviewed the annual and interim reports of the Company.

The Audit Committee held 2 meetings during the year ended 31 December 2019 and the attendance records are set out below:

Name of Director	Attendance/Number of Meetings
Mr. LO Wah Wai	2/2
Mr. TSENG Ming-Sung	2/2
Mr. FAN Ren Da, Anthony	2/2
Mr. LEE Kwan Hung, Eddie	2/2

External auditor and auditor's remuneration

The statement of the external auditor of the Company about its reporting responsibilities for the consolidated financial statements is set out in the "Independent Auditor's Report" on page 62.

During the year ended 31 December 2019, the remuneration paid/payable to the Company's external auditor, PricewaterhouseCoopers, is set out below:

Service Category	Amount (RMB'000)
Annual audit services	3,250
Non-audit services	
– Interim review services	1,000
– Other non-audit services	584
Total	4,834

Note: the amount for other non-audit services mainly represented the professional fee payable by the Group for the services related to share option scheme planning and the service of tax consultation.

Communication with Shareholders and investors/investor relations

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The general meetings of the Company provide a forum for communication between the Board and the shareholders and face-to-face dialogue with the shareholders. The Chairman of the Board as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee or, in their absence, other members of the respective committees and, where applicable, the chairman of the independent Board committee, are available to answer questions at the shareholders' meetings.

The Chairman of the Board, members of the Board and external auditor of the Company attended the 2019 annual general meeting of the Company ("AGM") held on 14 May 2019. The attendance record of the Directors at the AGM is set out below:

Name of Director	AGM Attendance/Number of Meetings
Mr. LEE Rie-Ho	1/1
Mr. LEE Shih-Wei	1/1
Mr. LEE Chia Ling	1/1
Mr. LEE Kuo-Lin	1/1
Mr. TSENG Ming-Sung	1/1
Ms. LI Jie	1/1
Mr. LO Wah Wai	1/1
Mr. LEE Kwan Hung, Eddie	1/1
Mr. FAN Ren Da, Anthony	1/1

The external auditor of the Company also attended the 2019 AGM to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor's independence.

The 2020 AGM will be held on 14 May 2020 (Thursday). The notice of 2020 AGM will be sent to the shareholders of the Company at least 20 clear business days before the 2020 AGM.

To promote effective communication, the Company maintains a website at www.tenfu.com, where up-to-date information and updates on the Group's business operations and developments, financial information, corporate governance practices and other information are posted and are available for public access.

In addition, there was no significant change in the Company's constitutional documents during the year ended 31 December 2019.

Shareholders' rights

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at shareholders' meetings, including the election of individual directors.

All resolutions put forward at shareholders' meetings will be voted on by poll pursuant to the Listing Rules and the Company's Articles of Association and the poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholders' meeting.

Shareholders are provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board through these means. In addition, shareholders can contact Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar of the Company, if they have any enquiries about their shareholdings and entitlements to dividend.

Procedures for shareholders to convene an extraordinary general meeting ("EGM") (including making proposals/moving a resolution at the EGM)

- Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to the Board or the company secretary of the Company (the "Company Secretary"), to require an EGM to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.
- The Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at Room E, 22/F, CNT Tower, 338 Hennessy Road, Wanchai, Hong Kong, for the attention of the Company Secretary.
- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included the details of the business(es) proposed to be transacted in the EGM, signed by the Eligible Shareholder(s) concerned.
- The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholder(s) will be verified with the Hong Kong share registrar of the Company. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to convene an EGM within 2 months and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the EGM after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the EGM.
- If within 21 days of the deposit of the Requisition, the Board has not advised the Eligible Shareholder(s) of any outcome to the contrary and fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the Company's Memorandum and Articles of Association, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Company Secretary

The Company engaged Ms. Lam Yuk Ling, a manager of the Listing Services Department of TMF Hong Kong Limited, as its Company Secretary for the year ended 31 December 2019. Her primary corporate contact person at the Company is Mr. Lee Min-Zun, the Chief Financial Officer.

In compliance with Rule 3.29 of the Listing Rules, Ms. Lam has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2019.

The Directors are pleased to present their report and the audited consolidated financial statements for the year ended 31 December 2019 of the Group.

Major business

The Company is a PRC-based company that engaged in the sale and marketing of a comprehensive range of tea products and the development of product concepts, tastes and packaging designs. The analysis of the revenue of the Group for the year ended 31 December 2019 is set out in Note 5 to the Consolidated Financial Statements.

Financial statements

The results of the Group for the year ended 31 December 2019 are set out in the Consolidated Statement of Comprehensive Income. The financial position as at 31 December 2019 of the Group is set out in the Consolidated Balance Sheet. The cash flow position of the Group during the year ended 31 December 2019 is set out in the Consolidated Cash Flow Statement.

Business review and outlook

The business review and outlook of the Group for the year ended 31 December 2019 is set out in the section headed "Management Discussion and Analysis" of this annual report.

Financial key performance indicators

The financial key performance indicators of the Group for the year for ended 31 December 2019 are set out in the section headed "Financial Highlights" of this annual report.

Compliance with laws and regulations and environmental policies

For the year ended 31 December 2019, the Group kept in compliance with the relevant laws and regulations applicable to the Group, including Food Safety Law, Product Quality Law, Consumer Protection Law, Trademark Law, Patent Law, Environmental Protection Law and Labour Contract Law of the PRC, etc. 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. Further information about the Group's compliance with laws and regulations, please refer to the Environmental, Social and Governance Report to be issued by the Company separately pursuant to Rule 13.91 and Appendix 27 to the Listing Rules.

Relationship with stakeholders

For the year ended 31 December 2019, coping with the external and internal uncertainties and changes, the Group gained valuable experience, which 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.

Principal risks and uncertainties facing the Group

The principal risks and uncertainties facing the Group are set out below.

Key risks and uncertainties	Analysis	Mitigating measures
With the outbreak of the COVID-19 epidemic, China's economic development is subject to a more complex external environment and internal condition, and some economic and non-economic difficulties and challenges have increased significantly. The global economic situation has reversed, economic and trade frictions have continued, and protectionism has intensified.	The Sino-US trade talks will continue now and then, but uncertainties will linger. Given that the United States cannot eliminate the trade deficit with China, the trade war may result in some agreements, but the United States will still contain China in the long run. Due to the deterioration of the international environment and the slowdown of their own economic growth, the consumer market will continue to lose steam, and other operating costs such as labor costs will be on the rise. The continued downturn in the overall retail industry affected by the epidemic will not be expected to improve in the short term, and retailers will face greater business pressure.	1. Attention will be paid to the release of national policies, and active communication on the support of rent, taxes and labor costs as well as preferential treatment will be carried out to reduce fixed costs. 2. A diversified sales model will be promoted within the Group to further push the integration of offline and online retail economies. 3. Distributors will be continuously developed with a view to occupying effective business bases more quickly. 4. The Company will actively participate in social welfare undertakings and Tenfu's branding activities to increase media coverage and publicity, enhance visibility and drive consumer purchase rates. 5. Effective marketing activities will be actively planned to drive consumers to buy.

Key risks and uncertainties	Analysis	Mitigating measures
Affected by the epidemic, part of the retail market share is expected to be shifted to the online market during the epidemic. The "new retail" form continues to diversify; changes in the internal factors and selling environments of commercial districts and malls have led to the loss of customers, which is unfavorable to stores.	The first major characteristic of the tea industry that is heavily affected by the epidemic is its seasonal dependence, and particularly the spring tea season is seriously impacted. The second major characteristic is its labor-intensive nature. The tea industry's personnel flow shows a parabolic curve pattern throughout the spring tea season, from a low to a high and then to a low again. This year, it will be closely correlated to the COVID-19 epidemic. The impact is unavoidable, and the weight of the impact depends entirely on the epidemic control, which is completely beyond the competitiveness scope of the tea industry. The current tea industry, still being a traditional business model based on offline experiences, will be more subject to external pressure.	1. The cloud sales model will be promoted. At present, common cloud distribution of tea leaves is roughly divided into two types: one is live tea knowledge lessons to attract the attention of new customers and increase the loyalty of old customers, thus deepening the trust of both user groups in the brand to facilitate subsequent transformation; the other is thematic live selling events whereby transformation will be directly achieved in a highly appealing scene. 2. Attention will be paid to the transformation of selling environments such as commercial districts and malls. Timely consultation with the store management company for improvement will be made. For outlets that have not been improved, withdrawal mechanisms will be planned in a reasonable and timely manner.

Key risks and uncertainties	Analysis	Mitigating measures
1. The impact of China's ecological environment, food pollution, untimely monitoring information and data on harmful elements in food and other factors have caused the supply of unqualified raw materials. 2. Environmental and climate impacts have shortened the shelf life of food, and it has not been properly assessed. .	1. Factors including China's ecological environment and crop varieties, pesticides, hormones used and crop growth environment have caused raw materials to fail. 2. Unqualified raw materials, pollution of the finished products, untimely monitoring information and data on harmful elements in food, and the impact of changes in the climate and environment in recent years has made the quality of the finished food fail, causing adverse side effects or harm to consumers.	1. Attention will be paid to the monitoring information on China's ecological environment and any impact of causing unqualified raw materials. 2. Raw materials traceability systems will be established and improved. 3. The Company will set up a special quality inspection department to carry out stringent sampling and testing procedures for each batch of tea raw materials. Each batch of tea raw materials will be sampled for necessary physical and chemical testing before entry into stock. Only qualified products will be stocked. Loose tea will be inspected before storage. After being deemed qualified, it will be stored in batches to facilitate tracing and tracking. Finished tea stored in the same batch before storage will go through administrative processes before entry into stock to facilitate subsequent shipment tracking. 4. Shelf life and storage environment will be correctly assessed based on climate changes to avoid cases of causing harm to consumers and producing impact on the Company's brand image due to quality issues.

Share capital

The changes in the share capital of the Company during the year ended 31 December 2019 are set out in Note 15 to the Consolidated Financial Statements.

Final dividend

At the Board meeting held on 20 March 2020 (Friday), it was proposed that a final dividend of HKD0.14 per ordinary share (equivalent to RMB0.13 per ordinary share) be paid on or after 29 May 2020 to the shareholders of the Company (the "Shareholders") whose names appear on the Company's register of members on 20 May 2020 (Wednesday). The proposed final dividend is subject to approval by the Shareholders at the 2020 AGM to be held on 14 May 2020 (Thursday).

There is no arrangement that a Shareholder has waived or agreed to waive any dividend.

Closure of register of members

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

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed on 20 May 2020 (Wednesday), during which 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 Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 19 May 2020 (Tuesday).

Reserves

Details of the changes in reserves of the Group during the year ended 31 December 2019 are set out in Note 15, 16 and 17 to the Consolidated Financial Statements.

Distributable reserves

Under the Companies Law of the Cayman Islands, the share premium of the Company is available for distribution of dividends to the Shareholders subject to the provisions of the Company's Articles of Association; with the sanction of an ordinary resolution, dividend may be declared and paid out of share premium account of any other fund or account which can be authorised for this propose. As at 31 December 2019, the Company had distributable reserve amounting to approximately RMB220,850,000.

Dividend policy

The Board may declare dividends in the future after taking into account the Group's financial and business conditions, earnings, capital requirements and other factors as it may deem relevant at such time. Any declaration and payment, as well as the amount, of dividends will be subject to the requirements of the constitutional documents and the Companies Law. The Shareholders in general meeting must approve any declaration of dividends, which may not exceed the amount recommended by the Board. In addition, the Directors may from time to time pay such interim dividends as appear to the Board to be justified by the Group's profits, or special dividends of such amounts and on such dates as they think fit. No dividend shall be declared or payable except out of the Group's profits and reserves lawfully available for distribution.

Future dividends payments will also depend upon the availability of dividends received from the subsidiaries of the Company in the PRC. PRC laws require that dividends be paid only out of accumulated profits as determined in accordance with accounting standards and regulations in the PRC. Each of the Company's PRC subsidiaries is required to set aside at least 10% of its after-tax profit under PRC accounting standards each year to its general reserves or statutory capital reserve fund until the aggregate amount of such reserves reaches 50% of its respective registered capital. These reserves are not available for distribution as cash dividends.

Subject to the considerations and constraints above, the Company currently intend to distribute as dividends to all the Shareholders not less than 20% of the Group's consolidated net profit after tax in respect of each financial year.

Property, plant and equipment

The changes in property, plant and equipment of the Group during the year ended 31 December 2019 are set out in Note 6 to the Consolidated Financial Statements.

Major customers and suppliers

The Company always maintains good relationship with customers and suppliers.

During the year, the aggregate percentage of purchases attributable to the Group's five largest suppliers accounted for approximately 24.7% of the Group's total purchase. The Group selects suppliers carefully to ensure the quality of raw materials and packaging materials through maintaining appraisal records for suppliers and grading them on a declining scale according to the quality of material supplied, price, ability to meet demand and punctuality of delivery time.

During the year, the percentage of revenue attributable to the Group's five largest customers accounted for approximately 4.4% of the Group's total revenue. The credit terms granted to the top five customers are in line with those granted to other customers. The top five customers made subsequently settlement of trade receivables within the credit term. The Company 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 Company fails to maintain good relationships with such parties, the business, financial condition and results of operations of the Company could be materially and adversely affected. Since 2008, the Company has acquired a number of retail outlets and retail points from third-party retailers and operated the self-owned retail outlets and retail points. In order to keep good customer services, the Group maintains a customer service hotline to handle general service inquiries and ensure a timely response to all customer concerns. The Group's internal policy requires that all complaints be reported and resolved promptly. If a complaint is not resolved during the call, the customer service representative is required to timely report such complaint to the local sales office which covers the region where the complaining customer is located. For the year ended 31 December 2019, the Group did not incur any material costs in relation to these complaints and there had not been any material product recall.

Except Samoa Group (defined as below) which is wholly-owned by Mr. Lee Chia Ling, a substantial shareholder of the Company and a Director, and Lu Yu (defined as below) which is indirectly held as to 83.75% by Ms. Zhou Nannan, the spouse of Mr. Lee Chia Ling (a substantial shareholder of the Company and a Director), 10% by Mr. Tsai Shan Jen, the cousin of Mr. Lee Chia Ling (a substantial shareholder of the Company and a Director), and 6.25% by Mr. Lee Rie-Ho (a substantial shareholder of the Company and a Director), respectively are among the Group's five largest suppliers, none of the Directors or his/her associates and none of the Shareholders possessing over 5% of the interest in the capital of the Company possessed any interest in the above-mentioned suppliers and customers.

Bank loans and other borrowings

Particulars of bank loans and other borrowings of the Group as at 31 December 2019 are set out in Note 19 to the Consolidated Financial Statements.

Directors

The Directors in office during the year and as at the date of this annual report are as follows:

Executive Directors

Mr. LEE Rie-Ho

Mr. LEE Shih-Wei

Mr. LEE Chia Ling

Mr. LEE Kuo-Lin

Non-executive Directors

Mr. TSENG Ming-Sung

Ms. LI Jie

Independent Non-executive Directors

Mr. LO Wah Wai

Mr. LEE Kwan Hung, Eddie

Mr. FAN Ren Da, Anthony

Details of the resume of the Directors and senior management are set forth in the section headed "Directors and Senior Management" of this annual report.

The remuneration of each Director and the chief executive of the Company for the year ended 31 December 2019 is set out in Note 36 to the Consolidated Financial Statements.

In accordance with article 84(1) of the Articles of Association, Mr. Tseng Ming-Sung, Mr. Lo Wah Wai and Mr. Fan Ren Da, Anthony will retire by rotation and being eligible, have offered themselves for re-election at the 2020 AGM.

Disclosure of Information of Directors under Rules 13.51(2) and 13.51B(1) of the Listing Rules

There is no change of information of each Director that is required to be disclosed under Rules 13.51(2) and 13.51B(1) of the Listing Rules.

Permitted indemnity provision

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) when the Report of the Board of the Directors prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance.

Service contracts of directors

Details of service contracts for the executive Directors and non-executive Directors are set out under the section headed "Appointment and Re-election of Directors" of the Corporate Governance Report. There was no service contract entered by the Company and any Directors to be re-elected in the coming AGM stipulating that the Company may not terminate the appointment without compensation payment (other than the statutory compensation).

Directors' interests in transactions, arrangements or contracts

Other than those transactions disclosed in Note 34 to the Consolidated Financial Statements and in the section headed "Connected transactions" below, there was no other transaction, arrangement or contract of significance subsisting during or at the end of the financial year with any member of the Group as the contracting party and in which the Directors or an entity connected with the Director is or was materially interested, either directly or indirectly.

Directors' interests in competing business

A deed of non-competition dated 31 August 2011 (the "Non-competition Deed") was entered into by and among other parties and the controlling shareholders, including the Directors namely Mr. Lee Rie-Ho, Mr. Lee Chia Ling and Mr. Lee Shih-Wei (collectively, the "Covenators") in favour of the Company. The Company has received an annual written confirmation from each of the Covenantors in respect of the compliance by them and their associates with the Non-competition Deed.

The independent non-executive Directors have reviewed the Non-competition Deed and whether the controlling shareholders have abided by the non-competition undertaking. The independent non-executive Directors confirmed that they had determined that the controlling shareholders have not been in breach of the non-competition undertaking during the year ended 31 December 2019.

Save as disclosed above, none of the Directors held any interests in any business that compete directly against the Company or any of its jointly controlled entities and subsidiaries during the year.

Share option scheme

On 17 December 2010, the Company adopted a share option scheme (the "Share Option Scheme") whereby the Board can grant share options for the subscription of the Company's shares (the "Shares") to the employees, managerial staff and senior employees and those other persons that the Board considers that they will contribute or have contributed to the Group (the "Participants") as described in the Share Option Scheme in order to serve as compliment and to reciprocate their contribution to the Group. The maximum number of Shares that can be issued according to the Share Option Scheme was 122,720,746 Shares, which is equivalent to 10% of the issued capital of the Company after completion of the Global Offering (as defined in the prospectus of the Company (the "Prospectus") dated 14 September 2011, but without taking into consideration the issue of any Shares that may be issued under the Over-allotment Option (as defined in the Prospectus). The number of share options that may be granted pursuant to the terms of the Share Option Scheme shall not exceed 10% of the issued Shares immediately after the completion of the Global Offering. Unless otherwise approved by the Shareholders in general meeting, the number of share options that may be granted to a Participant under the Share Option Scheme shall not exceed 1% within any 12-month period (other than those granted to the substantial shareholders (as defined in the Listing Rules), or the total number of share options that may be granted under the Share Option Scheme to the independent non-executive Directors, chief executive or any of their respective connected persons shall not exceed 0.1% of the Shares in issue of the Company from time to time. There is no minimum period that the share options must be held before they become exercisable, and the share options granted shall be exercised within the period decided by the Board, however no share options shall be exercised 10 years after they have been granted. The exercise share price of the share options shall be the higher of (a) the closing price of the Shares on the daily quotation sheet of the Stock Exchange on the date of grant; (b) the average closing price of the Shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) nominal value of the Share. Each grantee shall pay a consideration of HK$1.00 at the time the share option is granted. The Share Option Scheme shall take effect from the date it is adopted and shall remain effective within a period of 10 years from that date.

During the years ended 31 December 2010 and 2011, no share options were granted. Subsequently, the Company granted share options to subscribe for an aggregate of 7,046,000 Shares on 6 January 2012 to certain Directors, employees and independent third party distributors of the Group and an aggregate of 1,307,000 share options on 12 January 2012 to certain Directors. On 19 March 2013, the Company granted share options to certain Directors, employees and independent third party distributors of the Group to subscribe for an aggregate of 8,353,000 Shares. These share options vest in tranches over a period of up to 3 years. During the three years ended 31 December 2014, 2015 and 2016, no share options were granted. During the year ended 31 December 2015, 8,133,000 and 61,000 share options were lapsed due to unfulfillment of vesting conditions, i.e., unrealisation of performance targets set out for the three years ended 31 December 2014 and the resignation of the employees, respectively, and none of the share options were exercised by the grantees, or cancelled by the Company during the year ended 31 December 2015. During the year ended 31 December 2016, 8,191,000 and 10,000 share options were lapsed due to unfulfillment of vesting conditions, i.e., unrealisation of performance targets set out for the three years ended on 31 December 2015 and the resignation of the employees, respectively, and none of the share options were exercised by the grantees, or cancelled by the Company during the year ended 31 December 2016. During the three years ended 31 December 2017, 2018 and 2019, the Company did not grant any options to subscribe for Shares. The Company has no outstanding share options as at 31 December 2019.

The total number of Shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme is 122,720,746 Shares, representing 11.08% of the total issued Shares of the Company as at the date of this annual report.

Debenture

At any time during the year, the Company, its holding company or its subsidiaries were not the contracting parties of any arrangements from which the Directors could make a profit by purchasing the shares or debentures of the Company or any other companies.

Interests or short positions of Directors and Chief Executives in the Shares, underlying Shares or debentures

As at 31 December 2019, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required, pursuant to Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules, are as follows:

(i) Interests in the Company

Name of Director	Nature of interest	Number of securities[3]	Approximate percentage of shareholding[4]
Mr. Lee Rie-Ho[1]	Interest in a controlled corporation	188,760,000 (L)	17.00%
Mr. Lee Shih-Wei	Personal interest/individual	4,719,000 (L)	0.42%
Mr. Lee Chia Ling[2]	Settlor of The KCL Trust	377,520,000 (L)	34.00%
	Personal interest/individual	62,538,000 (L)	5.63%
Mr. Lee Kuo-Lin[2]	Beneficiary of The KCL Trust	377,520,000 (L)	34.00%
Mr. Tseng Ming-Sung	Personal interest/individual	4,719,000 (L)	0.42%

Notes:

(1) *Discerning Group Limited is wholly-owned by Mr. Lee Rie-Ho, Mr. Lee Rie-Ho is deemed to be interested in the Shares held by Discerning Group Limited for the purpose of the SFO. Ms. Lee Tsai Li-Li is the wife of Mr. Lee Rie-Ho and is deemed to be interested in the Shares in which Mr. Lee Rie-Ho is deemed or taken to be interested for the purpose of the SFO.*

(2) *The entire issued share capital of Trackson Investments Limited is held by Tiger Nature Holdings Limited ("Tiger Nature") which is in turn ultimately held by UBS TC (Jersey) Ltd. (through two nominee companies) as the trustee of The KCL Trust. The KCL Trust is a discretionary trust established by Mr. Lee Chia Ling as settlor on 12 April 2011. The beneficiaries of The KCL Trust include family members of Mr. Lee Chia Ling. Mr. Lee Chia Ling, Mr. Lee Kuo-Lin and Mr. Lee John L are deemed to be interested in 377,520,000 Shares held by The KCL Trust, Tiger Nature and Trackson Investments Limited pursuant to Part XV of the SFO. Ms. Zhou Nan-Nan is the spouse of Mr. Lee Chia Ling and is deemed to be interested in all the Shares of Mr. Lee Chia Ling by virtue of the SFO.*

(3) *The letter "L" denotes long position in such shares.*

(4) *There were 1,110,410,460 Shares in issue as at 31 December 2019.*

(ii) Interests in associated corporations

None of our Directors or chief executives has any interests or short positions in the Shares, underlying Shares and debentures of any associated corporations of the Company.

Substantial shareholders' interests and/or short positions

As at 31 December 2019, to the best of the Directors' knowledge, the following persons (other than the Directors and chief executives of the Company) had or deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Capacity in which interests are held	Number of Shares[(4)]	Approximate percentage of shareholding[(5)]
Discerning Group Limited[(1)]	Registered owner	188,760,000 (L)	17.00%
Ms. Lee Tsai Li-Li[(1)]	Interest as a spouse	188,760,000 (L)	17.00%
UBS TC (Jersey) Ltd. [(2) (3)]	Trustee	377,520,000 (L)	34.00%
Trackson Investments Limited[(2)]	Registered owner	377,520,000 (L)	34.00%
Tiger Nature Holdings Limited[(2)]	Interest in a controlled corporation	377,520,000 (L)	34.00%
The KCL Trust[(2)]	Interest in a controlled corporation	377,520,000 (L)	34.00%
Mr. Lee John L[(2)]	Beneficiary of The KCL Trust	377,520,000 (L)	34.00%
Ms. Zhou Nan-Nan[(2)]	Interest as a spouse	440,058,000 (L)	39.63%
Spring Cheers Overseas Ltd.	Registered owner	114,379,023 (L)	10.30%

Notes:

(1) Discerning Group Limited is wholly-owned by Mr. Lee Rie-Ho, Mr. Lee Rie-Ho is deemed to be interested in the Shares held by Discerning Group Limited for the purpose of the SFO. Ms. Lee Tsai Li-Li is the wife of Mr. Lee Rie-Ho and is deemed to be interested in the Shares in which Mr. Lee Rie-Ho is deemed or taken to be interested for the purpose of the SFO.

(2) The entire issued share capital of Trackson Investments Limited is held by Tiger Nature which is in turn ultimately held by UBS TC (Jersey) Ltd. (through two nominee companies) as the trustee of The KCL Trust. The KCL Trust is a discretionary trust established by Mr. Lee Chia Ling as settlor on 12 April 2011. The beneficiaries of The KCL Trust include family members of Mr. Lee Chia Ling. Mr. Lee Chia Ling, Mr. Lee Kuo-Lin and Mr. Lee John L are deemed to be interested in 377,520,000 Shares held by The KCL Trust, Tiger Nature and Trackson Investments Limited pursuant to Part XV of the SFO. Ms. Zhou Nan-Nan is the spouse of Mr. Lee Chia Ling and is deemed to be interested in all the Shares of Mr. Lee Chia Ling by virtue of the SFO.

(3) UBS TC (Jersey) Ltd. is the trustee of The KCL Trust, it is deemed to be interested in 377,520,000 Shares held by The KCL Trust.

(4) The letter "L" denotes long position in such shares.

(5) There were 1,110,410,460 Shares in issue as at 31 December 2019.

Subsidiaries

Details of the major subsidiaries of the Company as of 31 December 2019 are set out in Note 31 to the Consolidated Financial Statements.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2019.

Equity-linked agreements

Save for the Share Option Scheme as set out in the section headed "Share Option Scheme" above, no equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2019.

Connected transactions

The Group's related parties transactions for the year ended 31 December 2019 set out in Note 34 to the Consolidated Financial Statements constitute continuing connected transactions as defined in chapter 14A of the Listing Rules and the Company has complied with the disclosure requirements in chapter 14A of the Listing Rules.

Details of the continuing connected transactions of the Group are as follows:

Continuing connected transactions exempt from the reporting, announcement and independent shareholders' approval requirements

Lease Agreements with Various Connected Persons of the Company

The Company has been leasing properties in the PRC from various connected persons of the Company since 2009.

The details of the written lease agreements between the Group and each of the connected persons of the Company (the "Exempt Lease Agreements") and the connected relationship are set out in the table below:

No.	Location	Member of the Group as tenant	Connected party as landlord	Term and rental (RMB)	Type of premises
1.	Fujian[1]	福州天福茗茶銷售有限公司 (Fu Zhou Tian Fu Tea Sales Co., Ltd.) ("Fuzhou Tenfu")	Ms. Chen Xiu-Duan 陳秀端 (daughter-in-law of the Director, Mr. Lee Rie-Ho and wife of the Director, Mr. Lee Kuo-Lin)	Term: One year from 1 January 2019 to 31 December 2019 Rental: 21,400/month	Store premises with a gross floor area of approximately 158.0 square meters
2.	Shanghai[1]	上海天福茗茶銷售有限公司 (Shanghai Tenfu Tea Co., Ltd.)	Ms. Chen Xiu-Duan 陳秀端 (daughter-in-law of the Director, Mr. Lee Rie-Ho and wife of the Director, Mr. Lee Kuo-Lin)	Term: Three years from 1 September 2017 to 31 August 2020 Rental: 10,580/month	Store premises with a gross floor area of approximately 143.6 square meters

No.	Location	Member of the Group as tenant	Connected party as landlord	Term and rental (RMB)	Type of premises
3.	Hainan	廣東天福茗茶銷售有限公司 (Guang Dong Tian Fu Tea Sales Co., Ltd.)	Mr. Lee Min-Zun (the Chief Financial Officer and cousin of Mr. Lee Chia Ling and Mr. Lee Kuo-Lin, the Directors)	Term: Two years and nine months from 1 January 2020 to 30 September 2022 Rental: 28,000/month	Store premises with a gross floor area of approximately 376.3 square meters
4.	Hubei	湖北天福茗茶銷售有限公司 (Hu Bei Tian Fu Tea Sales Co., Ltd.)	Mr. Lee Kuo-Lin (the Director and son of Mr. Lee Rie-Ho, the Director and Chairman)	Term: Three years from 1 July 2019 to 30 June 2022 Rental: 81,667/month	Store premises with a gross floor area of approximately 584.3 square meters
5.	Heilongjiang	黑龍江天福茗茶銷售有限公司 (Heilongjiang Tian Fu Tea Sales Co., Ltd.)	Ms. Zhou Nan-Nan 周楠楠 (daughter-in-law of the Director, Mr. Lee Rie-Ho and wife of the Director, Mr. Lee Chia Ling)	Term: One year from 1 December 2019 to 30 November 2020 Rental: 20,000/month	Store premises with a gross floor area of approximately 643.6 square meters
6.	Fujian	Fuzhou Tenfu	Mr. Lee Chien-Te 李建德 (cousin of Mr. Lee Chia Ling and Mr. Lee Kuo-Lin, the Directors)	Term: Three years from 1 December 2017 to 30 November 2020 Rental: 62,000/month	Store premises with a gross floor area of approximately 451.7 square meters
7.	Fujian	廈門天鈺商貿有限公司 (Xiamen Tianyu Commerce and Trading Co., Ltd.) ("Tianyu")	Xiamen Tenmax Commodity Trading Co., Ltd. (天美仕（廈門）日用品貿易有限公司), formerly known as Xiamen Tenfu Tea Industry Co., Ltd. (廈門天福茶業有限公司)	Term: Ten years from 1 April 2014 to 31 March 2024 Rental: 25,000/month	Warehouse premises with a gross floor area of approximately 2,500 square meters
8.	Shandong[1]	濟南天福茗茶有限公司 (Jinan Tenfu Tea Co., Ltd.)	Xiamen Mingfeng Commercial Management Co., Ltd. (廈門銘峰商業管理有限公司) ("Mingfeng"), a limited liability company established in the PRC, which is indirectly wholly owned by Mr. Tsai Shan Jen, who is the nephew of Mr. Lee Rie-Ho and the cousin of Mr. Lee Chia Ling, Mr. Lee Shih-Wei and Mr. Lee Kuo-Lin, the Directors	Term: Three years from 1 November 2016 to 31 October 2019 Rental: 21,000/month	Store premises with a gross floor area of approximately 158.6 square meters

No.	Location	Member of the Group as tenant	Connected party as landlord	Term and rental (RMB)	Type of premises
9.	Liaoning[1]	吉林省天福茗茶銷售有限公司 (Jilin Province Tian Fu Tea Sales Co., Ltd.)	Mingfeng, a limited liability company established in the PRC, which is indirectly wholly owned by Mr. Tsai Shan Jen, who is the nephew of Mr. Lee Rie-Ho and the cousin of Mr. Lee Chia Ling, Mr. Lee Shih-Wei and Mr. Lee Kuo-Lin, the Directors	Term: Four years from 1 January 2017 to 31 December 2020 Rental: 35,000/month	Store premises with a gross floor area of approximately 174 square meters
10.	Fujian[1]	Tianqia Catering Management Co., Limited (廈門天洽餐飲管理有限公司) ("Tianqia")	Mingfeng, a limited liability company established in the PRC, which is indirectly wholly owned by Mr. Tsai Shan Jen, who is the nephew of Mr. Lee Rie-Ho and the cousin of Mr. Lee Chia Ling, Mr. Lee Shih-Wei and Mr. Lee Kuo-Lin, the Directors	Term: Five years from 1 August 2017 to 31 July 2022 Rental: 6,000/month	Dormitory premises with a gross floor area of approximately 153.36 square meters
11.	Fujian[1]	Tianqia	Mingfeng, a limited liability company established in the PRC, which is indirectly wholly owned by Mr. Tsai Shan Jen, who is the nephew of Mr. Lee Rie-Ho and the cousin of Mr. Lee Chia Ling, Mr. Lee Shih-Wei and Mr. Lee Kuo-Lin, the Directors	Term: Five years from 1 August 2017 to 31 July 2022 Rental: 6,000/month	Dormitory premises with a gross floor area of approximately 158.15 square meters
12.	Xiamen[1]	Tianqia	Mingfeng, a limited liability company established in the PRC, which is indirectly wholly owned by Mr. Tsai Shan Jen, who is the nephew of Mr. Lee Rie-Ho and the cousin of Mr. Lee Chia Ling, Mr. Lee Shih-Wei and Mr. Lee Kuo-Lin, the Directors	Term: Five years from 1 August 2017 to 31 July 2022 Rental: 6,000/month	Dormitory premises with a gross floor area of approximately 153.36 square meters
13.	Xiamen[1]	Tianyu	Mingfeng, a limited liability company established in the PRC, which is indirectly wholly owned by Mr. Tsai Shan Jen, who is the nephew of Mr. Lee Rie-Ho and the cousin of Mr. Lee Chia Ling, Mr. Lee Shih-Wei and Mr. Lee Kuo Lin, the Directors	Term: Five years from 1 August 2017 to 31 July 2022 Rental: 36,000/month	Store premises with a gross floor area of approximately 944.1 square meters

Note 1: As the continuing connected transactions under items 1 and 2 and items 8 to 13 are with the same landlord, their respective applicable ratios have been aggregated.

Lease Agreements with Mr. Lee Chia Ling

The Company has been leasing various properties in the PRC from Mr. Lee Chia Ling, the Director, since 2009. As Mr. Lee Chia Ling is the connected person of the Company, each of the lease agreements is a continuing connected transaction of the Company.

During the year ended 31 December 2019, the amount of rental paid/payable by the Group in respect of the lease agreements between the Group and Mr. Lee Chia Ling were RMB1,270,000.

Details of the written lease agreements between the Group and Mr. Lee Chia Ling (the "Non-exempt Lease Agreements") are set out in the table below:

No.	Location	Member of the Group as tenant	Connected party as landlord	Term and rental (RMB)	Type of premises
1.	Liaoning	吉林省天福茗茶銷售有限公司 (Jilin Province Tian Fu Tea Sales Co., Ltd.)	Mr. Lee Chia Ling	Term: Two years from 23 September 2018 to 22 September 2020 Rental: 50,000/month	Store premises with a gross floor area of approximately 690.8 square meters
2.	Sichuan	四川天福茗茶銷售有限公司 (Sichuan Tenfu Tea Sales Co., Ltd.)	Mr. Lee Chia Ling	Term: Five years from 19 May 2016 to 18 May 2021 Rental: 30,000/month	Store premises with a gross floor area of approximately 627.8 square meters
3.	Liaoning	吉林省天福茗茶銷售有限公司 (Jilin Province Tian Fu Tea Sales Co., Ltd.)	Mr. Lee Chia Ling	Term: Two years and two months from 1 January 2017 to 28 February 2019 Rental: 30,000/month	Store premises with a gross floor area of approximately 450.58 square meters
4.	Liaoning	吉林省天福茗茶銷售有限公司 (Jilin Province Tian Fu Tea Sales Co., Ltd.)	Mr. Lee Chia Ling	Term: One year from 1 March 2019 to 28 February 2020 Rental: 10,000/month	Store premises with a gross floor area of approximately 225.29 square meters
5.	Liaoning	大連天福茗茶銷售有限公司 (Dalian Tenfu Tea Sales Co., Ltd.)	Mr. Lee Chia Ling Zhou Nannan	Term: One year from 1 March 2019 to 28 February 2020 Rental: 30,000/month	Store premises with a gross floor area of approximately 225.29 square meters

Continuing connected transactions which are subject to the reporting, annual review and announcement requirements but exempt from independent shareholders' approval requirement

Renewed Lu Yu Master Purchase Agreement with Lu Yu

Reference is made to the announcements of the Company dated 1 November 2016, 4 November 2016, 3 December 2018, 3 December 2019 and 9 December 2019 in respect of the renewal of the continuing connected transactions under the 2016 Renewed Lu Yu Master Purchase Agreement (defined as below) and the 2019 Renewed Lu Yu Master Purchase Agreement (defined as below) in relation to the purchases of tea ware from Lu Yu (defined as below).

The Company has been purchasing tea ware from 陸羽茶藝股份有限公司 (Lu Yu Tea Artcraft Co., Ltd.) ("Lu Yu") as part of the ordinary and usual course of business of the Group. As Lu Yu is wholly-owned by Tensin Investment Corporation Limited, which is beneficially owned as to 83.75% by Ms. Zhou Nannan, the spouse of Mr. Lee Chia Ling (a substantial shareholder of the Company and a Director), 10% by Mr. Tsai Shan Jen, the cousin of Mr. Lee Chia Ling (a substantial shareholder of the Company and a Director), and 6.25% by Mr. Lee Rie-Ho (a substantial shareholder of the Company and a Director), respectively, the purchase of tea ware by the Group from Lu Yu constitutes a continuing connected transaction for the Company.

The Company and Lu Yu has entered into the renewed Lu Yu master purchase agreement on 1 November 2016 and the supplemental agreement (the "2016 Renewed Lu Yu Master Purchase Agreement") on 3 December 2018, to renew the purchase of tea ware from Lu Yu for a further period of three years commencing on 1 January 2017 to 31 December 2019, subject to the renewed annual cap not exceeding RMB20,000,000, RMB27,000,000 and RMB31,050,000 for the three years ended 31 December 2019, respectively.

The renewed annual caps under the 2016 Renewed Lu Yu Master Purchase Agreement have been determined based on the projected 10% increase in the market demand of tea ware with reference to the market rates for similar tea ware, which the Group purchased from independent third parties. In arriving at the renewed annual caps, the Directors have considered (1) the historical transaction amounts for the supply of tea ware by Lu Yu; (2) the market recognition and acceptance of the Lu Yu brand; (3) the actual sales of Lu Yu tea ware for the year ended 31 December 2015 and for the nine months ended 30 September 2016; and (4) the expected future growth of the tea ware business.

As the 2016 Renewed Lu Yu Master Purchase Agreement would expire on 31 December 2019, the Company and Lu Yu has entered into the renewed Lu Yu master purchase agreement (the "2019 Renewed Lu Yu Master Purchase Agreement") on 3 December 2019, to renew the purchase of tea ware from Lu Yu for a further period of three years commencing on 1 January 2020 to 31 December 2022, subject to the renewed annual cap not exceeding RMB34,000,000, RMB37,400,000 and RMB41,140,000 for the three years ending 31 December 2022, respectively.

The renewed annual caps under the 2019 Renewed Lu Yu Master Purchase Agreement have been determined based on the projected 10% increase in the market demand of tea ware with reference to the market rates for similar tea ware, which the Group purchased from independent third parties. In arriving at the renewed annual caps, the Directors have considered (1) the historical transaction amounts for the supply of tea ware by Lu Yu; (2) the market recognition and acceptance of the Lu Yu brand; (3) the actual sales of Lu Yu tea ware for the year ended 31 December 2018 and for the ten months ended 31 October 2019; and (4) the expected future growth of the tea ware business.

During the year ended 31 December 2019, the amounts that the Group paid/payable to Lu Yu for the purchase of tea ware under the 2019 Renewed Lu Yu Master Purchasing Agreement were approximately RMB26,779,000.

Renewed Samoa Master Processing Agreement with Tenfu Group (Samoa) Holdings Company Limited ("Samoa Company") and its subsidiaries ("Samoa Group")

Reference is made to the announcements of the Company dated 1 November 2016 and 3 December 2019 in respect of the renewal of the continuing connected transactions under the 2016 Renewed Samoa Master Processing Agreement (defined as below) and the 2019 Renewed Samoa Master Processing Agreement (defined as below) in relation to the provision of processing services to the Group to enhance the quality of blended and aged tea leaves.

The Company has been procuring the processing services of the tea leaves provided by Samoa Group as part of the ordinary and usual course of business. As Samoa Company is wholly-owned by Mr. Lee Chia Ling, a substantial shareholder of the Company and a Director, the procurement of the processing services of the tea leaves by the Group from Samoa Group constitutes a continuing connected transaction for the Company.

The Company and Samoa Company has entered into the renewed Samoa master processing agreement (the "2016 Renewed Samoa Master Processing Agreement") on 1 November 2016, to renew the provision of tea leaves processing services by Samoa Group for a further period of three years commencing on 1 January 2017 to 31 December 2019, subject to the renewed annual cap not exceeding RMB5,000,000, RMB5,500,000 and RMB6,050,000 for the three years ended 31 December 2019, respectively.

The renewed annual caps under the 2016 Renewed Samoa Master Processing Agreement have been determined based on (1) the processing fee of RMB16.5 per kilogram with reference to the market price charged by independent third parties for provision of similar services; (2) the estimated aged tea leaves in the amount of 303,000 kilograms to be identified by the Group and returned from the third-party retailers in 2018; and (3) the projected 10% increase of the estimated aged tea leaves required processing. In arriving at the renewed annual caps, the Directors have considered (1) the tea leaves processed by Samoa Company are of good quality and are suitable for use; (2) the processing fee of RMB16.5 per kilogram, which was agreed between the Group and Samoa Group after arm's length negotiation and based on the market price charged by independent third parties for provision of similar services; and (3) the annual historical amounts of the aged tea leaves that required processing in the previous year and the expected future growth of the aged tea leaves required processing.

As the 2016 Renewed Samoa Master Processing Agreement would expire on 31 December 2019, the Company and Samoa Company have entered into the renewed Samoa master processing agreement (the "2019 Renewed Samoa Master Processing Agreement") on 3 December 2019 to renew the provision of tea leaves processing services by Samoa Group for a further period of three years commencing on 1 January 2020 to 31 December 2022, subject to the renewal annual cap not exceeding RMB5,000,000, RMB5,000,000 and RMB 5,000,000 for the three years ending 31 December 2022, respectively.

The renewed annual caps under the 2019 Renewed Samoa Master Processing Agreement have been determined based on (1) the processing fee of RMB16.5 per kilogram with reference to the market price charged by independent third parties for provision of similar services; (2) the estimated aged tea leaves in the amount of 303,000.0 kilograms to be identified by the Group and returned from the third-party retailers in 2020; and (3) the projected 10% increase of the estimated aged tea leaves required processing. In arriving at the renewed annual caps, the Directors have considered (1) the tea leaves processed by Samoa Company are of good quality and are suitable for use; (2) the processing fee of RMB16.5 per kilogram, which was agreed between the Group and Samoa Group after arm's length negotiation and based on the market price charged by independent third parties for provision of similar services; and (3) the annual historical amounts of the aged tea leaves that required processing in the previous year and the expected future growth of the aged tea leaves required processing.

During the year ended 31 December 2019, the amount of services fees that the Group paid/payable to Samoa Group under the 2019 Renewed Samoa Master Processing Agreement was RMB2,076,000.

Mingfeng Leasing Framework Agreement with Mingfeng

Referring to items 8 to 13 as set out in the section headed "Lease Agreements with Various Connected Persons of the Company" above, the Group has been leasing properties from Mingfeng as part of the ordinary and usual course of business. The Company has entered into the Mingfeng leasing framework agreement (the "Mingfeng Leasing Framework Agreement") with Mingfeng on 3 December 2019 to lease the properties from Mingfeng for a period of three years commencing on 1 January 2020 to 31 December 2022. Please refer to the announcement of the Company dated 3 December 2019 for details.

The annual caps under the Mingfeng Leasing Framework Agreement for the three years ending 31 December 2022 will not exceed RMB2,623,600, RMB2,755,000 and RMB2,893,000, respectively. Pursuant to Hong Kong Financial Reporting Standard 16, the lease of properties by the Company as leasee under the Mingfeng Leasing Framework Agreement will be recognised as right-of-use assets, the annual caps on the total value of right-of-use assets relating to the leases to be entered into by the Company in each year under the Mingfeng Leasing Framework Agreement for the three years ending 31 December 2022 are RMB7,533,000, RMB7,533,000 and RMB7,533,000, respectively.

In determining the proposed annual caps, the Board has taken into account the following major factors, including but not limited to: (i) the historical figures of rental payment for the three years ended 31 December 2018 and ten months ended 31 October 2019; (ii) the expected renewals of existing leases, location, leasing area, building standards, place, business usage and the increasing trend of the market rate of rentals for such premises; and (iii) the expected rental increase of premises under renewed and additional leases for the three years ending 31 December 2022.

During the year ended 31 December 2019, the amount of rentals that the Group paid/payable to Mingfeng under the various lease agreements as set out in items 8 to 13 above were RMB1,720,000.

Continuing connected transactions which are subject to the reporting, annual review and independent shareholders' approval requirements

Renewed Samoa Master Purchase Agreement with Samoa Group

Reference are made to the announcements of the Company dated 1 November 2016 and 27 March 2019, the circulars of the Company dated 21 November 2016 and 18 April 2019, and the poll results announcement dated 13 December 2016 and 14 May 2019 in respect of the renewal of the continuing connected transactions under the 2016 Renewed Samoa Master Purchase Agreement (defined as below) and the 2019 Renewed Samoa Master Purchase Agreement (defined as below) in relation to the purchases of tea leaves from Samoa Group.

The Company has been purchasing tea leaves from Samoa Group as part of the ordinary and usual course of business. As Samoa Company is wholly-owned by Mr. Lee Chia Ling, a substantial shareholder of the Company and a Director, the purchase of tea leaves by the Group from Samoa Group constitutes a continuing connected transaction for the Company.

The Company and Samoa Company has entered into the renewed Samoa master purchase agreement (the "2016 Renewed Samoa Master Purchase Agreement") on 1 November 2016, to renew the purchase of tea leaves from Samoa Group for a further period of three years commencing on 1 January 2017 to 31 December 2019, subject to the renewed annual cap not exceeding RMB117,000,000, RMB128,700,000 and RMB141,570,000 for the three years ended 31 December 2019, respectively.

The renewed annual caps under the 2016 Samoa Master Purchase Agreement have been determined based on the projected 10% increase in demand of tea leaves by the Group with reference to the market rates for tea leaves, which the Group purchased from independent third parties. In arriving at the renewed annual caps, the Directors have considered (1) the actual transaction amounts for the purchase of tea leaves from Samoa Group for the year ended 31 December 2015 and for the nine months ended 30 September 2016; (2) the expected purchase amount for the year ended 31 December 2016 estimated based on the historical proportion of the actual purchase amount for the nine months ended 30 September 2016 to that for the full year ended 31 December 2016; (3) the expected steady demand of the Group's tea products in 2016 thanks to the prospects of the internet sales of the Group's tea products and the steady tea consumption in the PRC for the past ten years; and (4) the expected gradual shift from production of the tea products by the Group itself to the direct sourcing of the processed tea products from Samoa Group after a new factory of Samoa Group has commenced its production in Jiangsu in early 2015, taking into account the cost saving advantage resulting from the direct sourcing of tea products from Samoa Group.

As the 2016 Samoa Master Purchase Agreement would expire on 31 December 2019, the Company has entered into the renewed Samoa master purchase agreement (the "2019 Renewed Samoa Master Purchase Agreement") on 27 March 2019, to renew the purchase of tea leaves from Samoa Group for a further period of three years commencing on 1 January 2020 to 31 December 2022, subject to the renewed annual cap not exceeding RMB155,000,000, RMB170,000,000 and RMB187,000,000 for the three years ending 31 December 2022, respectively.

The renewed annual caps under the 2019 Samoa Master Purchase Agreement have been determined based on the projected 10% increase in demand of tea leaves by the Group with reference to the market rates for tea leaves, which the Group purchased from independent third parties. In arriving at the renewed annual caps, the Directors have considered (i) the actual transaction amounts for the purchase of tea leaves from Samoa Group for the year ended 31 December 2018 and for the two months ended 28 February 2019; (ii) the expected purchase amount for the year ended 31 December 2019 estimated based on the historical proportion of the actual purchase amount for the two months ended 28 February 2019 to that for the full year ended 31 December 2019; and (iii) the expected steady demand of the Group's tea leaves in 2019 thanks to the prospects of the sales of the Group's tea leaves and the steady tea consumption in the PRC for the past years.

During the year ended 31 December 2019, the amounts that the Group paid/payable to Samoa Group for the purchase of tea leaves under the 2019 Renewed Samoa Master Purchase Agreement were RMB128,148,000.

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 purchase 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 purchase of products and services with the connected persons during each financial period, together with the conclusions (with 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.

The internal audit department of the Company reviewed the continuing connected transactions and the adequacy and effectiveness of the internal control procedures, and provided the findings to the independent non-executive Directors to assist them in performing their annual reviews. The independent non-executive Directors also made appropriate enquiries with the management to ensure that they have sufficient information to review the transactions and the internal control procedures. So all independent non-executive Directors confirmed that the transactions were entered into:

1. in the ordinary and usual course of business of the Group;
2. under normal commercial terms or not less favourable terms that the Group receives or provides services from an independent third party or obtains from an independent third party; and
3. in accordance with the agreements related to the above continuing connected transactions, the terms of which are fair and reasonable and for the overall benefit of the Shareholders.

Based on the work performed, the auditor of the Company confirmed to the Board that nothing has come to their attention that causes them to believe that the aforesaid continuing connected transactions:

1. have not been approved by the Board;
2. were not in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;
3. were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and
4. have exceeded the relevant annual caps disclosed in the Company's announcements dated 1 November 2016, 4 November 2016, 3 December 2018, 27 March 2019, 3 December 2019 and 9 December 2019, and the Company's circulars dated 21 November 2016 and 18 April 2019.

Employee and remuneration policies

As of 31 December 2019 the Group had an aggregate of 4,206 full-time employees. The Group recruited and promoted individual persons according to their strength and development potential. The Group determined the remuneration packages of all employees (including the Directors) with reference to corporate performance, individual performance and current market salary scale.

Confirmation of independent status

The Company received the letters of confirmation of independence issued by all the independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board was satisfied with the independent status of all the independent non-executive Directors.

Use of proceeds from initial public offering

In September 2011, the Group completed its listing on the main board of the Stock Exchange and raised net proceeds of RMB933.3 million. The Company plans to use the remaining net proceeds as stated in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

The table below sets out the Company's planned use of the net proceeds at the time of listing and its use of such net proceeds as of 31 December 2019:

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

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

Corporate governance

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

Purchase, sale or redemption of shares

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

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

The Board considers that the current trading price of the Shares does not reflect their intrinsic value. The Board believes that the shares repurchase reflected the Company's confidence in its long term business prospects and would ultimately benefit the Company and create value for the Shareholders. The Board also believes that the Company's strong financial position will enable it to conduct the shares repurchase 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 2019.

Disclosure under rule 13.20 of the Listing Rules

The Directors are not aware of any circumstances resulting in the responsibility of disclosure under Rule 13.20 of the Listing Rules regarding the provision of advances by the Group to an entity.

Events after the reporting period

Details of significant events after the reporting period of the Group are set out in Note 37 to the Consolidated Financial Statements.

Five year financial summary

The summary of the results, assets and liabilities of the Group in the past five years is set out on page 5 of this annual report.

Pre-emptive rights

There is no provision regarding pre-emptive rights in the Articles of Association of the Company or the Companies Law of Cayman Islands. It is stipulated that any new Shares shall be offered according to the respective shareholding of the existing Shareholders when new Shares are issued by the Company.

Adequate public float

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed minimum percentage of public float under the Listing Rules throughout the year ended 31 December 2019.

Auditor

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

For and on behalf of the Board of Directors

LEE Rie-Ho

Chairman

Hong Kong, 20 March 2020

Independent Auditor's Report

羅兵咸永道

To the Shareholders of Tenfu (Cayman) Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Tenfu (Cayman) Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 67 to 142, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of this report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue Recognition Refer to Note 2.22 and Note 5 to the consolidated financial statements. Revenue of the Group for the year ended 31 December 2019 is RMB1,796.8 million. The Group's major revenue transactions are from retail and wholesale sales. For retail, the Group had numerous self-operated retail outlets located throughout Mainland China. Sales of goods are recognised when control of the goods has been transferred to the customer once a group entity sells a product to a customer. Retail sales are settled either in cash or by credit card. We focused on this area due to the risks arising from the huge volume of revenue transactions generated from the sale of numerous kinds of products to a significant number of customers that take place in many different locations. A significant amount of audit effort was spent on this area to test the transactions. For wholesale, the Group had multiple wholesalers throughout Mainland China. Sales of goods are recognised when control of the goods has been transferred to the wholesaler, which usually happens upon picking up of the products from a warehouse and the wholesaler accepts the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. We focused on this area due to the risk of revenue being recognised inappropriately close to the year-end and the possibility of significant sales returns after the year-end.	We understood, evaluated and validated management's controls in respect of the Group's sales transactions. In addition, we tested the general IT control environment and related automated controls of the Group's systems. We also conducted substantive testing of the different revenue streams separately: For retail sales, our procedures performed included: a. test of details by selecting revenue transactions on a sample basis from retail outlets and examine the relevant supporting documents, such as the copy of receipts or credit card slips, and b. test of details specifically on the newly set up retail outlets on selected high-volume transaction days by examining the relevant supporting documents and reconciling the daily revenue recorded to cash collection and bank slips. For wholesale sales, our procedures performed included: a. test of revenue recorded, on a sample basis and covering different wholesalers, by examining the relevant supporting documents; b. performing confirmation procedures on selected wholesalers' receivable balances at the balance sheet date and their transaction amounts during the year. The samples were selected by considering the amount, nature and characteristics of those wholesalers; c. test of post balance sheet date sales return, on a sample basis, by tracing to the relevant supporting documents of the original sales and the sales return; d. cut-off test to assess whether revenue was recognised in the correct reporting periods; and e. interviewing selected newly joint and top ranked wholesalers, understanding their background and reviewing related sales contracts. Based on our work performed, we found the Group's revenue from sales of goods being tested were recognised in a manner consistent with the Group's revenue recognition accounting policy.

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Other Information

The directors of the Company are responsible for the other information set out in the Company's 2019 Annual Report. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(continued)*

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with the audit committee all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(continued)*

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Dou Wang, Angel.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 20 March 2020

Consolidated Balance Sheet

As at 31 December 2019

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**681,568**	700,364
Right-of-use assets	7	**427,643**	–
Land use rights	7	**–**	280,419
Investment properties	8	**6,942**	9,460
Intangible assets	9	**3,442**	3,203
Investments accounted for using the equity method	10	**117,594**	108,492
Deferred income tax assets	22	**50,866**	42,583
Prepayments – non-current portion	12(b)	**467**	1,989
Restricted cash	14	**110,000**	–
Long-term time deposits	14	**20,000**	–
		1,418,522	1,146,510
Current assets			
Inventories	11	**782,635**	648,687
Trade and other receivables	12(a)	**320,000**	243,778
Prepayments	12(b), 34(b)	**61,090**	75,053
Financial assets at fair value through profit or loss	13	**2,714**	–
Time deposits	14	**123,185**	56,800
Restricted cash	14	**4,000**	–
Cash and cash equivalents	14	**190,966**	666,820
		1,484,590	1,691,138
Total assets		**2,903,112**	2,837,648

Consolidated Balance Sheet

As at 31 December 2019
(continued)

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	15	**91,274**	98,593
Treasury shares	15	**(8,336)**	(1,735)
Other reserves	16	**41,926**	409,316
Retained earnings	17	**1,569,434**	1,531,504
Total equity		**1,694,298**	2,037,678
LIABILITIES			
Non-current liabilities			
Borrowings	19	**5,877**	6,703
Lease liabilities	7	**95,770**	–
Deferred income on government grants	21	**33,925**	36,057
Deferred income tax liabilities	22	**27,937**	16,413
		163,509	59,173
Current liabilities			
Trade and other payables	18,34(b)	**345,502**	255,579
Current income tax liabilities		**54,084**	64,525
Borrowings	19	**510,826**	343,088
Contract liabilities	20	**85,831**	77,605
Lease liabilities	7	**49,062**	–
		1,045,305	740,797
Total liabilities		**1,208,814**	799,970
Total equity and liabilities		**2,903,112**	2,837,648

The notes on pages 72 to 142 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 67 to 142 were approved by the Board of Directors on 20 March 2020 and the consolidated balance sheet was signed on its behalf by:

LEE Chia Ling
Director

LEE Shih-Wei
Director

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Revenue	5	**1,796,834**	1,635,562
Cost of sales	23	**(739,231)**	(649,812)
Gross profit		**1,057,603**	985,750
Distribution costs	23	**(410,690)**	(415,460)
Administrative expenses	23	**(232,971)**	(224,734)
Other income	24	**26,497**	23,486
Other gains – net	25	**2,318**	764
Operating profit		**442,757**	369,806
Finance income	27	**7,260**	13,077
Finance costs	27	**(36,414)**	(13,998)
Finance costs – net	27	**(29,154)**	(921)
Share of profits less losses of investments accounted for using the equity method	10	**2,376**	2,387
Profit before income tax		**415,979**	371,272
Income tax expense	28	**(142,842)**	(102,654)
Profit for the year, all attributable to the owners of the Company		**273,137**	268,618
Other comprehensive income for the year		**–**	–
Total comprehensive income for the year, all attributable to the owners of the Company		**273,137**	268,618
Earnings per share for profit attributable to the owners of the Company			
– Basic earnings per share	29	**RMB0.24**	RMB0.22
– Diluted earnings per share	29	**RMB0.24**	RMB0.22

The notes on pages 72 to 142 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to the owners of the Company					
	Share capital	**Share premium**	**Treasury shares**	**Other reserves**	**Retained earnings**	**Total equity**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2018	100,816	–	–	516,288	1,484,818	2,101,922
Comprehensive income						
Profit and total comprehensive income for the year	–	–	–	–	268,618	268,618
Transactions with owners						
Profit appropriation to statutory reserves (Note 16)	–	–	–	18,539	(18,539)	–
Repurchase of shares (Note 15)	–	–	(129,487)	–	–	(129,487)
Cancellation of shares (Note 15)	(2,223)	–	127,752	(125,511)	–	18
Dividends	–	–	–	–	(203,393)	(203,393)
Total transactions with owners	(2,223)	–	(1,735)	(106,972)	(221,932)	(332,862)
Balance at 31 December 2018	98,593	–	(1,735)	409,316	1,531,504	2,037,678
Balance at 31 December 2018	**98,593**	**–**	**(1,735)**	**409,316**	**1,531,504**	**2,037,678**
Change in accounting policy	**–**	**–**	**–**	**–**	**(6,439)**	**(6,439)**
Restated total equity at 1 January 2019	**98,593**	**–**	**(1,735)**	**409,316**	**1,525,065**	**2,031,239**
Comprehensive income						
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**273,137**	**273,137**
Transactions with owners						
Profit appropriation to statutory reserves (Note 16)	**–**	**–**	**–**	**20,468**	**(20,468)**	**–**
Repurchase of shares (Note 15)	**–**	**–**	**(407,678)**	**–**	**–**	**(407,678)**
Cancellation of shares (Note 15)	**(7,319)**	**–**	**401,077**	**(387,858)**	**–**	**5,900**
Dividends (Note 30)	**–**	**–**	**–**	**–**	**(208,300)**	**(208,300)**
Total transactions with owners	**(7,319)**	**–**	**(6,601)**	**(367,390)**	**(228,768)**	**(610,078)**
Balance at 31 December 2019	**91,274**	**–**	**(8,336)**	**41,926**	**1,569,434**	**1,694,298**

The notes on pages 72 to 142 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2019

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash generated from operations	32(a)	**479,295**	395,904
Interest paid		**(28,256)**	(13,879)
Income tax paid		**(147,896)**	(103,313)
Net cash inflow from operating activities		**303,143**	278,712
Cash flows from investing activities			
Investment in an associate	10	**–**	(480)
Investment in a joint venture	10	**(8,866)**	(101,617)
Purchase of right-of-use assets		**(7,891)**	–
Purchase of land use rights		**–**	(9,092)
Purchase of property, plant and equipment		**(48,772)**	(40,912)
Purchase of intangible assets		**(1,395)**	(16)
Purchase of investment property	8	**–**	(58)
Changes in investments in time deposits with maturity more than 3 months	14	**(86,385)**	167,181
Payments for financial assets at fair value through profit or loss		**(2,714)**	–
Proceeds from sale of financial assets at fair value through profit or loss		**490**	–
Proceeds from disposal of property, plant and equipment	32(b)	**954**	2,099
Proceeds from disposal of land use rights	32(b)	**–**	77
Interest received		**3,265**	28,068
Dividends received from a joint venture	10	**2,140**	1,885
Assets-related government grants received	21	**–**	7,500
Net cash (outflow)/inflow from investing activities		**(149,174)**	54,635
Cash flows from financing activities			
Repurchase of shares of the Company		**(401,778)**	(129,469)
Proceeds from borrowings	32(c)	**760,500**	423,000
Repayments of borrowings	32(c)	**(593,588)**	(253,747)
Principal elements of lease payments	32(c)	**(65,974)**	–
Dividends paid to the owners of the Company	30	**(208,300)**	(203,393)
Changes in restricted cash pledged for short-term borrowing	14	**(110,000)**	–
Changes in restricted cash pledged for notes payable	14	**(4,000)**	–
Net cash outflow from financing activities		**(623,140)**	(163,609)
Net (decrease)/increase in cash and cash equivalents		**(469,171)**	169,738
Effect of foreign exchange rate changes		**(6,683)**	398
Cash and cash equivalents at beginning of the year		**666,820**	496,684
Cash and cash equivalents at end of the year	14	**190,966**	666,820

The notes on pages 72 to 142 are an integral part of these consolidated financial statements.

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 and Zhejiang Province, the People's Republic of China (the "PRC") and sells mainly to customers located in the PRC.

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

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

The consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements set out on pages 67 to 142 have been approved for issue by the board of directors (the "Board") of the Company on 20 March 2020.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

(a) Compliance with HKFRS

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (''HKFRS'') and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

(b) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative instruments) which are stated at fair value.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

(c) New and amended standards adopted by the Group

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

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

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

Leases

The Group has adopted the standard from 1 January 2019. The Group applied the cumulative catch-up approach and did not restate comparative amounts for the year prior to first adoption. The method recognises the cumulative effect of applying the new standard as an adjustment to the opening balance of equity on adoption which is the difference between the amount of right-of-use assets and the lease liability (adjusted by the amount of any previously recognised prepaid or accrued lease payments relating to that lease). The new accounting policies are disclosed in Note 2.25.

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

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

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

(c) New and amended standards adopted by the Group *(continued)*

(i) Practical expedients applied

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

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Reliance on previous assessments on whether leases are onerous;
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

(ii) Measurement of lease liabilities

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

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

(c) ***New and amended standards adopted by the Group*** *(continued)*

(iii) Measurement of right-of-use assets

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

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

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

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

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

(v) Lessor accounting

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

(d) ***New standards and interpretations not yet adopted***

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

		Effective for annual periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	IBOR Reform and its Efforts on Financial Reporting-Phase1	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021

2 Summary of significant accounting policies *(continued)*

2.2 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Different methods of accounting are used for acquisition of subsidiaries through common control and non-common control business combinations, as described below.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(a) Subsidiaries

(i) Common control business combinations

The Group applies merger accounting to account for business combinations (including acquisition of subsidiaries) under common control, where all assets and liabilities are recorded at predecessor carrying amounts, as if the combining entities have been consolidated from the date when they first came under the control of the controlling party, and the difference between consideration payable and the net assets value are taken to the merger reserve.

(ii) Non-common control business combinations

The Group uses the acquisition method of accounting to account for business combinations (including acquisition of subsidiaries) which are not under common control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquirer's identifiable net assets.

2 Summary of significant accounting policies *(continued)*

2.2 Consolidation *(continued)*

(a) Subsidiaries *(continued)*

(ii) Non-common control business combinations *(continued)*

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held equity interest measured is less than the fair value of the identifiable net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly as profit or loss in the consolidated statement of comprehensive income.

(iii) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Impairment testing of the investments in subsidiaries is also required according to Note 2.8.

2 Summary of significant accounting policies *(continued)*

2.2 Consolidation *(continued)*

(b) *Joint ventures*

Under HKFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) *Associates*

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

2 Summary of significant accounting policies *(continued)*

2.2 Consolidation *(continued)*

(c) Associates *(continued)*

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in profit or loss section of the consolidated statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profits less losses of investments accounted for using equity method' in profit or loss section of the consolidated statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interests in associates are recognised in profit or loss section of the consolidated statement of comprehensive income.

2 Summary of significant accounting policies *(continued)*

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised as profit or loss in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other gains/(losses) – net'.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

2.5 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property. Starting from 1 January 2009, investment property also includes property that is being constructed or developed for future use as investment property.

Land held under operating leases is classified and accounted for by the Group as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

2 Summary of significant accounting policies *(continued)*

2.5 Investment property *(continued)*

Investment property is measured initially at its cost, including related transaction costs and borrowing costs. Borrowing costs that are incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended.

After initial recognition, investment property is carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation of investment properties is calculated using the straight-line method to allocate their costs over their estimated useful lives of 20 years.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

2.6 Property, plant and equipment

Construction-in-progress represents properties under construction and is stated at cost less accumulated impairment losses. This includes cost of construction and other direct costs. Construction-in-progress is not depreciated until such time as the assets are completed and are ready for operational use.

Property, plant and equipment include buildings, machinery, vehicles, furniture, fittings and equipment, and sculpture and exhibits. All property, plant and equipment is stated at historical cost less depreciation and impairment (if any). Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged as expenses to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

– Buildings	20 years
– Machinery	10 years
– Vehicles	5-10 years
– Furniture, fittings and equipment	3-10 years
– Sculpture and exhibits	20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2 Summary of significant accounting policies *(continued)*

2.6 Property, plant and equipment *(continued)*

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains/(losses) – net' in the consolidated statement of comprehensive income.

2.7 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. The unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, being the operating segments.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Trademarks

Trademarks are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of 10 years.

2 Summary of significant accounting policies *(continued)*

2.7 Intangible assets *(continued)*

(c) Acquired computer software licences

Acquired computer software licences are initially capitalised on the basis of costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The cost are amortised using the straight-line method over their estimated useful lives of 5 years.

The amortisation period and amortisation method of intangible assets are reviewed at each reporting period. The effects of any revision are recognised as profit or loss in the consolidated statement of comprehensive income when the changes arise.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss, and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2 Summary of significant accounting policies *(continued)*

2.9 Financial assets *(continued)*

2.9.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.9.3 Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There is one measurement category into which the Group classifies its debt instruments:

(i) Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

(ii) FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

2.9.4 Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2 Summary of significant accounting policies *(continued)*

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the moving weighted average cost method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services rendered in the ordinary course of business. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The creation and release of provision for impaired receivables have been included in 'administrative expenses' in the consolidated statement of comprehensive income. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash. See Note 12 for further information about the Group's accounting for trade and other receivables and Note 2.9.3 for a description of the Group's impairment policies.

2.13 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Time deposits with maturity more than three months and restricted cash are excluded from cash and cash equivalents.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued.

2 Summary of significant accounting policies *(continued)*

2.15 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised as profit or loss in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.17 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.18 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 Summary of significant accounting policies *(continued)*

2.18 Current and deferred income tax *(continued)*

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss.

2 Summary of significant accounting policies *(continued)*

2.19 Employee benefits – pension obligations

The Group entities in mainland China participate in defined contribution retirement benefit plans organised by relevant government authorities for its employees in mainland China and contribute to these plans based on certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. The contributions to these plans are recognised as employee benefit expenses when incurred.

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.21 Government grants

Government grants are recognised at their fair value, when there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised as income in the consolidated statement of comprehensive income over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are recognised as income in the consolidated statement of comprehensive income on a straight line basis over the expected lives of the related assets.

Government grants that are not related to future costs nor purchase of property, plant and equipment are recognised directly as income in the consolidated statement of comprehensive income.

2 Summary of significant accounting policies *(continued)*

2.22 Revenue recognition

(a) Sales of goods – wholesale

The Group processes/manufactures and sells a range of tea products in the wholesale market. Revenue from the sales of goods is recognised when control of the goods have been transferred to the wholesaler, which usually happens upon pick up of the products from a warehouse and the wholesaler accepts the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products.

Customers have a right to return faulty products in the wholesale market. Sales are recorded based on the price specified in the sales contracts, net of returns at the time of sale. Accumulated experience is used to estimate and provide for the returns. No element of financing is deemed present as the sales are made with a credit term of 140 days, which is consistent with the market practice.

(b) Sales of goods – retail

The Group operates a chain of retail outlets for selling tea products. Sale of goods are recognised when control of the goods have been transferred to the customer once a group entity sells a product to a customer. Retail sales are usually settled in cash or by credit card.

It is the Group's policy to sell its products to the retail customer with a right to return. Accumulated experience is used to estimate and provide for such returns at the time of sale.

(c) Sales from hotel accommodation, restaurant and tourist services

Sales from hotel accommodation, restaurant, tourist and other ancillary services is recognised when the services are rendered.

(d) Investment property rental income

Rental income from operating leases is recognised as income on a straight-line basis over the lease term. When the Group provides incentives to its customers, the cost of incentives are recognised over the lease term, on a straight-line basis, as a reduction of rental income.

2.23 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

2 Summary of significant accounting policies *(continued)*

2.23 Earnings per shares *(continued)*

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.24 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.25 Leases

As explained in Note 2.1(c) above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2.1(c).

The Group leases various stores, warehouses and apartments. Rental contracts are typically made for fixed periods. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments).

The lease payments are discounted using incremental borrowing rate of the Group which the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

After the initial application, each lease payment is allocated between principle and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2 Summary of significant accounting policies *(continued)*

2.25 Leases *(continued)*

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability; and
- Any lease payments made at or before the commencement date.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2.26 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.27 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.28 Customer loyalty programmes

The Group operates a loyalty programme where customers accumulate points for purchases made which entitle them to redeem the Group's products. The reward points are recognised as a separately identifiable component of the initial sale transaction by allocating the fair value of the consideration received between the reward points and the other components of the sale such that the reward points are initially recognised as deferred income at their fair value. Revenue from the reward points is recognised when the points are redeemed. Unused reward points will expire after one year.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk, fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by treasury department under policies approved by the Board of Directors.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in mainland China with most of the revenue and expenditures transactions denominated and settled in RMB, where its foreign exchange risk is limited.

The Group's exposure to foreign exchange risk is mainly on its sales and purchase transactions (i.e., export or import of products) denominated in United States Dollar ("USD") and Japanese Yen ("JPY"), and financing activities (i.e. issuances of ordinary shares, certain borrowings) denominated in USD and Hong Kong Dollar ("HKD"). The exchange rate of HKD is pegged to USD.

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to foreign exchange risk based on the assumption that USD, JPY and HKD (pegged with USD) had strengthened/weakened by 5% against RMB with all other variables held constant:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit after income tax increase/(decrease)		
– Strengthened 5%	**(2,017)**	6,454
– Weakened 5%	**2,017**	(6,454)
Equity increase/(decrease)		
– Strengthened 5%	**(2,017)**	6,454
– Weakened 5%	**2,017**	(6,454)

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets and liabilities other than its bank deposits and borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Bank deposits and borrowings at fixed rates expose the Group to fair value interest-rate risk. The Group has not hedged its cash flow and fair value interest rate risk. Details of the Group's bank deposits and borrowings have been disclosed in Note 14 and Note 19 respectively.

The sensitivity analysis for interest rate risk is based on the assumption that average interest rates on bank borrowings which bear floating rate had been 10% higher/lower with all other variables held constant:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Post-tax profit increase/(decrease)		
– 10% higher	**(286)**	(717)
– 10% lower	**286**	717
Equity increase/(decrease)		
– 10% higher	**(286)**	(717)
– 10% lower	**286**	717

(b) Credit risk

Credit risk arises from time deposits, restricted cash, cash and cash equivalents, trade and other receivables and financial assets at FVPL. The carrying amounts or the undiscounted nominal amounts, where applicable, of each class of these financial assets represent the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

To manage the risk with respect to restricted cash, time deposits and cash and cash equivalents, they are placed with highly reputable financial institutions.

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. The Group performs credit assessment on customers before making credit sales to customers and credit risks in connection with trade receivables are monitored on an on-going basis.

The Group enters into the financial products contracts with certain financial institution in mainland China. As at 31 December 2019, these are reflected as financial assets at FVPL on the consolidated balance sheet. Management has exercised due care when make investment decision with focus only on low risk financial products with principal being guaranteed.

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the Group aims at maintaining flexibility in funding by maintaining adequate amount of cash and cash equivalents.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

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

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

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

3 Financial risk management *(continued)*

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital. Total debt refers to the total borrowings (current and non-current) as shown in the consolidated balance sheet. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus total debt.

During 2019, the Group's strategy is to maintain the gearing ratio below 50% (2018: below 50%). The gearing ratios at 31 December 2019 and 2018 were as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Total debt – total borrowings (Note 19)	**516,703**	349,791
Total equity	**1,694,298**	2,037,678
Total capital	**2,211,001**	2,387,469
Gearing ratio	**23%**	15%

3.3 Fair value estimation

The table below analyses the Group's financial instruments and investment properties carried at fair value as at 31 December 2019 by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 Financial risk management *(continued)*

3.3 Fair value estimation *(continued)*

The following table presents the Group's financial assets that are measured at fair value at 31 December 2019 and 2018.

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
FVPL (Note 13)		
– Level 3	**2,714**	–

During the year ended 31 December 2019, there are no transfers among levels of the fair value hierarchy used in measuring the fair value of financial instruments, and also no changes in the classification of financial assets as a result of a change in the purpose or use of those assets.

Fair value measurements using significant unobservable inputs (Level 3)

As at 31 December 2019, the carrying amounts of financial assets at fair value through profit or loss approximated their fair values.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1 Critical accounting estimates and assumptions

(a) Impairment of trade and other receivables

The management estimates the provision for impairment of trade and other receivables by assessing their recoverability. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible and require the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables and the impairment charge in the period in which such estimate is changed.

(b) Current and deferred income taxes

The Group is subject to income taxes in a few jurisdictions. Judgement is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provisions in the period in which such determination are made.

4 Critical accounting estimates and judgements *(continued)*

4.1 Critical accounting estimates and assumptions *(continued)*

(b) Current and deferred income taxes *(continued)*

Deferred income tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such difference will impact the recognition of deferred income tax assets and taxation in the period in which such estimate is changed.

(c) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(d) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to industry cycles. Management reassesses the estimates at each balance sheet date.

5 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. These are not included within the reportable operating segments, as they are not presented separately in the reports provided to the Board.

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

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

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

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

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

5 Revenue and segment information *(continued)*

Revenue

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

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

Segment information

The segment results for the year ended 31 December 2019:

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

5 Revenue and segment information *(continued)*

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

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

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

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

5 Revenue and segment information *(continued)*

The segment results for the year ended 31 December 2018:

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

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

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

5 Revenue and segment information *(continued)*

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

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

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

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

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

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

5 Revenue and segment information *(continued)*

Restatements for changes in accounting policy

The adoption of the new leasing standard described in note 2.1(c) had the following impact on the segment disclosures in the current year.

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

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

6 Property, plant and equipment

	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Furniture, fittings and equipment RMB'000	Sculpture and exhibits RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2019							
Cost	**880,317**	**100,930**	**30,090**	**203,362**	**5,463**	**58,790**	**1,278,952**
Accumulated depreciation	**(317,548)**	**(69,255)**	**(19,750)**	**(170,829)**	**(1,206)**	**–**	**(578,588)**
Net book amount	**562,769**	**31,675**	**10,340**	**32,533**	**4,257**	**58,790**	**700,364**
Year ended 31 December 2019							
Opening net book amount	**562,769**	**31,675**	**10,340**	**32,533**	**4,257**	**58,790**	**700,364**
Additions	**275**	**5,601**	**4,391**	**24,128**	**–**	**15,918**	**50,313**
Transfers	**35,725**	**–**	**–**	**1,742**	**–**	**(37,467)**	**–**
Transfer from investment properties	**1,937**	**–**	**–**	**–**	**–**	**–**	**1,937**
Disposals (Note 32(b))	**(82)**	**(468)**	**(125)**	**(629)**	**–**	**–**	**(1,304)**
Depreciation (Note 23)	**(41,445)**	**(4,729)**	**(3,295)**	**(20,014)**	**(259)**	**–**	**(69,742)**
Closing net book amount	**559,179**	**32,079**	**11,311**	**37,760**	**3,998**	**37,241**	**681,568**
At 31 December 2019							
Cost	**917,684**	**104,160**	**32,187**	**221,315**	**5,463**	**37,241**	**1,318,050**
Accumulated depreciation	**(358,505)**	**(72,081)**	**(20,876)**	**(183,555)**	**(1,465)**	**–**	**(636,482)**
Net book amount	**559,179**	**32,079**	**11,311**	**37,760**	**3,998**	**37,241**	**681,568**

6 Property, plant and equipment *(continued)*

	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Furniture, fittings and equipment RMB'000	Sculpture and exhibits RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2018							
Cost	865,534	96,929	26,587	201,056	5,463	37,518	1,233,087
Accumulated depreciation	(282,169)	(61,845)	(18,150)	(152,651)	(947)	–	(515,762)
Net book amount	583,365	35,084	8,437	48,405	4,516	37,518	717,325
Year ended 31 December 2018							
Opening net book amount	583,365	35,084	8,437	48,405	4,516	37,518	717,325
Additions	1,032	721	5,046	16,893	–	35,102	58,794
Transfers	12,165	520	–	1,145	–	(13,830)	–
Reclassification	737	424	–	(1,161)	–	–	–
Disposals (Note 32(b))	(151)	(120)	(126)	(1,831)	–	–	(2,228)
Depreciation (Note 23)	(34,379)	(4,954)	(3,017)	(30,918)	(259)	–	(73,527)
Closing net book amount	562,769	31,675	10,340	32,533	4,257	58,790	700,364
At 31 December 2018							
Cost	880,317	100,930	30,090	203,362	5,463	58,790	1,278,952
Accumulated depreciation	(317,548)	(69,255)	(19,750)	(170,829)	(1,206)	–	(578,588)
Net book amount	562,769	31,675	10,340	32,533	4,257	58,790	700,364

Depreciation expenses have been charged to the consolidated statement of comprehensive income as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Distribution costs	**24,030**	30,887
Administrative expenses	**33,579**	30,510
Cost of sales	**12,133**	12,130
	69,742	73,527

6 Property, plant and equipment *(continued)*

As at 31 December 2019, property, plant and equipment with net book value of RMB8,883,000 (2018: RMB8,883,000) have been pledged as securities for long-term bank borrowings of the Group amounting to RMB6,703,000 (2018: RMB7,489,000) (Note 19).

As at the date of issuance of these consolidated financial statements, the certificate of certain property, plant and equipment with carrying amount of RMB29,047,000 (2018: RMB15,109,000) is under application process.

Construction work in progress as at 31 December 2019 mainly comprised manufacturing plants and warehouses being constructed.

During the year, the Group has capitalised borrowing costs amounting to RMB275,000 (2018: RMB41,000) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 4.19% per annum.

7 Leases

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

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

7 Leases *(Continued)*

(i) Amounts recognised in the balance sheet *(continued)*

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

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

(ii) Amounts recognised in the statement of comprehensive income

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

	2019			2018
	Retail Shops RMB'000	Land use rights RMB'000	Total RMB'000	Land use rights RMB'000
Depreciation and amortisation charge of right-of-use assets (Note 23)				
Distribution costs	**56,645**	**11,693**	**68,338**	11,686
Administrative expenses	**3,065**	**313**	**3,378**	1,984
Cost of sales	**–**	**1,986**	**1,986**	313
	59,710	**13,992**	**73,702**	13,983
Interest expense (including in finance cost) (Note 27)			**8,447**	–
Expense relating to short-term leases (Note 23)			**42,097**	104,404
Total charges to the statement of comprehensive income			**124,246**	118,387

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

8 Investment properties

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
At beginning of the year		
Cost	**13,569**	13,511
Accumulated depreciation	**(4,109)**	(3,500)
Net book amount	**9,460**	10,011
Opening net book amount	**9,460**	10,011
Transfer to property, plant and equipment (Note 6)	**(1,937)**	–
Additions	**–**	58
Depreciation (Note 23)	**(581)**	(609)
Closing net book amount	**6,942**	9,460
At end of the year		
Cost	**11,392**	13,569
Accumulated depreciation	**(4,450)**	(4,109)
Net book amount	**6,942**	9,460

Depreciation expenses of RMB581,000 (2018: RMB609,000) have been charged in 'administrative expenses' for the year ended 31 December 2019.

Amounts recognised in profit and loss for investment properties are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Rental income	**998**	1,071
Property management fees income	**1,623**	1,475
Direct operating expenses from properties that generated rental income	**(805)**	(770)
	1,816	1,776

8 Investment properties *(continued)*

The fair value of the investment properties is RMB16,874,000 (2018: RMB24,463,000) as at 31 December 2019, with carrying amount of RMB6,942,000 (2018: RMB9,460,000). The fair value is determined at each balance sheet date with reference to the valuation performed by an external valuer.

Fair value hierarchy

	Fair value measurements at		
Description	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
	RMB'000	RMB'000	RMB'000
31 December 2019	–	–	16,874
31 December 2018	–	–	24,463

As at 31 December 2019, the fair value of Plant A is RMB10,463,000 (2018: RMB12,591,000), the fair value of Plant B is RMB6,411,000 (2018: RMB11,872,000).

The valuation was based on income capitalisation approach (term and reversionary method) which use unobservable inputs (Level 3) at 31 December 2019 and 2018, respectively. These inputs at 31 December 2019 include:

Unobservable inputs	**Value of unobservable inputs**		**Explanation for unobservable inputs**
	Plant A	**Plant B**	
Market rent	RMB50,000 per month	RMB17,750 per month	The market rent is estimated according to the comparable properties in close proximity. The higher the market rent, the higher the fair value of the properties.
Yield	5.73%	3.32%	The yield is estimated according to the market evidence, valuer's experience and knowledge of market conditions. The higher the yield, the lower the fair value of the properties.

9 Intangible assets

	Goodwill RMB'000	Software RMB'000	Trademarks RMB'000	Total RMB'000
At 1 January 2019				
Cost	**1,740**	**9,522**	**731**	**11,993**
Accumulated amortisation	**–**	**(8,093)**	**(697)**	**(8,790)**
Net book amount	**1,740**	**1,429**	**34**	**3,203**
Year ended 31 December 2019				
Opening net book amount	**1,740**	**1,429**	**34**	**3,203**
Additions	**–**	**1,351**	**44**	**1,395**
Amortisation charge (Note 23)	**–**	**(1,132)**	**(24)**	**(1,156)**
Closing net book amount	**1,740**	**1,648**	**54**	**3,442**
At 31 December 2019				
Cost	**1,740**	**10,873**	**775**	**13,388**
Accumulated amortisation	**–**	**(9,225)**	**(721)**	**(9,946)**
Net book amount	**1,740**	**1,648**	**54**	**3,442**

	Goodwill RMB'000	Software RMB'000	Trademarks RMB'000	Total RMB'000
At 1 January 2018				
Cost	1,740	9,603	715	12,058
Accumulated amortisation	–	(7,236)	(671)	(7,907)
Net book amount	1,740	2,367	44	4,151
Year ended 31 December 2018				
Opening net book amount	1,740	2,367	44	4,151
Additions	–	–	16	16
Amortisation charge (Note 23)	–	(938)	(26)	(964)
Closing net book amount	1,740	1,429	34	3,203
At 31 December 2018				
Cost	1,740	9,522	731	11,993
Accumulated amortisation	–	(8,093)	(697)	(8,790)
Net book amount	1,740	1,429	34	3,203

Amortisation expenses of RMB1,156,000 (2018: RMB964,000) have been charged in 'administrative expenses' for the year ended 31 December 2019.

9 Intangible assets *(continued)*

Impairment tests for goodwill

The intangible assets as at 31 December 2019 and 31 December 2018 include goodwill of RMB1,740,000 which arose from the acquisition of Xiamen Tianqia Catering Management Co., Limited ("Tian Qia") during the year 2013.

Management reviews the business performance based on type of business. Goodwill is monitored by the management at the operating segment level. In the years ended 31 December 2019 and 31 December 2018, the business of catering management, beverage production and sales of pre-packaged food did not qualify as a reportable operating segment.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial forecast approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the retail businesses in which the CGU operates.

Key assumptions used for value-in-use calculations in the year 2019 is as follows:

– Gross margin	20%
– Long term growth rate	3%
– Discount rate	20%

Management determined forecasted gross margins based on past performance and its expectations for market development. The long term growth rate used is consistent with the forecasts included in industry reports. The discount rate used is pre-tax and reflects specific risks relating to the Group's business.

Based on management's assessment and up to 31 December 2019, no impairment charge was made on the goodwill.

10 Investments accounted for using the equity method

The amounts recognised in the balance sheet are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Joint ventures	**117,027**	107,777
Associates	**567**	715
	117,594	108,492

The amounts recognised in the consolidated statement of comprehensive income are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Joint ventures	**2,524**	2,061
Associates	**(148)**	326
	2,376	2,387

(a) Investments in joint ventures

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
At beginning of the year	**107,777**	5,984
Investment in joint ventures	**8,866**	101,617
Share of profits less losses	**2,524**	2,061
Cash dividends declared	**(2,140)**	(1,885)
At end of the year	**117,027**	107,777

10 Investments accounted for using the equity method *(continued)*

(a) Investments in joint ventures *(continued)*

The particulars of the joint ventures of the Group at 31 December 2019 and 2018, all of which are unlisted, are set out as follows:

Company name	Country/place and date of incorporation	Registered capital	Issued and fully paid capital	Attributable equity interest to the Group as at 31 December 2019	2018	Principal activities
Zhangzhou Tenfu Oil Limited ("Fujian Petrol")	PRC, 28 March 2002	RMB3,000,000	RMB3,000,000	**50%**	50%	Lease of assets
Xiamen Daily Plus Food Beverage Management Co., Ltd. ("Xiamen Daily Plus") (i)	PRC, 21 January 2014	USD2,100,000	USD630,000	**50%**	50%	Catering management, beverage production and sales of pre-packaged food
Xiamen Biwu Trading Co., Ltd. ("Xiamen Biwu")	PRC, 7 April 2017	RMB500,000	RMB500,000	**50%**	50%	Sales of tea ware
Xiamen Kacui Catering Management Co., Ltd. ("Kacui") (ii)	PRC, 17 May 2018	RMB2,000,000	RMB1,052,600	**53%**	NA	Sales of snacks, beverage, pastries, sugar, alcohol, and café service
Xiamen Kanuojia Catering Management Co., Ltd. ("Kanuojia") (iii)	PRC, 22 April 2016	RMB12,000,000	RMB8,199,600	**NA**	68%	Catering management, beverage production and sales of pre-packaged food
Xiamen Tianfu Just.Tea Commerce and Trading Co., Ltd. ("Just.Tea") (iv)	PRC, 22 January 2018	RMB1,000,000	RMB500,000	**50%**	50%	Sale of tea leaves, tea snacks and tea ware
Jiangxi Changtai Tianfu Tea Industry Co., Ltd. ("Jiangxi Changtai")	PRC, 1 August 2018	RMB200,000,000	RMB200,000,000	**50%**	50%	Sale of tea leaves, tea snacks and tea ware and provision of hotel, restaurant and related service
Xiamen Caffaina Catering management Co., Ltd. ("Caffaina") (v)	PRC, 21 March 2016	RMB20,000,000	RMB9,180,000	**60%**	NA	Sales of snacks, beverage, pastries, sugar, alcohol, and café service

(i) As at 31 December 2019 and 2018, the Group had paid the first capital injection of USD315,000 (equivalent to RMB1,935,000) to Xiamen Daily Plus, and the remaining balance of the capital commitment of USD735,000 (equivalent to RMB4,467,000) will be paid in due course.

(ii) On 17 May 2018, a subsidiary of the Group, Fujian Tian Fu Sales Co., Ltd., entered into an agreement with a third-party company, Connoisseur (Hong Kong) Holdings Co., Ltd. ("Connoisseur"), to set up a joint venture, Kacui, with registered capital of RMB2,000,000 and paid up capital of RMB1,052,600, of which Fujian Tian Fu Sales Co., Ltd. and Connoisseur own 53% and 47% shareholding in Kacui respectively. Kacui conducts activities such as trading of snacks, beverage, pastries, sugar and alcohol, and providing café service. The Board of Kacui is composed of three directors, two of which are appointed by the Group, while all important issues regarding Kacui should be voted and passed by the directors unanimously. Thus, the Group is regarded as having joint control on Kacui and determines it to be a joint venture of the Group.

10 Investments accounted for using the equity method *(continued)*

(a) Investments in joint ventures *(continued)*

(iii) On 9 December 2019, Connoisseur disposed all its shares in Kanuojia to Kacui at nil consideration. After this transaction, the shareholding of the Group and Kacui in Kanuojia are 68% and 32% respectively. Under the new Articles of Association of Kanuojia, all important issues regarding Kanuojia should be voted to and passed by shareholders holding more than two-thirds of the shareholding. Thus, the Group has obtained control over Kanuojia and determines it to be a subsidiary of the Group since December 2019 (Note 31).

(iv) As at 31 December 2019 and 2018, the Group had paid the first capital injection of RMB250,000 to Just.Tea, and the remaining balance of the capital commitment of RMB250,000 will be paid in due course.

(v) On 15 December 2017, Kanuojia entered into an agreement with third parties to set up a joint venture, Caffaina, with registered capital of RMB20,000,000. The Board of Caffaina is composed of five directors, of which three directors are appointed by Kanuojia, while all important issues regarding Caffaina should be voted and passed by the directors unanimously. Thus, Kanuojia is regarded as having joint control to Caffaina and determines it to be a joint venture of Kanuojia, and therefore a joint venture of the Group after Kanuojia becoming a subsidiary of the Group since December 2019 (iii). As at 31 December 2019, Kanuojia had paid the first capital injection of RMB9,180,000 to Caffaina, and the remaining balance of the capital commitment of RMB2,820,000 will be paid in due course.

The Group's share of the results of the joint ventures, and their aggregated assets and liabilities, are as follows:

RMB'000		Assets	Liabilities	Revenue	Profit/ (Losses)	% interest held
Fujian Petrol	**2019**	4,123	(68)	2,501	1,721	50%
	2018	4,093	(74)	2,519	1,718	50%
Xiamen Daily Plus	**2019**	2,128	(248)	2,257	398	50%
	2018	1,793	(308)	2,395	(17)	50%
Xiamen Biwu	**2019**	2,498	(1,251)	4,315	885	50%
	2018	1,115	(404)	1,734	415	50%
Kanuojia	**2019**	NA	NA	NA	NA	NA
	2018	2,364	(997)	–	(1)	68%
Just.Tea	**2019**	957	(477)	871	211	50%
	2018	461	(87)	479	124	50%
Jiangxi Changtai	**2019**	103,708	(2,840)	8,152	1,046	50%
	2018	101,996	(2,175)	1,865	(178)	50%
Kacui	**2019**	2,853	(1,800)	–	–	53%
	2018	NA	NA	NA	NA	NA
Caffaina	**2019**	17,424	(9,980)	8,903	(1,737)	53%
	2018	NA	NA	NA	NA	NA

All of the above companies are private companies and there are no quoted market prices available for their shares, except for Kanuojia which is listed on 9 December 2019.

10 Investments accounted for using the equity method (continued)

(b) Investment in an associate

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
At beginning of the year	**715**	–
Investment in an associate	**–**	480
Share of (losses)/gains	**(148)**	235
At end of the year	**567**	715

The particulars of the associate of the Group at 31 December 2019 and 2018, which is unlisted, are set out as follows:

Company name	Country/place and date of incorporation	Registered capital	Issued and fully paid capital	Attributable equity interest to the Group as at 31 December 2019	2018	Principal activities
Xiamen JUST BOBA Catering Management Co., Ltd. ("JUST BOBA")	PRC, 8 October 2016	RMB3,000,000	RMB1,000,000	**43%**	43%	Sales of milk tea

As at 31 December 2019 and 2018, the Group had paid the capital injection of RMB430,000 to JUST BOBA, and the remaining balance of the capital commitment of RMB860,000 will be paid in due course.

The Group's share of the results of the associate, and its aggregated assets and liabilities, are as follows:

	JUST BOBA	
	2019	2018
	RMB'000	RMB'000
Assets	**789**	954
Liabilities	**(222)**	(239)
Revenue	**1,003**	2,033
(Losses)/Gains	**(148)**	235
% interest held	**43%**	43%

JUST BOBA is private company and there is no quoted market price available for its shares.

11 Inventories

	As at 31 December 2019 RMB'000	2018 RMB'000
Raw materials and packaging materials	**239,806**	229,542
Work in progress	**184,801**	172,541
Finished goods	**358,028**	246,604
	782,635	648,687

The cost of inventories recognised as expenses and included in 'cost of sales' amounted to RMB663,882,000 for the year ended 31 December 2019 (2018: RMB568,005,000) (Note 23).

The Group did not have any losses on obsolete inventories or write-down of inventories for the year ended 31 December 2019 (2018: nil).

12 Trade and other receivables and prepayments

(a) Trade and other receivables

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

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

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

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

12 Trade and other receivables and prepayments *(continued)*

(a) Trade and other receivables *(continued)*

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

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

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

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

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

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

(b) Prepayments

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Non-current		
Prepayments for property, plant and equipment	**467**	1,989
Current		
Prepayments for lease of property and lease deposits	**23,520**	54,300
Prepayments to related parties (Note 34(b))	**549**	2,246
Prepaid taxes	**21,623**	13,444
Prepayments for raw materials and packaging materials	**15,398**	5,063
	61,090	75,053
	61,557	77,042

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

13 Financial assets at fair value through profit or loss

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Wealth management product		
– with principal and interests non-guaranteed	**2,714**	–

The financial assets at fair value through profit or loss represented the investment in money market fund at banks. Changes in fair values of financial assets at fair value through profit or loss are recorded in "other gains – net" (Note 25).

14 Cash and cash equivalents, time deposits and restricted cash

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Cash at bank and on hand (i)	**448,151**	723,620
Less: Time deposits, with original maturity between three months to one year	**(123,185)**	(56,800)
Long-term time deposits, with original maturity over one year	**(20,000)**	–
Restricted cash (ii)	**(4,000)**	–
Long-term restricted cash (ii)	**(110,000)**	–
Cash and cash equivalents	**190,966**	666,820

(i) The weighted average effective interest rate on cash placed with banks and deposits for the year ended 31 December 2019 was 1.24% (2018: 1.88%) per annum.

(ii) As at 31 December 2019, a subsidiary the Group pledged time deposits of RMB4,000,000 as collateral for issue of notes payable amounting to RMB10,000,000 (2018: nil) (Note 18). In addition, the Group's subsidiaries pledged time deposits amounting to RMB110,000,000 (2018: nil) as collateral for short-term borrowings of the Group amounting to RMB110,000,000 (2018: nil) (Note 19).

(iii) The carrying amount of cash at bank and on hand are denominated in the following currencies:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
RMB	**409,708**	534,758
USD	**9,590**	130,603
HKD	**9,115**	57,318
JPY	**19,188**	941
EUR	**550**	–
	448,151	723,620

15 Share capital and treasury shares

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

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

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

16 Other reserves

	Merger reserve (I) RMB'000	Capital reserve (II) RMB'000	Statutory reserves (III) RMB'000	Other (IV) RMB'000	Total RMB'000
At 1 January 2019	**278,811**	**231**	**255,785**	**(125,511)**	**409,316**
Appropriation to statutory reserves (Note 17)	**–**	**–**	**20,468**	**–**	**20,468**
Cancellation of shares	**–**	**–**	**–**	**(387,858)**	**(387,858)**
At 31 December 2019	**278,811**	**231**	**276,253**	**(513,369)**	**41,926**
At 1 January 2018	278,811	231	237,246	–	516,288
Appropriation to statutory reserves (Note 17)	–	–	18,539	–	18,539
Cancellation of shares	–	–	–	(125,511)	(125,511)
At 31 December 2018	278,811	231	255,785	(125,511)	409,316

16 Other reserves *(continued)*

(I) Merger reserve comprises the differences between the cost of investments in subsidiaries and net assets of the subsidiaries acquired under common control.

(II) Capital reserve mainly comprises exchange differences relating to foreign currency capital injection.

(III) Statutory reserves

The PRC laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the net profit (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holder. All statutory reserves are created for specific purposes. PRC companies are required to appropriate 10% of statutory net profits to statutory surplus reserves, upon distribution of their post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the companies, to expand the companies' production operations, or to increase the capital of the companies. In addition, a company may make further contribution to the discretional surplus reserve using its post-tax profits in accordance with resolutions of the board of directors of the company.

(IV) Other

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

17 Retained earnings

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
At 1 January	**1,525,065**	1,484,818
Profit for the year	**273,137**	268,618
Dividends (Note 30)	**(208,300)**	(203,393)
Appropriation to statutory reserves (Note 16)	**(20,468)**	(18,539)
At 31 December	**1,569,434**	1,531,504
Representing:		
Proposed final dividend	**141,022**	146,329
Others	**1,428,412**	1,385,175
At 31 December	**1,569,434**	1,531,504

18 Trade and other payables

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Trade payables – due to third parties	**160,246**	107,560
Trade payables – due to related parties (Note 34(b))	**47,919**	36,343
Total trade payables	**208,165**	143,903
Notes payable (Note 14)	**10,000**	–
Payables for property, plant and equipment	**2,567**	2,823
Other taxes payable	**25,938**	20,304
Employee benefit payables	**28,091**	27,817
Others	**70,741**	60,732
	345,502	255,579

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

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

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

19 Borrowings

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

(i) The long-term bank borrowing represented the mortgage loan of original amount of RMB 9,000,000 for the purchase of a store premise under construction. The borrowing bears interest at the rates quoted by People's Bank of China from time to time and requires monthly instalment of repayment up to November 2026. As at 31 December 2019, the remaining balance of the loan was RMB6,703,000.

(ii) As at 31 December 2019, short-term bank borrowings of RMB110,000,000 (2018: nil) were secured by the pledge of time deposits of RMB110,000,000 (2018: nil) as collateral (Note 14).

(iii) As at 31 December 2019, short-term bank borrowings of RMB380,000,000 (2018: RMB172,302,000) were guaranteed by Mr. Lee Rie-Ho, Mr. Lee Chia Ling and Mr. Lee Kuo-Lin, all of them are directors of the Company, either separately or jointly (Note 34(c)).

19 Borrowings *(continued)*

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

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

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

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

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

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

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

The Group has the following undrawn borrowing facilities:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Fixed rate:		
– expiring within one year (bank borrowings)	**238,810**	110,647
– expiring over one year and within three years (bank borrowings)	**34,000**	10,000
	272,810	120,647

The above facilities have been arranged to provide funding for the working capital and other general corporate purpose of the Group.

20 Contract liabilities

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

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

21 Deferred income on government grants

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
At beginning of the year	**36,057**	31,216
Granted during the year	**–**	7,500
Amortised as income (Note 24)	**(2,132)**	(2,659)
At end of the year	**33,925**	36,057

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

22 Deferred income tax assets and liabilities

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income taxes are related to the same tax authority. The Group does not have deferred income tax assets and liabilities that are offset against each other and accordingly they are all stated at gross amounts. As at the balance sheet date, the analysis of deferred income tax assets and deferred income tax liabilities are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Deferred income tax assets		
– to be recovered after more than 12 months	**5,872**	5,887
– to be recovered within 12 months	**44,994**	36,696
	50,866	42,583
Deferred income tax liabilities		
– to be settled after more than 12 months	**879**	930
– to be settled within 12 months	**27,058**	15,483
	27,937	16,413

22 Deferred income tax assets and liabilities *(continued)*

The gross movement on the deferred income tax assets/(liabilities) is as follows:

	Temporary differences in respect of accruals RMB'000	Tax losses RMB'000	Unrealised profit on inventories RMB'000	Customer loyalty programme RMB'000	Government grant RMB'000	Withholding tax on unremitted earnings of certain subsidiaries RMB'000	Fair value gains RMB'000	Total RMB'000
At 1 January 2019	**1,758**	**3,242**	**28,367**	**3,913**	**5,303**	**(15,432)**	**(981)**	**26,170**
Paid out	**–**	**–**	**–**	**–**	**–**	**16,696**	**–**	**16,696**
(Charged)/credited to the consolidated statement of comprehensive income (Note 28)	**1,029**	**(323)**	**8,496**	**(700)**	**(219)**	**(28,271)**	**51**	**(19,937)**
At 31 December 2019	**2,787**	**2,919**	**36,863**	**3,213**	**5,084**	**(27,007)**	**(930)**	**22,929**
At 1 January 2018	2,234	1,939	23,620	4,735	5,522	(19,472)	(1,032)	17,546
Paid out	–	–	–	–	–	12,516	–	12,516
(Charged)/credited to the consolidated statement of comprehensive income (Note 28)	(476)	1,303	4,747	(822)	(219)	(8,476)	51	(3,892)
At 31 December 2018	1,758	3,242	28,367	3,913	5,303	(15,432)	(981)	26,170

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2019, the Group did not recognise deferred income tax assets of RMB16,954,000 (2018: RMB13,219,000) in respect of tax losses amounting to RMB69,817,000 (2018: RMB53,539,000) that can be carried forward to offset against future taxable income due to uncertainty of realisation. As at 31 December 2019, losses amounting to RMB26,239,000 (2018: RMB26,239,000), RMB14,189,000 (2018: RMB14,189,000), RMB1,756,000 (2018: RMB1,756,000), RMB220,000 (2018: RMB220,000) and RMB20,787,000 will expire in 2020, 2021, 2022, 2023 and 2024 respectively.

As at 31 December 2019, the unrealised profits on inventories sold by the inter-companies within the Group amounted to RMB147,453,000 (2018: RMB113,466,000), and were eliminated in the Group's consolidated financial statements. Deferred income tax assets were recognised for the unrealised profits.

As at 31 December 2019, deferred income tax liabilities of RMB43,422,000 (2018: RMB53,331,000) have not been recognised for the PRC withholding tax. The corresponding unremitted earnings amounted to RMB868,447,000 as at 31 December 2019 (2018: RMB1,066,624,000) which are intended to be reinvested.

23 Expenses by nature

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Cost of inventories (Note 11)	**663,882**	568,005
Employee benefit expenses		
– including directors' emoluments (Note 26)	**309,459**	312,945
Depreciation of property, plant and equipment (Note 6)	**69,742**	73,527
Amortisation of land use rights	**–**	13,983
Depreciation and amortisation of right-of-use assets (Note 7)	**73,702**	–
Depreciation of investment properties (Note 8)	**581**	609
Amortisation of intangible assets (Note 9)	**1,156**	964
Concession fees	**58,379**	58,099
Transportation expenses	**34,743**	31,452
Lease expenses (Note 7)	**42,097**	104,404
Free trial expenses	**14,466**	15,179
Auditor's remuneration		
– Audit services	**3,250**	3,650
– Non-audit services	**1,584**	1,650
Other expenses	**109,851**	105,539
Total cost of sales, distribution costs and administrative expenses	**1,382,892**	1,290,006

24 Other income

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Government grants	**20,274**	17,093
Income from investment properties (Note 8)	**2,621**	2,546
Amortisation of deferred income on government grants (Note 21)	**2,132**	2,659
Others	**1,470**	1,188
	26,497	23,486

25 Other gains – net

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Losses on disposal of land use rights and property, plant and equipment, net (Note 32(b))	**(350)**	(95)
Net foreign exchange gains	**2,178**	859
Gains from sale of financial assets at fair value through profit or loss	**490**	–
	2,318	764

26 Employee benefit expenses

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Wages and salaries	**267,634**	266,843
Social security costs	**34,757**	37,820
Other benefits	**7,068**	8,282
	309,459	312,945

26 Employee benefit expenses *(continued)*

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2019 include four (2018: four) directors whose emoluments are reflected in the analysis shown in Note 36. The emoluments payable to the remaining one (2018: one) individual for the year ended 31 December 2019 is as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Salaries and social security costs	**749**	725

The emoluments fell within the following bands:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Emolument bands (in RMB)		
Within HKD1,000,000		
(equivalent to approximately RMB896,000)	**1**	1

27 Finance costs – net

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Finance income		
– Interest income on bank deposits and time deposits	**7,260**	13,077
Total finance income (Note 32(a))	**7,260**	13,077
Finance costs		
– Interest expenses on bank borrowings	**(21,559)**	(13,931)
– Less: amounts capitalised in qualifying assets	**275**	41
– Net foreign exchange losses	**(6,683)**	(108)
– Interest expenses for lease liabilities	**(8,447)**	–
Total finance costs (Note 32(a))	**(36,414)**	(13,998)
Net finance costs	**(29,154)**	(921)

28 Income tax expense

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

(i) Cayman Islands profits tax

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

(ii) Hong Kong profits tax

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

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

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

(iv) PRC withholding income tax

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

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

28 Income tax expense *(continued)*

(iv) PRC withholding income tax *(continued)*

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit before income tax	**415,979**	371,272
Tax calculated at domestic tax rates applicable to profits in the respective jurisdictions	**107,703**	93,670
Tax effects of:		
Expenses not deductible for tax purposes	**1,431**	886
Joint ventures' and associate's results reported net of tax	**(594)**	(574)
Tax losses for which no deferred income tax asset was recognised	**6,031**	4,518
Previously unrecognised tax losses used to reduce deferred tax expense	**–**	(4,322)
Withholding tax on the expected distributable profits of the subsidiaries in Mainland China (Note 22)	**28,271**	8,476
Tax charges	**142,842**	102,654

29 Earnings per share

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

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

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

30 Dividends

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

At a meeting held on 20 March 2020, the Board proposed a final dividend for 2019 of HKD155,457,000 (equivalent to RMB141,022,000) (2018: HKD167,950,000 (equivalent to RMB146,329,000)), representing HKD14 cents (equivalent to RMB13 cents) (2018: HKD14 cents (equivalent to RMB12 cents)) per share, to be appropriated from retained earnings.

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

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

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

31 Subsidiaries

Particulars of the subsidiaries of the Group as at 31 December 2019 and 2018 are as follows:

Company name	Place/Date of incorporation	Legal status	Registered capital	Issued and fully paid capital	Effective interest held as at 31 December 2019	2018	Principal activities
Directly owned							
Subsidiaries – incorporated in the British Virgin Islands (the "BVI")							
Ten Rui (BVI) Holdings Co., Ltd.	BVI, 19 August 2009	Limited liability company	USD1,100	USD1,100	**100%**	100%	Investment holding
Tenfu Holdings Co., Ltd.	BVI, 2 July 2009	Limited liability company	USD1,100	USD1,100	**100%**	100%	Investment holding
Indirectly owned							
Subsidiaries – established in the Mainland China							
Zhangzhou Tianfu Tea Industry Co., Ltd.	PRC, 24 December 1998	Foreign investment enterprise	RMB181,317,305	RMB181,317,305	**100%**	100%	Classification, packaging of tea leaves, manufacture of tea snacks, and sale of tea leaves, tea snacks and tea ware
Zhangpu Tian Fu Tea Garden Co., Ltd.	PRC, 17 November 1999	Foreign investment enterprise	USD65,140,000	USD65,140,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware and provision of hotel, restaurant and related service
Minhou Tianyuan Tea Products Co., Ltd.	PRC, 23 October 1993	Domestic enterprise	RMB22,386,000	RMB22,386,000	**100%**	100%	Classification, packaging of tea leaves, manufacture of tea snacks, and sale of tea leaves, tea snacks and tea ware
Jiajiang Tenfu Tea Garden Co., Ltd.	PRC, 17 October 2002	Foreign investment enterprise	RMB70,133,901	RMB70,133,901	**100%**	100%	Classification, packaging of tea leaves, manufacture of tea snacks, and sale of tea leaves, tea snacks and tea ware

31 Subsidiaries *(continued)*

Particulars of the subsidiaries of the Group as at 31 December 2019 and 2018 are as follows *(continued)*:

Company name	Place/Date of incorporation	Legal status	Registered capital	Issued and fully paid capital	Effective interest held as at 31 December 2019	2018	Principal activities
Indirectly owned *(continued)*							
Subsidiaries – established in the Mainland China *(continued)*							
Zhejiang Tianfu Tea Industry Co., Ltd.	PRC, 16 August 2006	Foreign investment enterprise	RMB38,168,400	RMB38,168,400	**100%**	100%	Classification, packaging of tea leaves, manufacture of tea snacks, and sale of tea leaves, tea snacks and tea ware
Guiding Tian Fu Tea Garden Co., Ltd.	PRC, 4 August 2015	Domestic enterprise	RMB80,000,000	RMB69,750,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware and provision of hotel, restaurant and related service
Sichuan Tenfu Tea Sales Co., Ltd.	PRC, 10 February 2009	Foreign investment enterprise	RMB6,451,275	RMB6,451,275	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Guizhou Tenfu Tea Sales Co., Ltd. (i)	PRC, 26 March 2009	Foreign investment enterprise	USD1,000,000	USD1,000,000	**-**	100%	Sale of tea leaves, tea snacks and tea ware
Xin Jiang Tian Fu Tea Sales Co., Ltd.	PRC, 14 April 2009	Foreign investment enterprise	RMB6,413,700	RMB6,413,700	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Shan Xi Tian Fu Tea Sales Co., Ltd.	PRC, 29 April 2009	Domestic enterprise	RMB6,701,625	RMB6,701,625	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Fu Zhou Tian Fu Tea Sales Co., Ltd.	PRC, 30 April 2009	Foreign investment enterprise	RMB19,676,473	RMB19,676,473	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Jiang Xi Tian Fu Tea Sales Co., Ltd.	PRC, 7 May 2009	Foreign investment enterprise	RMB13,096,000	RMB13,096,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Shaan Xi Tian Fu Tea Sales Co., Ltd.	PRC, 18 May 2009	Foreign investment enterprise	RMB19,611,070	RMB19,611,070	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Guang Dong Tian Fu Tea Sales Co., Ltd.	PRC, 10 June 2009	Foreign investment enterprise	RMB19,660,950	RMB19,660,950	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Jilin Province Tian Fu Tea Sales Co., Ltd.	PRC, 12 June 2009	Foreign investment enterprise	USD2,500,000	USD2,500,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Nanjing Tian Fu Tea Sales Co., Ltd.	PRC, 22 June 2009	Domestic enterprise	RMB19,863,610	RMB19,863,610	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Guangxi Tenfu Tea Sales Co., Ltd.	PRC,26 June 2009	Foreign investment enterprise	RMB6,452,940	RMB6,452,940	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Hebei Tenfu Tea Sales Co., Ltd.	PRC, 9 June 2009	Foreign investment enterprise	RMB6,513,420	RMB6,513,420	**100%**	100%	Sale of tea leaves, tea snacks and tea ware

31 Subsidiaries *(continued)*

Particulars of the subsidiaries of the Group as at 31 December 2019 and 2018 are as follows *(continued)*:

Company name	Place/Date of incorporation	Legal status	Registered capital	Issued and fully paid capital	Effective interest held as at 31 December 2019	2018	Principal activities
Indirectly owned *(continued)*							
Subsidiaries – established in the Mainland China *(continued)*							
Hu Bei Tian Fu Tea Sales Co., Ltd.	PRC, 10 July 2009	Foreign investment enterprise	RMB6,519,390	RMB6,519,390	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Hunan Tenfu Tea Sales Co., Ltd.	PRC, 26 August 2009	Domestic enterprise	RMB6,502,260	RMB6,502,260	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Fujian Tian Fu Sales Co., Ltd.	PRC,4 July 2008	Foreign investment enterprise	USD72,500,000	USD72,500,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
An Hui Tian Fu Tea Sales Co., Ltd.	PRC, 10 September 2009	Domestic enterprise	RMB6,829,460	RMB6,829,460	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Jinan Tenfu Tea Co., Ltd.	PRC, 8 June 1999	Domestic enterprise	RMB19,406,410	RMB19,406,410	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Yantai Tenfu Tea Co., Ltd.	PRC, 27 August 1996	Foreign investment enterprise	RMB9,844,100	RMB9,844,100	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Tianjin Tenfu sales Co., Ltd.	PRC, 25 March 2009	Foreign investment enterprise	RMB25,386,012	RMB25,386,012	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Beijing Tenfu Tea Co., Ltd.	PRC, 25 January 2002	Domestic enterprise	RMB31,825,065	RMB31,825,065	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Suzhou Tenfu Tea Co., Ltd.	PRC, 9 August 2010	Foreign investment enterprise	USD2,000,000	USD2,000,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Wuxi Tenfu Tea Co., Ltd.	PRC, 18 October 2010	Foreign investment enterprise	USD2,000,000	USD2,000,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Hangzhou Tenfu Tea Co., Ltd.	PRC, 27 October 2010	Foreign investment enterprise	RMB3,322,300	RMB3,322,300	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Shanghai Tenfu Tea Co., Ltd.	PRC, 22 November 2010	Foreign investment enterprise	USD2,000,000	USD2,000,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Inner Mongolia Tenfu Tea Co., Ltd	PRC, 10 January 2011	Domestic enterprise	RMB3,249,150	RMB3,249,150	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Xiamen Apex Trading Co., Ltd.	PRC, 29 May 2006	Foreign investment enterprise	RMB26,992,250	RMB26,992,250	**100%**	100%	Sale of tea leaves and tea snacks
Henan Tenfu Tea Co., Ltd.	PRC, 9 May 2012	Foreign investment enterprise	USD2,000,000	USD2,000,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Heilongjiang Tenfu Tea Co., Ltd.	PRC, 12 December 2012	Domestic enterprise	RMB12,337,360	RMB12,337,360	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Gansu Tenfu Tea Co., Ltd.	PRC, 29 October 2012	Foreign investment enterprise	RMB3,102,445	RMB3,102,445	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Chongqing Yubeiqu Tenfu Tea Co., Ltd.	PRC, 7 August 2013	Foreign investment enterprise	RMB1,000,000	RMB1,000,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware

31 Subsidiaries *(continued)*

Particulars of the subsidiaries of the Group as at 31 December 2019 and 2018 are as follows *(continued)*:

Company name	Place/Date of incorporation	Legal status	Registered capital	Issued and fully paid capital	Effective interest held as at 31 December 2019	2018	Principal activities
Indirectly owned *(continued)*							
Subsidiaries – established in the Mainland China *(continued)*							
Xuzhou Tenfu Tea Co., Ltd.	PRC, 7 August 2013	Foreign investment enterprise	RMB2,000,000	RMB2,000,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Xiamen Tianyu Commerce and Trading Co., Limited	PRC, 15 December 2007	Foreign investment enterprise	RMB1,840,000	RMB1,840,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware (including on internet)
Xiamen Tianqia Catering Management Co., Ltd.	PRC, 4 March 2011	Domestic enterprise	RMB795,690	RMB795,690	**100%**	100%	Catering management, beverage production and sales of pre-packaged food
Pingtan Tenfu Tea Co., Ltd.	PRC, 1 August 2014	Domestic enterprise	RMB50,000,000	RMB50,000,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Xiamen Tenfu Trading Co., Ltd.	PRC, 30 May 2007	Foreign investment enterprise	RMB33,868,000	RMB33,868,000	**100%**	100%	Property management
Shanghai Tian Fu Tea Industry Co., Ltd.	PRC, 7 August 2018	Domestic enterprise	RMB5,000,000	RMB1,500,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Dalian Tenfu Tea Sales Co., Ltd.	PRC, 23 April 2019	Domestic enterprise	RMB5,000,000	RMB0	**100%**	NA	Sale of tea leaves, tea snacks and tea ware
Kanuojia	PRC, 22 April 2016	Domestic enterprise	RMB12,000,000	RMB8,199,600	**68%**	NA	Catering management, beverage production and sales of pre-packaged food
Subsidiaries – incorporated in the Hong Kong							
Ten Rui (Hong Kong) Sales Holdings Co., Ltd.	Hong Kong, 7 March 2008	Limited liability company	USD1,000,000	USD1,000,000	**100%**	100%	Investment holding
Tenfu (Hong Kong) Holdings Co., Ltd.	Hong Kong, 17 August 2009	Limited liability company	USD1,000	USD1,000	**100%**	100%	Investment holding

(i) On 26 December 2019, a subsidiary Guizhou Tenfu Tea Sales Co., Ltd. was wound up.

32 Notes to the consolidated cash flow statement

(a) Reconciliation of profit before income tax to net cash generated from operations

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit before income tax	**415,979**	371,272
Adjustments for:		
– Share of profit less losses of investments accounted for using the equity method (Note 10)	**(2,376)**	(2,296)
– Gains on disposal of an associate (Note 10)	**–**	(91)
– Depreciation of property, plant and equipment (Note 6)	**69,742**	73,527
– Depreciation of investment properties (Note 8)	**581**	609
– Depreciation and amortisation of right-of-use assets (Note 7)	**73,702**	13,983
– Amortisation of intangible assets (Note 9)	**1,156**	964
– Amortisation of deferred income (Note 21)	**(2,132)**	(2,659)
– Losses on disposal of land use rights and property, plant and equipment (Note 25)	**350**	95
– Finance income (Note 27)	**(7,260)**	(13,077)
– Finance costs (Note 27)	**36,414**	13,998
– Gains from sale of financial assets at fair value through profit or loss (Note 25)	**(490)**	–
Changes in working capital:		
– Inventories	**(133,948)**	(104,493)
– Trade and other receivables and prepayments	**(74,646)**	18,154
– Trade and other payables	**93,997**	(32,748)
– Contract liabilities	**8,226**	77,605
– Other liabilities	**–**	(18,939)
Cash generated from operations	**479,295**	395,904

32 Notes to the consolidated cash flow statement *(continued)*

(b) Proceeds from sale of land use rights and property, plant and equipment

In the consolidated cash flow statement, proceeds from sale of land use rights and property, plant and equipment comprise:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Net book amount		
– Property, plant and equipment (Note 6)	**1,304**	2,228
– land use rights	**–**	43
Losses on disposal of plant and equipment, net (Note 25)	**(350)**	(129)
Gains on disposal of land use rights (Note 25)	**–**	34
Proceeds from disposal of land use rights and property, plant and equipment	**954**	2,176

(c) Net debt reconciliation

Net debt	**2019**
	RMB'000
Cash and cash equivalents (Note 14)	**190,966**
Borrowings – repayable within one year (Note 19)	**(510,826)**
Borrowings – repayable after one year (Note 19)	**(5,877)**
Lease liabilities (Note 7)	**(144,832)**
Net cash	**(470,569)**
Cash and cash equivalents	**190,966**
Gross debt – fixed interest rates	**(564,831)**
Gross debt – variable interest rates	**(96,704)**
Net cash	**(470,569)**

	Other assets	Liabilities from financing activities			
	Cash and cash equivalents RMB'000	Borrowings due within 1 year RMB'000	Borrowings due after 1 year RMB'000	Leases RMB'000	Total RMB'000
Net cash as at 31 December 2018	666,820	(343,088)	(6,703)	–	317,029
Recognised on adoption of HKFRS 16	–	–	–	(130,642)	(130,642)
Net cash as at 1 January 2019	**666,820**	**(343,088)**	**(6,703)**	**(130,642)**	**186,387**
Cash flows	**(469,171)**	**(166,912)**	**–**	**65,974**	**(570,109)**
Acquisition – leases	**–**	**–**	**–**	**(80,164)**	**(80,164)**
Foreign exchange adjustments	**(6,683)**	**–**	**–**	**–**	**(6,683)**
Other non-cash movements	**–**	**(826)**	**826**	**–**	**–**
Net cash as at 31 December 2019	**190,966**	**(510,826)**	**(5,877)**	**(144,832)**	**(470,569)**

33 Commitments

(a) Equity investment commitments

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Investment in joint ventures (Note 10)	**8,397**	5,577

(b) Capital expenditure commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

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

(c) Operating lease commitments

The Group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 1 and 10 years, and the majority of 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 (Note 7).

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

34 Related-party transactions

The Group is controlled by Mr. Lee Rie-Ho, Mr. Lee Shih-Wei and Mr. Lee Chia Ling ("Controlling Shareholders"). The entities owned by the key management, their affiliates and the Group's joint ventures and associates are regarded as related parties. Tenfu Group (Samoa) Holdings Company Limited ("SAMOA") is wholly owned by Mr. Lee Chia Ling. SAMOA and its subsidiaries are regarded as related parties.

(a) Transactions with related parties

The following transactions are carried out by the Group with related parties:

		Year ended 31 December	
		2019	2018
		RMB'000	RMB'000
(i)	Purchases of goods and services		
	– Subsidiaries of SAMOA	**128,148**	121,075
	– A company controlled by the Controlling Shareholders	**26,779**	26,289
		154,927	147,364
(ii)	Processing fee expenses		
	– Subsidiaries of SAMOA	**2,076**	1,132
(iii)	Rental expenses		
	– The Controlling Shareholders and their affiliates	**3,910**	4,456
	– A company controlled by an affiliate of the Controlling Shareholders	**1,717**	1,607
	– A subsidiary of SAMOA	**300**	300
		5,927	6,363
(iv)	Right-of-use assets		
	– The Controlling Shareholders and their affiliates	**6,714**	–
	– A subsidiary of SAMOA	**1,213**	–
	– A company controlled by an affiliate of the Controlling	**478**	–
		8,405	–
(v)	Key management compensation	**5,711**	5,359
(vi)	Dividends declared from joint ventures	**2,140**	1,885

34 Related-party transactions *(continued)*

(b) Balances with related parties

The Group has the following balances with its related parties As at 31 December 2019 and 2018:

		As at 31 December	
		2019	2018
		RMB'000	RMB'000
(i)	Prepayments to related parties (Note 12(b))		
	– Subsidiaries of SAMOA	**549**	1,474
	– A company controlled by the Controlling Shareholders	**–**	772
		549	2,246
(ii)	Due to related parties (Note 18)		
	Trade related		
	– Subsidiaries of SAMOA	**47,919**	36,343

The payables to related parties for the years ended 31 December 2019 and 2018 arise mainly from purchase transactions. The payables bear no interest and are repayable on demand.

(c) Borrowings guaranteed by related parties

The Group's bank borrowings of RMB380,000,000 (2018: RMB172,302,000) as at 31 December 2019 were guaranteed by Mr. Lee Rie-Ho, Mr. Lee Chia Ling and Mr. Lee Kuo-Lin, all of them are directors of the Company, either separately or jointly (Note 19).

35 Balance sheet and reserve movement of the Company

Balance sheet of the Company

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Investments in subsidiaries	**860,388**	860,388
Current assets		
Trade and other receivables	**791,116**	591,114
Cash and cash equivalents	**12,882**	86,460
	803,998	677,574
Total assets	**1,664,386**	1,537,962
EQUITY		
Capital and reserves attributable to the owners of the Company		
Share capital	**91,274**	98,593
Treasury shares	**(8,336)**	(1,735)
Other reserve (Note (a))	**(513,369)**	(125,511)
Retained earnings (Note (a))	**220,850**	245,228
Total equity	**(209,581)**	216,575
LIABILITIES		
Current liabilities		
Other payables	**1,663,967**	1,279,086
Borrowings	**210,000**	42,301
	1,873,967	1,321,387
Total liabilities	**1,873,967**	1,321,387
Total equity and liabilities	**1,664,386**	1,537,962

The balance sheet of the Company was approved by the Board of Directors on 20 March 2020 and was signed on its behalf by:

LEE Chia Ling	**LEE Shih-Wei**
Director	***Director***

35 Balance sheet and reserve movement of the Company *(continued)*

Balance sheet of the Company *(continued)*

Note (a) Reserve movement of the Company

	Other reserve RMB'000	Retained earnings RMB'000
At 1 January 2019	**(125,511)**	**245,228**
Profit for the year	**–**	**183,922**
Dividends	**–**	**(208,300)**
Cancellation of shares (Note 16(IV))	**(387,858)**	**–**
At 31 December 2019	**(513,369)**	**220,850**
At 1 January 2018	–	137,858
Profit for the year	–	310,763
Dividends	–	(203,393)
Cancellation of shares (Note 16(IV))	(125,511)	–
At 31 December 2018	(125,511)	245,228

36 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

The remuneration of each director and the chief executive of the Company for the year ended 31 December 2019 is set out as follows:

Name	Fees RMB'000	Salaries and social security costs RMB'000	Share option expense RMB'000	Total RMB'000
Mr. Lee Rie-Ho	**–**	**884**	**–**	**884**
Mr. Lee Kuo-Lin	**–**	**764**	**–**	**764**
Mr. Lee Shih-Wei	**–**	**624**	**–**	**624**
Mr. Lee Chia Ling (i)	**–**	**622**	**–**	**622**
Mr. Tseng Ming-Sung	**–**	**220**	**–**	**220**
Ms. Li Jie	**–**	**–**	**–**	**–**
Mr. Lo Wah Wai	**281**	**–**	**–**	**281**
Mr. Lee Kwan Hung, Eddie	**281**	**–**	**–**	**281**
Mr. Fan Ren-Da, Anthony	**281**	**–**	**–**	**281**
	843	**3,114**	**–**	**3,957**

36 Benefits and interests of directors *(continued)*

(a) Directors' and chief executive's emoluments *(continued)*

The remuneration of each director and the chief executive of the Company for the year ended 31 December 2018 is set out as follows:

Name	Fees RMB'000	Salaries and social security costs RMB'000	Share option expense RMB'000	Total RMB'000
Mr. Lee Rie-Ho	–	757	–	757
Mr. Lee Kuo-Lin	–	615	–	615
Mr. Lee Shih-Wei	–	615	–	615
Mr. Lee Chia Ling (i)	–	619	–	619
Mr. Tseng Ming-Sung	–	212	–	212
Ms. Li Jie	–	–	–	–
Mr. Lo Wah Wai	276	–	–	276
Mr. Lee Kwan Hung, Eddie	276	–	–	276
Mr. Fan Ren-Da, Anthony	276	–	–	276
	828	2,818	–	3,646

(i) The chief executive of the Company is Mr. Lee Chia Ling, who is also one of the directors of the Company.

For the years ended 31 December 2019 and 2018, no directors received emoluments from the Group as inducement to join or upon joining the Group or as compensation for loss of office. No directors waived or had agreed to waive any emoluments.

37 Subsequent events

Impact of COVID-19 outbreak

Since early 2020, the epidemic of Coronavirus Disease ("the COVID-19 outbreak") has spread across China and other countries, and it has affected business and economic activities to some extent. The Group is expecting a sales decrease under recent situation and will continuously pay attention to the development of the COVID-19 outbreak and make continuous assessment on its impact on the financial position and operating result of the Group. As at 20 March 2020, management's assessment is still under process and the Group was not aware of any significant negative impact to its operation.