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 2021

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, the Company has been awarded the title of "China's Tea Industry Comprehensive Top 100 Enterprises" by the China Tea Marketing Association from 2013 to 2021. With its high level of brand awareness and more than 25 years of presence in the market, the Group believes that it is in a strong position to continue 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 2021, our tea products were sold in 1,313 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 also provide sale of tea drink (including milk tea) with the trademark of "放牛斑" and "喫茶趣 TO GO".

Corporate Information

DIRECTORS

Executive Directors

LEE Rie-Ho *(Chairman)*

LEE Chia Ling *(Chief Executive Officer)*

LEE Kuo-Lin *(Chief Operating Officer)*

FAN Ren Da, Anthony (re-designated on 18 May 2021)

ZHANG Honghai (appointed on 18 May 2021)

Non-executive Director

TSENG Ming-Sung

Independent Non-executive Directors

LO Wah Wai

LEE Kwan Hung, Eddie

HUANG Wei (appointed on 18 May 2021)

BOARD COMMITTEES

Audit Committee

LO Wah Wai *(Chairman)*

TSENG Ming-Sung

HUANG Wei (appointed on 18 May 2021)

LEE Kwan Hung, Eddie

FAN Ren Da, Anthony (resigned on 18 May 2021)

Remuneration Committee

HUANG Wei *(Chairman)* (appointed on 18 May 2021)

LEE Rie-Ho

LO Wah Wai

LEE Kwan Hung, Eddie

LEE Chia Ling

FAN Ren Da, Anthony (resigned on 18 May 2021)

Nomination Committee

LEE Kwan Hung, Eddie *(Chairman)*

LEE Kuo-Lin

HUANG Wei (appointed on 18 May 2021)

LO Wah Wai

FAN Ren Da, Anthony (resigned on 18 May 2021)

REGISTERED OFFICE

P.O. Box 2681

Cricket Square, Hutchins Drive

Grand Cayman KY1-1111

Cayman Islands

HEADQUARTERS IN THE PRC

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Xiamen

the PRC

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Fax: +86-592-3389086

Email: tenfu@tenfu.com

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

11/F

No. 88 Lockhart Road

Wan Chai

Hong Kong

Corporate Information

AUTHORISED REPRESENTATIVES

LEE Chia Ling

LEUNG Shui Bing (appointed on 19 July 2021)

LAM Yuk Ling (resigned on 19 July 2021)

COMPANY SECRETARY

LEUNG Shui Bing (appointed on 19 July 2021)

LAM Yuk Ling (resigned on 19 July 2021)

PRINCIPAL SHARE REGISTRAR

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3
Building D, P.O. Box 1586
Gardenia Court, Camana Bay
Grand Cayman, KY1-1100
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 2021 increased by 12.4% from RMB1,712.6 million for 2020 to RMB1,924.7 million;
- Gross profit for the year ended 31 December 2021 increased by 9.4% from RMB1,045.8 million for 2020 to RMB1,144.0 million, with a decrease in gross profit margin from 61.1% for 2020 to 59.4% for the year ended 31 December 2021;
- Profit for the year ended 31 December 2021 increased by 17.7% from RMB305.4 million for 2020 to RMB359.5 million, which corresponded to an increase in net profit margin from 17.8% for 2020 to 18.7% for the year ended 31 December 2021;
- Basic earnings per share for the year ended 31 December 2021 was RMB0.33; and
- The Board proposed a final dividend of HKD0.23 per share (equivalent to RMB0.19 per share).

Comparison of Key Financial Figures

Results

	For the year ended 31 December (RMB '000)				
	2017	2018	2019	2020	**2021**
Revenue	1,576,561	1,635,562	1,796,834	1,712,595	**1,924,651**
Gross profit	955,273	985,750	1,057,603	1,045,840	**1,144,047**
Gross profit margin (%)	60.6	60.3	58.9	61.1	**59.4**
Profit before income tax	335,106	371,272	415,979	467,091	**508,732**
Profit for the year, all attributable to the shareholders of the Company	243,511	268,618	273,137	305,409	**359,481**
Net profit margin (%)	15.4	16.4	15.2	17.8	**18.7**

Assets and liabilities

	As at 31 December (RMB '000)				
	2017	2018	2019	2020	**2021**
Total assets	2,696,591	2,837,648	2,903,112	2,967,721	**3,212,062**
Total equity	2,101,922	2,037,678	1,694,298	1,751,524	**1,832,819**
Total liabilities	594,669	799,970	1,208,814	1,216,197	**1,379,243**
Gearing ratio (%)	7.9	14.7	23.4	25.1	**25.3**
Trade receivables turnover days (days)	116	96	94	112	**98**
Trade payables turnover days (days)	59	72	86	93	**68**
Inventories turnover days (days)	287	330	349	448	**447**

Chairman's Statement

Chairman's Statement

In 2021, it was still challenging, exacerbated by the significant negative impact of coronavirus disease ("COVID-19"), coupled with the impact of the global economy, geopolitics and a slowdown in its economic growth in China, with customers' daily-life consumption tightened. However, under the macro environment established by the government with domestic circulation as the main focus and domestic and international dual circulation as the driving force, policies such as stabilising employment, protecting people's livelihood, stimulating consumption, etc. will continue to be in force, and the consumer and retail markets are expected to propel a continued rebound. 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 RMB1.92 billion in 2021. 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 2021

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 2021, 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 2022, 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, with a food research and development department established to develop diversified traditional food, such as Buddha Jumping over the Wall and Instant Bird's Nest, 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, in particular, e-commerce platforms due to customer stickiness to online consumption. The accelerated development of digital economy continued to drive the upgrading of online consumption and the online and offline integration speeded up, accelerating the development of emerging consumption models such as food delivery and delivery-to-home services. Consumer demands showed a trend of diversified, personalised and rational development and our marketing activities should follow the trend.

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 2022

Considering China's large population, we believe that there are huge business opportunities in the food, beverage and retail industries in China, with the progress of urbanisation and the enhancement of the per capita disposable income. The Group still has full confidence in the potential growth of the tea consumption market in China. The Group believes that the long-term positive trend of the PRC's economy will not change, and people's expectations for a better life will continue to exert prominence. The Group will intensively focus on areas such as customers identifications from multiple sources and precision marketing, membership system optimisation, and online and offline integration at a systemic level. While focusing on the further enhancement of core competitiveness, operating scale and efficiency, the Group will continue to pay attention to the technological advancements in the new retail sectors and strengthen business innovation and transformation to meet the challenges under the new norm for pushing forward the Group's long-term sustainable development. The Group will 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;
   - (3) Expanding cooperation with Kinmen Kaoliang Liquor Inc. of Taiwan to sell the sorghum liquor with double brands, i.e. Tenfu and Kinmen Kaoliang Liquor Inc. in the PRC from mid of 2020; and
   - (4) Developing a variety of tea-related food products.
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!

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, 18 March 2022

Business Review and Outlook

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

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

In 2021, the Group further strengthened its market position and the efficiency of its operations, including further expanding its network, actively promoting the customer loyalty programme, consolidating and developing customer base, increasing release of marketing program and education and training for the employees, improving employees' benefits, while controlling expenditures.

1. **Leading brand position**. The Company has been awarded the title of "China's Tea Industry Comprehensive Top 100 Enterprises" by the China Tea Marketing Association from 2013 to 2021. Pursuant to the data of Chinese Enterprises Brands Research Centre (中國企業品牌研究中心), Tenfu ranked first among 2019 China's chain stores of tea in terms of brand index, the "Tenfu" (天福) brand has one of the highest levels of brand awareness amongst tea product consumers in the PRC. Mr. Lee Rie-Ho, the chairman of the Board, obtained the honorary title of Outstanding Chinese Tea People (Lifetime Achievement) in November 2020. The tea mooncakes of the Group have been awarded the honorable titles of Golden Mooncakes and China Mooncakes for the three consecutive years from 2016 to 2018, the title of National Classic Mooncakes for 2018 and the titles of Quality Mooncakes and China Mooncakes for 2019. The tea mooncakes of the Group also won the first prize for China Mooncake Quality in 2019. With its high level of brand awareness and more than 25 years of presence in the market, the Group believes that it is in a strong position to continue to occupy a large market share of branded traditional Chinese tea leaves and wait for the market re-bounce.

2. **Adjusting sales network**. While the whole consumption declines under the current economic conditions in the PRC, the Group has adjusted their retail outlets and retail points to keep the profitable ones and shut down the unprofitable ones in the PRC. As of 31 December 2021, the Group had a total of 1,313 self-owned and third-party owned retail outlets and retail points, compared with a total of 1,243 as of 31 December 2020.

3. **Adjustment in each tea product category and development of diversified product lines**. During 2021, the Group adjusted its tea product categories, increasing the sales percentage of middle- and higher-ended products to meet Chinese consumers' need. Additionally, the Group established cooperation with Kinmen Kaoliang Liquor Inc. of Taiwan to sell the sorghum liquor with double brands, i.e. Tenfu and Kinmen Kaoliang Liquor Inc. in the PRC from mid of 2019. The Group also established a food research and development department to develop diversified traditional food, such as Buddha Jumping over the Wall and Instant Bird's Nest.

4. **Growth in net profit margin**. In 2021, net profit margin increased to 18.7% from 17.8% for 2020 mainly due to the increase of the revenue.

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

6. **Guarantee of food safety**. The Group paid high attention on food safety and conducted various quality inspection and testing procedures during the Group's production process, to ensure compliance with applicable quality requirements promulgated by the relevant authorities. In October 2015, the Group got the qualification certification for its egg roll and candy production line and related auxiliary areas, reaching the consolidated standards for prerequisite and food safety programs of American Institute of Baking. In the meanwhile, the Company also implemented one product, one bar-code anti-counterfeiting traceability system at all factories. Longjing tea of the Group was regarded as the raw materials of Longjing tea sensory grading standard samples developed according to GB/T18650-2008 geographical indication product Longjing tea.

7. **Relationships with customers and suppliers**. The Group always maintains good relationship with customers and suppliers. For the year ended 31 December 2021, the aggregate percentage of purchases attributable to the Group's five largest suppliers accounted for approximately 29.5% of the Group's total purchase. The Group selects suppliers carefully to ensure the quality of raw materials and packaging materials through maintaining appraisal records for suppliers and grading them on a declining scale according to the quality of material supplied, price, ability to meet demand and punctuality of delivery time. The percentage of revenue attributable to the Group's five largest customers accounted for approximately 2.0% of the Group's total revenue. The credit terms granted to the top five customers are in line with those granted to other customers. The top five customers made subsequent settlement of trade receivables within the credit term. The Group has historically depended on sales to the third-party retailers, and third-party retailers are expected to remain important in sales network. If the third-party retailers are not able to operate successfully or the Group fails to maintain good relationships with such parties, the business, financial condition and results of operations of the Group could be materially and adversely affected. Since 2008, the Group has acquired a number of retail outlets and retail points from third-party retailers and operated the self-owned retail outlets and retail points. In order to keep good customer services, the Group maintains a customer service hotline to handle general service inquiries and ensure a timely response to all customer concerns. The Group's internal policy requires that all complaints be reported and resolved promptly. If a complaint is not resolved during the call, the customer service representative is required to timely report such complaint to the local sales office which covers the region where the complaining customer is located. For the year ended 31 December 2021, the Group did not incur any material costs in relation to these complaints and there had not been any material product recall.

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

In particular, the Group plans to:

1. **Continue to adjust and optimise retail sales network**. The Group will further adjust retail outlets and retail points, including both self-owned and third-party owned retail outlets and retail points, according to the economic development of the PRC. As part of this goal, the Group plans to identify, establish and keep new retail outlets on high-traffic streets in the central business districts of selected cities, as well as retail points in popular shopping malls, actively expand networks in third-tier and fourth-tier and small cities, and develop quality distributors to increase sales of its tea products. To capture more customers who prefer to buy their tea products on-line, the Group continues to promote internet sales through its subsidiary, namely, Xiamen Tianyu Commerce and Trading Co., Limited (廈門天鈺商貿有限公司). The Group will continue to monitor other opportunities for multi-channel sales and distribution network, which enables the Group to access a broad market audience and penetrate into different regions in the PRC, and continue to rapidly expand their sales. The COVID-19 pandemic unexpectedly swept across the world and influenced the retail industry, bringing about continuous uncertainties and ups and downs. The pandemic boosted the "Stay-at-home Economy", which resulted in a significant increase in customer stickiness to online consumption. The accelerated development of digital economy continued to drive the upgrading of online consumption and the online and offline integration speeded up, accelerating the development of emerging consumption models such as food delivery and delivery-to-home services. Consumer demands showed a trend of diversified, personalised and rational development and the Group will follow the trend.

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

3. **Continue to develop new concepts for tea-related products**. The Group believes that a broad portfolio of products will help it to maintain its leading brand position and keep pace with constantly changing consumer preferences and trends. To this end, the Group will continue the development of tea and tea-related products to meet market requirements, as well as creating the trend and leading the trend. Xiamen Tianqia Catering Management Co., Limited (廈門天洽餐飲管理有限公司), a subsidiary of the Group, offers the tea drink (including milk tea) with the trademark of "放牛斑". Xiamen Daily Plus Food Beverage Management Co., Ltd. (廈門天天佳盈餐飲管理有限公司), a joint venture company with Ten Ren Tea Co., Ltd. (天仁茶業股份有限公司), further developed the tea drink business with the trademark of "喫茶趣 TO GO". The Group will further monitor the opportunity and expand its market share in other tea products once available.

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

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

In 2021, coping with the external and internal uncertainties and changes, the Group gained valuable experience, and also strengthened the planning, management and operation abilities of the Board, the management, and the staff. Such experience will help the Group to face and overcome challenges of the future. The Company's sustainable development depends on the supports and efforts of all the parties involved, including the customers, the suppliers, the business partners and the shareholders, and in particular the efforts and contributions and dedication of all staff of the Group.

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

Financial Review

Revenue

During the year ended 31 December 2021, the Group engaged in the sales and marketing of a comprehensive range of tea products and the development of product concepts, tastes and packaging designs. The Group has manufacturing plants in Fujian province, Sichuan province, Zhejiang province, Guangxi Zhuang Autonomous Region and Guizhou province, the PRC. The Group's key products are tea leaves, tea snacks and tea ware, which it sells through a nationwide network of self-owned and third-party owned retail outlets and retail points. The Group has started the sales of tea drink (including milk tea) with the trademark of "放牛斑" and "喫茶趣 TO GO".

During the year ended 31 December 2021, the Group derived substantially all of its revenue from the sales of tea leaves, tea snacks and tea ware. The revenue of the Group increased by 12.4% from RMB1,712.6 million for the year ended 31 December 2020 to RMB1,924.7 million for the year ended 31 December 2021. The following table sets forth a breakdown of revenue by product category for the years indicated:

	Year ended 31 December			
	2021		2020	
	RMB'000	**%**	*RMB'000*	%
Revenue contributed from:				
Sales of tea leaves	**1,398,189**	**72.6**	1,222,145	71.4
Sales of tea snacks	**248,016**	**12.9**	213,420	12.5
Sales of tea ware	**197,950**	**10.3**	182,588	10.7
Others(1)	**80,496**	**4.2**	94,442	5.4
Total	**1,924,651**	**100.0**	1,712,595	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 14.4% from RMB1,222.1 million for the year ended 31 December 2020 to RMB1,398.2 million for the year ended 31 December 2021. Revenue from sales of the Group's tea snacks increased by 16.2% from RMB213.4 million for the year ended 31 December 2020 to RMB248.0 million for the year ended 31 December 2021. Revenue from sales of the Group's tea ware increased by 8.4% from RMB182.6 million for the year ended 31 December 2020 to RMB198.0 million for the year ended 31 December 2021. The revenue increases from sales of the Group's tea leaves, tea snacks and tea ware were primarily due to the domestic epidemic has been controlled and market recovered.

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

Cost of sales

Cost of sales of the Group primarily comprises costs of inventories (mainly including costs of raw materials) and labour costs. Cost of sales of the Group increased by 17.1% from RMB666.8 million for the year ended 31 December 2020 to RMB780.6 million for the year ended 31 December 2021, primarily due to the increase in sales and of the proportion of wholesale sales to distributors.

Gross profit and gross profit margin

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

Distribution costs

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

Administrative expenses

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

Other income

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

Other losses and gains – net

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

Finance income

Finance income of the Group decreased by 12.2% from RMB8.5 million for the year ended 31 December 2020 to RMB7.4 million for the year ended 31 December 2021. The decrease was primarily due to the decrease in interest income as a result of placing capital with bank deposits.

Finance costs

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

Share of profits of investments accounted for using the equity method

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

Income tax expense

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

Profit for the year

As a result of the foregoing factors and primarily due to optimisation of self-owned retail outlets and cost control, profit of the Group, all of which was attributable to the owners of the Company, increased by RMB54.1 million, or 17.7%, to RMB359.5 million for the year ended 31 December 2021 as compared to RMB305.4 million for the year ended 31 December 2020. Net profit margin of the Group increased from 17.8% for the year ended 31 December 2020 to 18.7% for the year ended 31 December 2021, primarily due to the increase of revenue while good control over expense.

Liquidity and capital resources

Cash position

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

The Group's cash and cash equivalents decreased by RMB122.6 million, or 34.0%, from RMB361.0 million as of 31 December 2020 to RMB238.4 million as of 31 December 2021.

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

Bank borrowings and gearing ratio

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

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

The Directors are of the view that the guarantee of bank borrowings of RMB555.4 million as at 31 December 2021 by Mr. Lee Rie-Ho, Mr. Lee Chia Ling and Mr. Lee Kuo-Lin, being a form of financial assistance (as defined in the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchanges of Hong Kong Limited (the "Stock Exchange")) for the benefit of the Group, was on normal commercial terms where no security over the assets of the Group was granted in respect of such financial assistance provided by Mr. Lee Rie-Ho, Mr. Lee Chia Ling and Mr. Lee Kuo-Lin. Accordingly, such guarantee is exempt from all reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

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

As at 31 December 2021	**Less than 1 year** *RMB'000*	**Between 1 and 2 years** *RMB'000*	**Between 2 and 5 years** *RMB'000*	**Over 5 years** *RMB'000*	**Total** *RMB'000*
Borrowings	**619,400**	**–**	**–**	**–**	**619,400**
Interest payments on borrowings *(Note)*	**6,714**	**–**	**–**	**–**	**6,714**
Lease liabilities	**38,462**	**39,360**	**46,014**	**21,057**	**144,893**
Trade and other payables	**352,141**	**–**	**–**	**–**	**352,141**
	1,016,717	**39,360**	**46,014**	**21,057**	**1,123,148**

As at 31 December 2020	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
Borrowings	586,600	–	–	–	586,600
Interest payments on borrowings *(Note)*	751	–	–	–	751
Lease liabilities	38,885	37,403	46,208	19,992	142,488
Trade and other payables	225,634	–	–	–	225,634
	851,870	37,403	46,208	19,992	955,473

Note: The interest payments on borrowings are calculated based on borrowings held as at 31 December 2021 and 2020, respectively (excluding the accrued interest payable balance already in trade and other payables) without taking into account future borrowings.

The Group regularly monitors its gearing ratio, which represents total debt as a percentage of total capital. Total debt is calculated as total borrowings (including current and non-current borrowings). Total capital is calculated as total equity plus total debt. As of 31 December 2021, the gearing ratio of the Group was 25.3%, compared to 25.1% as of 31 December 2020. The increase in the gearing ratio during 2021 was primarily due to increase of bank borrowings.

Capital and other commitments

As of 31 December 2021, the Group had total investment, capital and operating lease commitments of RMB35.3 million, as compared to RMB41.0 million as of 31 December 2020. The Group plans to fund these commitments primarily with available cash.

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

	As of 31 December	
	2021	2020
	RMB'000	*RMB'000*
Investments in joint ventures and associate	**4,717**	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	
	2021	2020
	RMB'000	*RMB'000*
Property, plant and equipment	**23,554**	27,976
Intangible assets	**–**	521
	23,554	28,497

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

	As of 31 December	
	2021	2020
	RMB'000	*RMB'000*
No later than 1 year	**6,986**	6,943
	6,986	6,943

Working capital

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

Notes:

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

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

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

The Group's trade and other receivables represent primarily the balances due from third-party retailers. The Group's trade and other receivables increased by RMB59.5 million from RMB321.4 million as of 31 December 2020 to RMB380.9 million as of 31 December 2021, primarily due to increase of trade receivables from the third parties because of the large amount of wholesale at the end of 2021.

The Group's trade and other payables principally comprise payables to its raw material suppliers, employee benefit payables, other taxes payable, accrued operating expenses and advances from customers. The Group's trade and other payables increased by RMB128.0 million from RMB276.0 million as of 31 December 2020 to RMB404.0 million as of 31 December 2021, primarily due to increase in trade payables due to acquisition of subsidiaries.

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

As of 31 December 2021, the Group has sufficient working capital and financial resources to support its regular operations.

Foreign exchange risk

The Group's normal operating activities are principally conducted in RMB, since all of its operating subsidiaries are based in the PRC. As of 31 December 2021, most of the operating entities' revenue, expenses, assets and liabilities were denominated in RMB. The Group's foreign exchange risk mainly arises from the portion of its sales and purchases of products denominated in USD and financing activities denominated in USD and HKD. The Directors are of the view that the Group does not have significant foreign currency risk.

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

Contingent liabilities

The Group had no material contingent liabilities as of 31 December 2021.

Employee and Remuneration Policy

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

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

The Group also provides continuous learning and training programs to its employees to enhance their skills and knowledge, so as to maintain their competitiveness and improve customer services. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or any material labour dispute during the year ended 31 December 2021.

Major Acquisition

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

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

DIRECTORS

Executive Directors

LEE Rie-Ho (李瑞河), aged 86, is an executive Director and the Chairman of the Group. He was appointed as the Director and Chairman on 22 April 2010 and was re-designated 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 obtained the honorary title of Outstanding Chinese Tea People (Lifetime Achievement) in November 2020. Mr. Lee is the father of Mr. Lee Chia Ling and Mr. Lee Kuo-Lin and the uncle of 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 Chia Ling (李家麟), aged 59, 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 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 60, 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 Mr. Lee Min-Zun. He received his associate in arts degree from Los Angeles City College in the United States in 1988.

FAN Ren Da, Anthony (范仁達), aged 62, is an executive Director. He was re-designated from an independent non-executive Director to an executive Director on 18 May 2021. Mr. Fan holds a master's degree in business administration from the United States. Mr. Fan serves as an independent non-executive director of various listed companies, including 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 ceased to be an independent non-executive director of Raymond Industrial Limited, a company listed on the main board of the Stock Exchange. Mr. Fan is the Founding President of the Hong Kong Independent Non-Executive Director Association.

ZHANG Honghai (張紅海), aged 61, is an executive Director. He was appointed as the executive Director on 18 May 2021. He is also the general manager of Shandong district of the Group, mainly responsible for management and operation of the tea sales in Shandong district. Mr. Zhang has been working with the Group since 1997 for various positions, including supervisor and vice general manager of Jinan branch of the Group, counsellor of north east district, counsellor of east China, general manager of first district of east China, vice general manager and general manager of tea department. From 1982 to 1996, Mr. Zhang worked with textile purchasing and supply station of Yantai, Shandong province mainly responsible for import and export of textile products.

Non-executive Director

TSENG Ming-Sung (曾明順), aged 65, 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 has been the supervisor (監察人) of Ten Ren since 2007. Mr. Tseng obtained a bachelor's degree in mechanical engineering from Chung Yuan Christian University in Taiwan in 1979.

Independent Non-executive Directors

LO Wah Wai (盧華威), aged 58, 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), Shangdong Xinhua Pharmaceutical Company Limited (Stock code: 719) and Holly Futures Co., Ltd. (Stock code: 3678), all of which are listed on the main board of the Stock Exchange. Mr. Lo is a director of Document Security Systems, Inc. (Stock code: DSS), a company listed on the New York Stock Exchange. Mr. Lo was an outside director of Fasteps Co., Ltd. (now known as Quantum Solutions Co., Ltd.) (Stock code: 2388), a company listed on the Tokyo Stock Exchange.

LEE Kwan Hung, Eddie (李均雄), aged 56, 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 Lifestyle Services Limited (formerly known as FSE Engineering Holdings Limited and FSE Services Group Limited); and Ten Pao Group Holdings Limited. Mr. Lee was also an independent non-executive director of Asia Cassava Resources Holdings Limited, Landsea Green Properties Co., Ltd. (formerly known as Landsea Green Group Co., Ltd.) and China BlueChemical Ltd., all of which are listed on the main board of the Stock Exchange.

HUANG Wei (黃瑋), aged 53, is an independent non-executive Director. She was appointed as the independent non-executive Director on 18 May 2021. She is the chairman of remuneration committee of the Company. She is also a member of audit committee and nomination committee of the Company. Dr. Huang is the founder and the managing director of Hong Kong Appraisal Advisory Limited and the general manager of Hong Kong branch of China United Assets Appraisal Group (中聯資產評估集團(香港分所)). Dr. Huang has more than 15 years' experience in the valuation industry including asset and business valuation. She is an Accredited Senior Appraiser of American Society of Appraisers, a Chartered Member of the Royal Institution of Chartered Surveyors. Dr. Huang obtained her master degree with honors in mathematics from Sun Yat-sen University and doctorate degree in real estate economics from the University of Hong Kong. Dr. Huang is also vice president and chairman of business valuation committee of the Hong Kong Independent Non-Executive Director Association, the founding member and senior advisor of HK Bio-Med Innotech Association, the panellist and mentor of HK Tech 300 Programme at City University of Hong Kong, the vice president of Hong Kong Association of Overseas-Returned Scholars Limited and the president of Hong Kong Young Expert Society.

SENIOR MANAGEMENT

LEE Min-Zun (李銘仁), aged 57, 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 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 Mao-Ling (李茂林), aged 60, 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.

The Board is pleased to present this Corporate Governance Report in the Group's Annual Report for the year ended 31 December 2021.

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. Corporate governance provides the framework within which the Board forms their decisions and build their businesses. The entire Board is focusing on creating long-term sustainable growth for shareholders and delivering long-term values to all stakeholders. An effective corporate governance structure allows the Company to have a better understanding of, evaluate and manage, risks and opportunities (including environmental and social risks and opportunities). The Board is responsible for effective governance and oversight of environment, social and governance ("ESG") matters, as well as assessment and management of material environmental and social risks.

For the year ended 31 December 2021, 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 2021.

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 five executive Directors, one non-executive Director 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 during the year ended 31 December 2021 and up to the date of this annual report is set out below:

Executive Directors

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

Mr. FAN Ren Da, Anthony (re-designated on 18 May 2021)

Mr. ZHANG Honghai (appointed on 18 May 2021)

Non-executive Director

Mr. TSENG Ming-Sung

Independent Non-executive Directors

Mr. LO Wah Wai

Mr. LEE Kwan Hung, Eddie

Dr. HUANG Wei (appointed on 18 May 2021)

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 pages 19 to 22 of this annual report.

During the year ended 31 December 2021, 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/her 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. All Directors diligently devote sufficient time and attention to the affairs of the Company and make contribution to the Company that are commensurate with their role and responsibilities.

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 and Diversity Policy

The Nomination Committee comprises four members, namely Mr. Lee Kwan Hung, Eddie (Chairman), Mr. Lee Kuo-Lin, Dr. Huang Wei 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 2021 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 12 April 2022 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 2021. 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 is 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 (including gender diversity) 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, the 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 as well as the Board also review the board diversity policy and the measurable objectives during the year ended 31 December 2021 and the gender diversity of the Board has been achieved upon the appointment of a new Director, namely, Dr. Huang Wei. 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 2021 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
Dr. HUANG Wei (appointed on 18 May 2021)	0/0
Mr. LO Wah Wai	2/2
Mr. FAN Ren Da, Anthony (resigned on 18 May 2021)	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 2021, 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 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 2021 is as follows:

	Type of continuous professional development programmes
Executive Directors	
Mr. LEE Rie-Ho	1, 2, 3
Mr. LEE Chia Ling	1, 2 3
Mr. LEE Kuo-Lin	1, 2, 3
Mr. FAN Ren Da, Anthony (re-designated on 18 May 2021)	1, 2, 3
Mr. ZHANG Honghai (appointed on 18 May 2021)	1, 2, 3
Non-executive Director	
Mr. TSENG Ming-Sung	1, 2, 3
Independent Non-executive Directors	
Mr. LO Wah Wai	1, 2, 3
Mr. LEE Kwan Hung, Eddie	1, 2, 3
Dr. HUANG Wei (appointed on 18 May 2021)	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.

In order to ensure the Directors can participate in board proceedings in a meaningful and effective manners, 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 2021, 4 regular Board meetings were held, including for reviewing and approving the interim results for the six months ended 30 June 2021, 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 2021 are set out below:

Name of Director	Attendance/Number of Meetings
Mr. LEE Rie-Ho	4/4
Mr. LEE Chia Ling	4/4
Mr. LEE Kuo-Lin	4/4
Mr. FAN Ren Da, Anthony (re-designated on 18 May 2021)	4/4
Mr. ZHANG Honghai (appointed on 18 May 2021)	3/3
Mr. TSENG Ming-Sung	4/4
Mr. LO Wah Wai	4/4
Mr. LEE Kwan Hung, Eddie	4/4
Dr. HUANG Wei (appointed on 18 May 2021)	3/3

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 2021.

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. The Company has established mechanism to ensure that each Director is normally able to seek independent professional advice, views and input in appropriate circumstances at the Company's expense, upon making request to the Board. For the year ended 31 December 2021, the Board reviewed the implementation and effectiveness of such mechanism.

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 2021 are set out in Note 38 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 2021 is within the following bands:

	Number of individuals	
	2021	2020
Nil – RMB500,000	**2**	3
RMB500,001 – RMB1,000,000	**2**	1
RMB1,000,001 - RMB1,500,000	**1**	0

Remuneration Committee

The Remuneration Committee comprises five members, namely, Dr. Huang Wei (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 2021.

The Remuneration Committee held 2 meeting during the year ended 31 December 2021 and the attendance records are set out below:

Name of Director	Attendance/Number of Meetings
Dr. HUNAG Wei (appointed on 18 May 2021)	0/0
Mr. LEE Rie-Ho	2/2
Mr. LO Wah Wai	2/2
Mr. LEE Kwan Hung, Eddie	2/2
Mr. LEE Chia Ling	2/2
Mr. FAN Ren Da, Anthony (resigned on 18 May 2021)	2/2

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 2021.

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. Such risks would include, amongst others, material risks relating to ESG. 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 (including ESG risks). 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 (including ESG 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 2021, 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, Dr. Huang Wei 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.

The whistleblowing policy has been implemented for employees, customers, suppliers and other stakeholders who have concerns about any suspected misconduct or malpractice within the Group to raise concerns, in confidence and anonymity. The Audit Committee has overall responsibility for monitoring and reviewing the operation of such policy and any recommendations for action resulting from investigation into complaints.

During the year ended 31 December 2021, 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 2021 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
Dr. HUANG Wei (appointed on 18 May 2021)	1/1
Mr. LEE Kwan Hung, Eddie	2/2
Mr. FAN Ren Da, Anthony (resigned on 18 May 2021)	1/1

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 59.

During the year ended 31 December 2021, the remuneration paid/payable to the Company's external auditor, PricewaterhouseCoopers, is set out below:

Service Category	Amount (RMB '000)
Annual audit services	2,600
Non-audit services	
– Interim review services	1,000
– Other non-audit services	824
Total	4,424

Note: the amount for other non-audit services mainly represented the professional fee payable by the Group for the services related to 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 Company will continue to maintain an on-going dialogue with the Shareholders and will review the shareholders' communication policy regularly to ensure its effectiveness. Information will be communicated to the shareholders through the Company's financial reports, annual general meetings and other general meetings that may be convened, as well as the announcements submitted through the Stock Exchange.

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 Company also arrange to address questions from Shareholders in the general meetings.

The Chairman of the Board, members of the Board and external auditor of the Company attended the 2021 annual general meeting of the Company ("AGM") held on 13 May 2021. 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 Chia Ling	1/1
Mr. LEE Kuo-Lin	1/1
Mr. FAN Ren Da, Anthony (re-designated on 18 May 2021)	1/1
Mr. ZHANG Honghai (appointed on 18 May 2021)	0/0
Mr. TSENG Ming-Sung	1/1
Mr. LO Wah Wai	1/1
Mr. LEE Kwan Hung, Eddie	1/1
Dr. HUANG Wei (appointed on 18 May 2021)	0/0

The external auditor of the Company also attended the 2021 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 2022 AGM will be held on 17 May 2022 (Tuesday). The notice of AGM will be sent to the shareholders of the Company at least 20 clear business days before the 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.

Additionally, the Shareholders are encouraged to (i) participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalves if they are unable to attend the meetings; (ii) attend shareholders' activities organized by the Company, where information about the Company, including its latest strategic plan, products and services will be communicated; and (iii) provide, amongst other things, in particular, their emails addresses to the Company in order to facilitate timely and effective communications.

For the year ended 31 December 2021, the Board reviewed implementation and effectiveness of the shareholders' communication policy conducted during the year.

In addition, there was no significant change in the Company's constitutional documents during the year ended 31 December 2021.

Pursuant to the amendments to Appendix 3 of the Listing Rules which took effect on 1 January 2022, the Board proposed to make amendment to the articles of association of the Company, for the details please refer to the Company's circular dated 12 April 2022.

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 11/F, No. 88 Lockhart Road, Wan Chai, 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 branch 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 from 1 January 2021 to 19 July 2021 and engaged Ms. Leung Shui Bing, a manager of the Listing Services Department of TMF Hong Kong Limited, as its Company Secretary from 19 July 2021 to 31 December 2021. Their 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 and Ms. Leung has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2021.

Report of the Board of Directors

The Directors are pleased to present their report and the audited consolidated financial statements for the year ended 31 December 2021 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 2021 is set out in Note 5 to the Consolidated Financial Statements.

Financial statements

The results of the Group for the year ended 31 December 2021 are set out in the Consolidated Statement of Comprehensive Income. The financial position as at 31 December 2021 of the Group is set out in the Consolidated Balance Sheet. The cash flow position of the Group during the year ended 31 December 2021 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 2021 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 2021 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 2021, 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. Tea mooncakes of the Group have obtained the titles of "high quality mooncakes" and "China mooncakes" of China Mooncakes Culture Festival since 2012 for eight consecutive years. The Group has also added the anti-counterfeiting labels to the products to enhance the quality control.

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 2021, 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 Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. The followings are the principal risks and uncertainties identified by the Group. There may be other risks particularly, in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Key risks and uncertainties	Analysis	Mitigating measures
1. Unprecedented changes in the macroenvironment have combined with the mutations and recurrent outbreaks of COVID-19 to trigger rapid shifts in international economic focus, political landscape, globalization process, technology and industry, global governance, etc. The technological revolution and industrial transformation have been intensively developing, adding to the instability and uncertainties. The tests from the international political environment have become long-term, complex and severe. 2. The global economy is still racing against the epidemic, whereas sporadic cases of COVID-19 have occurred in multiple places of China. China is facing new challenges in fighting the epidemic. Although the economy continues to recover, it is not all smooth sailing.	1. Higher-than-expected inflation, intensifying trade friction, heightened financial market volatility, increasing economic downward pressure, unexpected changes in the domestic and global COVID-19 epidemics, worsening Sino-US relations, sharp deterioration in the international economic situation, overseas black swan events, etc. Affected by these factors, the overall retail industry is still in a sluggish situation, and it is expected that it will take a long time to pick up and improve. 2. Currently, the policy promoting domestic consumption is offsetting the economic downturn. The policy orientation toward consumption upgrade has been gradually strengthened, vigorously supporting the development of the "night economy". If the epidemic is alleviated going forward, the momentum of consumption, such as cultural tourism, accommodation, catering and retail, will pick up in an accelerated manner.	1. The Group continues to promote the policy of increasing income and reducing expenditure. Faced with the uncontrollable impact of macroeconomic regulation and the COVID-19 pandemic, while efficiently and strictly controlling the costs in each respect, we actively encourage our franchisees to expand their sales outlets with a view to control the overheads of outlets and future operation costs more effectively, so that performance can grow in a stable manner, thus achieving common prosperity through sustainable development.

Key risks and uncertainties	Analysis	Mitigating measures
3. Inflation, slowing growth and financial turmoil brought about by the outbreak of the Russian-Ukrainian war may be inevitable. From the perspective of the current impact on China, the increased volatility of global commodity prices may exacerbate production cost pressures in China.	3. Given the state of economic development and the continuous mutation of the COVID-19, the requirements for epidemic prevention and control have further tightened. This has profoundly changed the working and living habits of residents, and has also generated new consumption needs among residents. Attention has been paid to the domestic demand for healthy consumption. 4. Russia and Ukraine have important influence in international energy industries such as oil, natural gas, grain, fertilizer, and rare gas. If the escalation of the Russian-Ukrainian war leads to an all-out confrontation between the West and Russia, the impact of the Russian-Ukrainian war will greatly exceed expectations, and it will have a profound impact on industries such as energy, chemicals, agriculture, non-ferrous metals and semiconductors, which may lead to a surge in the upstream prices of the above industrial chains. The risk of global hyperinflation is on the rise, and the imported inflation pressure China faces will also increase. The production cost of enterprises will inevitably increase, which will cause certain pressure on the economic development of various industries in China.	2. Engage in brand building and shaping to strengthen brand identification. Giving full play to the basic attributes of tea as a natural and healthy drink, we deeply combine the concept of Tenfu as a "natural, healthy and humane" brand with its positioning as "Our Second Living Room". Through Tenfu store decoration and product upgrade and optimization, we create three big spaces: space for the display of tea products, space for business meetings, and space for tea cultural exchanges. By advertising on new social media and boosting media coverage and publicity, we raise our brand reputation and exposure and at the same time endow Tenfu stores with the "cultural attribute" as humanistic space to attract more consumers to stay longer in our stores to consume. 3. For companies, risk avoidance is as important as concentration. In enhancing the awareness of "risk avoidance", considering that international turbulence will be felt by the industry in terms of production cost and factory work progress, we must maintain sufficient sensitivity to it, maintain sufficient "concentration" in the face of risks, and prepare relevant contingency plans as soon as possible, and avoid the passive situation of being overwhelmed and failing to advance or retreat.

Key risks and uncertainties	Analysis	Mitigating measures
1. In the transformation and development of the tea industry, mass tea consumption has become the mainstream, and there is a gradual shift in its growth momentum and development opportunity from first – and second-tier cities to third – and fourth-tier cities.	1. As China's economic level improves, the impact and changes brought to the development of third – and fourth-tier cities are particularly obvious, and the market gap and room for development are relatively large. It is the market strategy and layout that is attempted by many tea companies to step up efforts on developing and supporting third – and fourth-tier markets to provide a supporting boost to lower-tier markets of the tea industry.	1. Tenfu stores – strategize offline stores, deep plow regionalization, and through establishing a community operation and membership system, promote our WeChat customer service account, and rapidly build our own private domain traffic pool. In addition to the layout of physical stores, we also leverage group purchases, customer customization, live streaming and other means to provide a supporting boost to the development of lower-tier markets and facilitate a better coverage of third – and fourth-tier markets nationwide, thus providing strong support for the growth of the Group's operations.
2. The channels for tea products to reach consumers are becoming increasingly abundant and diverse, and there are higher requirements for traditional tea brands in terms of product detail planning ability and channel penetration acuity.	2. After experiencing the COVID-19 pandemic, tea consumers have been driven to develop the habit of accessing products and learning brands on Tik Tok, Kuaishou, live streaming platforms, etc. Whether offline or online, brands that are truly valuable or have strong risk resistance in the market will allow them to have a more efficient coverage of consumers at the level of consumer desires, thus forming consumption inertia.	
3. With the rise in the awareness for healthy consumption, the trends of diversification of consumer demand and continuous rationalization of consumption are becoming more and more obvious, and a stalemate arising from homogeneous industry competition has been present.		

Key risks and uncertainties	Analysis	Mitigating measures
	3. In the face of numerous homogeneous brands, it is highly necessary to build and maintain market competitiveness from the "differentiation" perspective. How to make the "healthy" attributes of tea more clearly expressed and to seize the current major trend of "healthy consumption" to provide consumers with healthier and safer products is the key to winning the game for tea enterprises.	2. Follow the market trend, step into consumption hotspots, make good preparation from product to marketing, and provide services from personal consumption to tea customization. In addition, from e-commerce to mini program, we conduct online and offline multi-scenario integration around tea consumption, and operationally strengthen our e-commerce platform. Currently, we create scenarios of "Tea+ Lifestyle" on more than 10 retail channels, including Tmall, JD and gocha, striving to create "consumption inertia" belonging to the Tenfu brand in the mass consumption market through various channels to reach young consumers. 3. Product innovation is vitality. Whether it is tea products or horizontal cross-over tea products, we are constantly emphasizing the innovation of products. We actively develop healthy, diversified and multi-category products, and are committed to innovation in products, marketing and experience to break the stalemate arising from the homogenization of tea enterprises and thus build the market competitiveness of our own brands from the "differentiation" perspective.

Key risks and uncertainties	Analysis	Mitigating measures
1. As an agricultural product, tea leaves cultivated at source are lacking in production model, testing techniques and control of hazardous substances. There is a multitude of standards for tea products but no system, and testing standards may be subject to change.	1. The major risk to the safety of edible agricultural products in China, including tea and related products, is the long-term extensive agricultural production and the long-term accumulation of various contradictions arising from the implementation of the industrialization strategy. The food safety legislation is being constantly improved.	1. Actively pay attention to the latest environmental protection, food safety and other related regulations rolled out by the Chinese government. Faced with the increasingly severe food safety challenges, the Company is committed to building a tea quality traceability system through which "production can be recorded, information can be queried, flow can be tracked, responsibility can be investigated, and products can be recalled". With every product sold bearing a barcode and every can of tea bearing a label, tea quality can be traced throughout the process. We ensure the excellent and stable quality of Tenfu products on scientific management and strict quality control and thus upgrade the Company's channel management capabilities.
2. The state authorities have raised stricter demands on the quality and texture of packaging, labeling, storage conditions, transportation, etc.	2. Packaging, storage and transport conditions are also key factors that affect the quality and safety of products.	2. Strengthen the quality and texture of product packaging and the selection and usage of storage utensils with priority given to environmental-friendliness and degradability, and ensure moisture-proof and odor-proof storage conditions and the optimal quality of products during the transportation process.

Share capital

The changes in the share capital of the Company during the year ended 31 December 2021 are set out in Note 15 to the Consolidated Financial Statements.

Final dividend

At the Board meeting held on 18 March 2022 (Friday), it was proposed that a final dividend of HKD0.23 per ordinary share (equivalent to RMB0.19 per ordinary share) be paid on or after 31 May 2022 to the shareholders of the Company (the "Shareholders") whose names appear on the Company's register of members on 24 May 2022 (Tuesday). The proposed final dividend is subject to approval by the Shareholders at the AGM to be held on 17 May 2022 (Tuesday).

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

Closure of register of members

For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from 12 May 2022 (Thursday) to 17 May 2022 (Tuesday), both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 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 11 May 2022 (Wednesday).

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

Reserves

Details of the changes in reserves of the Group during the year ended 31 December 2021 are set out in Notes 15, 16 and 17 to the Consolidated Financial Statements.

Distributable reserves

Under the Companies Act 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 2021, the Company had distributable reserve amounting to approximately RMB245,901,000.

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 Act. 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 2021 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 29.5% of the Group's total purchase. The Group selects suppliers carefully to ensure the quality of raw materials and packaging materials through maintaining appraisal records for suppliers and grading them on a declining scale according to the quality of material supplied, price, ability to meet demand and punctuality of delivery time.

During the year, the percentage of revenue attributable to the Group's five largest customers accounted for approximately 2.0% of the Group's total revenue. The credit terms granted to the top five customers are in line with those granted to other customers. The top five customers made 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 2021, the Group did not incur any material costs in relation to these complaints and there had not been any material product recall.

Report of the Board of Directors

Except Samoa Group (defined as below) which is wholly-owned by Mr. Lee Chia Ling, a substantial shareholder 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 2021 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 Chia Ling

Mr. LEE Kuo-Lin

Mr. FAN Ren Da, Anthony (re-designated on 18 May 2021)

Mr. ZHANG Honghai (appointed on 18 May 2021)

Non-executive Director

Mr. TSENG Ming-Sung

Independent Non-executive Directors

Mr. LO Wah Wai

Mr. LEE Kwan Hung, Eddie

Dr. HUANG Wei (appointed on 18 May 2021)

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 2021 is set out in Note 38 to the Consolidated Financial Statements.

In accordance with article 83(3) of the Articles of Association, Mr. Zhang Honghai and Dr. Huang Wei will retire and being eligible, will offer themselves for re-election at the Annual General Meeting.

In accordance with article 84(1) of the Articles of Association, Mr. Lee Rie-Ho, Mr. Fan Ren Da, Anthony and Mr. Tseng Ming-Sung will retire by rotation and being eligible, have offered themselves for re-election at the Annual General Meeting.

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

Save as disclosed in the 2021 interim report of the Company, Mr. Lo Wah Wai has been appointed as independent non-executive director of Holly Futures Co., Ltd. (Stock code: 3678), a company listed on main board of the Stock Exchange, on 23 December 2021.

Save as mentioned above, 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 since the publication of the 2021 interim report of the Company.

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 36 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 "Covenantors") 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 2021.

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.

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 2021, 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	188,789,000 (L)	17.24%
Mr. Lee Chia Ling(2)	Settlor of The KCL Trust	378,273,000 (L)	34.54%
	Personal interest/individual	76,926,028 (L)	7.02%
Mr. Lee Kuo-Lin(2)	Beneficiary of The KCL Trust	378,273,000 (L)	34.54%
Mr. Tseng Ming-Sung	Personal interest/individual	4,719,000 (L)	0.43%

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 378,273,000 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 1,095,126,460 Shares in issue as at 31 December 2021.

(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 2021, 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	188,789,000 (L)	17.24%
Ms. Lee Tsai Li-Li[1]	Interest as a spouse	188,789,000 (L)	17.24%
UBS TC (Jersey) Ltd.[2] [3]	Trustee	378,273,000 (L)	34.54%
Trackson Investments Limited[2]	Registered owner	378,273,000 (L)	34.54%
Tiger Nature Holdings Limited[2]	Interest in a controlled corporation	378,273,000 (L)	34.54%
The KCL Trust[2]	Interest in a controlled corporation	378,273,000 (L)	34.54%
Mr. Lee John L[2]	Beneficiary of The KCL Trust	378,273,000 (L)	34.54%
Ms. Zhou Nan-Nan[2]	Interest as a spouse	455,199,028 (L)	41.57%
Spring Cheers Overseas Ltd.	Registered owner	114,379,023 (L)	10.44%

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 378,273,000 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 378,273,000 Shares held by The KCL Trust.*

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

(5) *There were 1,095,126,460 Shares in issue as at 31 December 2021.*

Subsidiaries

Details of the major subsidiaries of the Company as of 31 December 2021 are set out in Note 32 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 2021.

Equity-linked agreements

No equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2021.

Connected transactions

The Group's related parties transactions for the year ended 31 December 2021 set out in Note 36 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.	Hainan[1]	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
2.	Hubei[1]	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
3.	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: Two years from 1 December 2020 to 30 November 2022 Rental: 30,000/month	Store premises with a gross floor area of approximately 643.6 square meters
4.	Fujian	福州天福茗茶銷售有限公司 (Fu Zhou Tian Fu Tea Sales Co., Ltd.)	Mr. Lee Chien-Te 李建德 (cousin of Mr. Lee Chia Ling and Mr. Lee Kuo-Lin, the Directors)	Term: Six months from 1 December 2020 to 31 May 2021 Rental: 62,000/month	Store premises with a gross floor area of approximately 451.7 square meters

Note 1: As the continuing connected transactions under items 1 and 2 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 2021, the amount of rental paid/payable by the Group in respect of the lease agreements between the Group and Mr. Lee Chia Ling were RMB1,200,000.

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 2020 to 22 September 2022 Rental: 20,000/month	Store premises with a gross floor area of approximately 345.8 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 and three years from 19 May 2021 to 18 May 2024 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: One year from 1 March 2020 to 28 February 2021 Rental: 5,000/month	Store premises with a gross floor area of approximately 50.58 square meters
4.	Liaoning	大連天福茗茶銷售有限公司 (Dalian Tenfu Tea Sales Co., Ltd.)	Mr. Lee Chia Ling	Term: One year from 1 March 2020 to 28 February 2021 Rental: 45,000/month	Store premises with a gross floor area of approximately 400 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	Term: Three years from 1 March 2021 to 29 February 2024 Rental: 50,000/month	Store premises with a gross floor area of approximately 400 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 3 December 2019 and 9 December 2019 in respect of the renewal of the continuing connected transactions under 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 Nan-Nan, 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 (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 2021, 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 RMB17,923,000.

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

Reference is made to the announcement of the Company dated 3 December 2019 in respect of the renewal of the continuing connected transactions under 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 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 renewed annual cap not exceeding RMB5,000,000, RMB5,000,000 and RMB5,000,000 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 2021, the amount of services fees that the Group paid/payable to Samoa Group under the 2019 Renewed Samoa Master Processing Agreement was RMB1,187,000.

Mingfeng Leasing Framework Agreement with Mingfeng

Reference is made to the announcements of the Company dated 3 December 2019 and 9 December 2019 in respect of the continuing connected transactions in relation to the lease agreements from Xiamen Mingfeng Commercial Management Co., Ltd. (廈門銘峰商業管理有限公司).

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.

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 HKFRS 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 2021, the amount of rentals that the Group paid/payable to Mingfeng under the Mingfeng Leasing Framework Agreement was RMB2,524,000.

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 announcement of the Company dated 27 March 2019, the circular of the Company dated 18 April 2019, and the poll results announcement dated 14 May 2019 in respect of the renewal of the continuing connected transactions under 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 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 2021, 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 RMB129,415,000.

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 entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and

3. have exceeded the annual cap as set by the Company.

Employee and remuneration policies

As of 31 December 2021, the Group had an aggregate of 3,508 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.

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for employees employed under the jurisdiction of the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the MPF Scheme vest immediately.

Pursuant to the relevant labour laws, rules and regulations in the PRC, the Group participates in defined contribution retirement benefit scheme (the "Retirement Benefit Scheme") organised by the relevant local government authorities in the PRC whereby the Group is required to make contributions to the Retirement Benefit Scheme at a certain rate of the standard wages determined by the relevant authorities in the PRC during the year. Contributions to the Retirement Benefit Scheme vest immediately.

During the year ended 31 December 2021, there was no forfeited contribution under the MPF Scheme and Retirement Benefit Scheme which may be used by the Group to reduce the existing level of contributions and the contribution payable in the future years. Accordingly, there was no forfeited contribution was utilised during the year.

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.

Corporate governance

The Company is committed to the establishment of stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company strives to maintain a high standard of corporate governance. For the year ended 31 December 2021, the Company has complied with the code provisions included in the Corporate Governance Code and there has been no deviation from the code provisions as set forth under the Corporate Governance Code for the year ended 31 December 2021. 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 2021.

Purchase, sale or redemption of shares

The Directors have been granted by the Shareholders at the annual general meeting of the Company held on 13 May 2021 (the "2021 AGM") the general mandate to repurchase up to 110,181,246 Shares (the "Repurchase Mandate"), being 10% of the total number of the issued shares of the Company as at the date of the 2021 AGM, on the Stock Exchange. During the year ended 31 December 2021, the Company had repurchased a total of 4,992,000 ordinary Shares of HK$0.1 each in compliance with the memorandum and articles of association of the Company, the Listing Rules, the Codes on Takeovers and Mergers and Share Buy-backs, the Companies Act of the Cayman Islands and all applicable laws and regulations to which the Company is subject to. During the year ended 31 December 2021, the aggregate consideration of HK$27,033,990 was paid for the share repurchase. The Company confirms that the share 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. During the year ended 31 December 2021, 3,689,000, 890,000, 1,402,000 and 705,000 shares repurchased were cancelled on 14 May 2021, 18 August 2021, 11 October 2021 and 3 December 2021, respectively. Subsequently, the Company had repurchased a total of 58,000 shares in the aggregate consideration of HK$314,090 in January 2022. Details of the repurchases during the year under review are as follows:

Month of Shares repurchase	Total number of shares repurchased	Highest price paid per share (HK$)	Lowest price paid per share (HK$)	Aggregate consideration (HK$)
January 2021	422,000	6.07	5.90	2,537,570
March 2021	587,000	5.50	5.40	3,218,910
April 2021	306,000	5.50	5.40	1,671,650
May 2021	491,000	5.50	5.09	2,664,480
June 2021	226,000	5.45	5.35	1,222,770
July 2021	233,000	5.43	5.25	1,241,850
August 2021	380,000	5.30	5.20	1,993,070
September 2021	972,000	5.35	5.09	4,991,280
October 2021	373,000	5.60	5.05	1,946,600
November 2021	372,000	5.75	5.40	2,068,350
December 2021	630,000	5.70	5.40	3,477,460

The Board considers that the current trading price of the Shares does not reflect their intrinsic value. The Board believes that the share 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 share 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 2021.

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

The Group has no significant events after the reporting period.

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 2021.

Auditor

The Company appointed PricewaterhouseCoopers as the auditor of the Company for the year ended 31 December 2021. The Company will submit a resolution in the 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, 18 March 2022

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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 (the "Group"), which are set out on pages 64 to 144, comprise:

- the consolidated balance sheet as at 31 December 2021;
- 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 significant accounting policies and other explanatory information.

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 2021, 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 our 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 judgment, 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.

A key audit matter identified in our audit is summarised as follows:

- Revenue Recognition

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue Recognition Refer to Note 2.24 and Note 5 to the consolidated financial statements. Revenue of the Group for the year ended 31 December 2021 is RMB1,924.7 million. The Group's major revenue 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. 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 approximately 633 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 of the Group 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 examining 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 respectively 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, including sales orders, invoices, goods delivery notes and cash receipts, 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 audit procedures, we found the Group's revenue recognition in relation to sales of goods was supported by the evidence that we gathered.

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Other Information

The directors of the Company are responsible for the other information. 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 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.

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

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

- 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 them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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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 Esmond S.C. Kwan.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 18 March 2022

Consolidated Balance Sheet

As at 31 December 2021

	Note	As at 31 December 2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**693,684**	644,146
Right-of-use assets	7	**424,400**	394,751
Investment properties	8	**25,864**	7,621
Intangible assets	9	**4,592**	4,003
Investments accounted for using the equity method	10	**112,797**	112,969
Deferred income tax assets	23	**46,753**	47,745
Prepayments – non-current portion	13(b)	**22,841**	273
Restricted cash	15	**–**	110,000
Long-term time deposits	15	**–**	20,000
		1,330,931	1,341,508
Current assets			
Inventories	11	**1,061,873**	875,976
Trade and other receivables	13(a)	**380,895**	321,354
Prepayments	13(b), 36(b)	**64,983**	62,884
Financial assets at fair value through profit or loss	14	**5,000**	1,000
Restricted cash	15	**–**	4,000
Long-term time deposits – current portion	15	**130,000**	–
Cash and cash equivalents	15	**238,380**	360,999
		1,881,131	1,626,213
Total assets		**3,212,062**	2,967,721

Consolidated Balance Sheet

As at 31 December 2021

(continued)

	Note	As at 31 December 2021 RMB'000	2020 RMB'000
EQUITY			
Capital and reserves attributable to the shareholders of the Company			
Share capital	16	**90,025**	90,571
Treasury shares	16	**(2,897)**	(11,871)
Other reserves	17	**7,420**	19,275
Retained earnings	18	**1,738,271**	1,653,549
Total equity		**1,832,819**	1,751,524
LIABILITIES			
Non-current liabilities			
Lease liabilities	7	**101,098**	102,912
Deferred income on government grants	22	**44,049**	32,793
Deferred income tax liabilities	23	**46,704**	50,052
		191,851	185,757
Current liabilities			
Trade and other payables	19, 36(b)	**403,965**	275,979
Dividends payable		**243**	251
Current income tax liabilities		**52,407**	54,710
Borrowings	20	**619,400**	586,600
Contract liabilities	21	**74,252**	75,438
Lease liabilities	7	**37,125**	37,462
		1,187,392	1,030,440
Total liabilities		**1,379,243**	1,216,197
Total equity and liabilities		**3,212,062**	2,967,721

The notes on pages 69 to 144 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 64 to 144 were approved by the Board of Directors on 18 March 2022 and the consolidated balance sheet was signed on its behalf by:

Mr. LEE Rie-Ho
Director

Mr. LEE Chia Ling
Director

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000
Revenue	5	**1,924,651**	1,712,595
Cost of sales	24	**(780,604)**	(666,755)
Gross profit		**1,144,047**	1,045,840
Distribution costs	24	**(401,612)**	(365,258)
Administrative expenses	24	**(236,961)**	(222,486)
Other income	25	**19,733**	30,091
Other gains/(losses) – net	26	**2,250**	(421)
Operating profit		**527,457**	487,766
Finance income	28	**7,437**	8,470
Finance costs	28	**(28,918)**	(31,306)
Finance costs – net	28	**(21,481)**	(22,836)
Share of profits of investments accounted for using the equity method	10	**2,756**	2,161
Profit before income tax		**508,732**	467,091
Income tax expense	29	**(149,251)**	(161,682)
Profit for the year, all attributable to the shareholders of the Company		**359,481**	305,409
Other comprehensive income for the year		**–**	–
Total comprehensive income for the year, all attributable to the shareholders of the Company		**359,481**	305,409
Earnings per share for profit attributable to the shareholders of the Company			
– Basic earnings per share	30	**RMB0.33**	RMB0.28
– Diluted earnings per share	30	**RMB0.33**	RMB0.28

The notes on pages 69 to 144 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to the shareholders 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 2020	91,274	–	(8,336)	41,926	1,569,434	1,694,298
Comprehensive income						
Profit and total comprehensive income for the year	–	–	–	–	305,409	305,409
Transactions with shareholders						
Profit appropriation to statutory reserves (Note 17)	–	–	–	19,590	(19,590)	–
Repurchase of shares (Note 16)	–	–	(46,617)	–	–	(46,617)
Cancellation of shares (Note 16)	(703)	–	43,082	(42,241)	–	138
Dividends (Note 31)	–	–	–	–	(201,704)	(201,704)
Total transactions with shareholders	(703)	–	(3,535)	(22,651)	(221,294)	(248,183)
Balance at 31 December 2020	90,571	–	(11,871)	19,275	1,653,549	1,751,524
Balance at 1 January 2021	**90,571**	**–**	**(11,871)**	**19,275**	**1,653,549**	**1,751,524**
Comprehensive income						
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**359,481**	**359,481**
Transactions with shareholders						
Profit appropriation to statutory reserves (Note 17)	**–**	**–**	**–**	**19,034**	**(19,034)**	**–**
Repurchase of shares (Note 16)	**–**	**–**	**(22,501)**	**–**	**–**	**(22,501)**
Cancellation of shares (Note 16)	**(546)**	**–**	**31,475**	**(30,889)**	**–**	**40**
Dividends (Note 31)	**–**	**–**	**–**	**–**	**(255,725)**	**(255,725)**
Total transactions with shareholders	**(546)**	**–**	**8,974**	**(11,855)**	**(274,759)**	**(278,186)**
Balance at 31 December 2021	**90,025**	**–**	**(2,897)**	**7,420**	**1,738,271**	**1,832,819**

The notes on pages 69 to 144 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2021

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Cash generated from operations	33(a)	**472,701**	483,108
Interest paid		**(18,075)**	(31,555)
Income tax paid		**(146,045)**	(146,820)
Net cash inflow from operating activities		**308,581**	304,733
Cash flows from investing activities			
Acquisition of subsidiary	35	**2,180**	–
Investment in an associate	10	**–**	(300)
Purchase of right-of-use assets		**(34,704)**	–
Purchase of property, plant and equipment		**(96,596)**	(42,475)
Purchase of intangible assets		**(494)**	(1,515)
Changes in investments in time deposits with maturity more than 3 months		**–**	123,185
Payments for financial assets at fair value through profit or loss		**(5,000)**	1,714
Proceeds from sale of financial assets at fair value through profit or loss		**1,080**	287
Proceeds from disposal of property, plant and equipment	33(b)	**1,675**	1,190
Proceeds from disposal of intangible assets		**–**	29
Interest received		**2,197**	5,430
Dividends received from a joint venture	10	**2,840**	2,496
Asset-related government grants received	22	**12,680**	1,000
Net cash (outflow)/inflow from investing activities		**(114,142)**	91,041
Cash flows from financing activities			
Repurchase of shares of the Company		**(22,461)**	(46,479)
Proceeds from borrowings	33(c)	**1,088,200**	1,332,600
Repayments of borrowings	33(c)	**(1,055,400)**	(1,262,703)
Principal elements of lease payments	33(c)	**(72,735)**	(46,091)
Dividends paid to the shareholders of the Company	31	**(255,725)**	(201,704)
Changes in restricted cash pledged for letter of guarantee	15	**4,000**	–
Net cash outflow from financing activities		**(314,121)**	(224,377)
Net (decrease)/increase in cash and cash equivalents		**(119,682)**	171,397
Effect of foreign exchange rate changes		**(2,937)**	(1,364)
Cash and cash equivalents at beginning of the year		**360,999**	190,966
Cash and cash equivalents at end of the year	15	**238,380**	360,999

The notes on pages 69 to 144 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, Guangxi Zhuang Autonomous Region, Guizhou Province and Zhejiang Province, the People's Republic of China (the "PRC") and sells mainly to customers located in the PRC.

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

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

The consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements set out on pages 64 to 144 have been approved for issue by the board of directors (the "Board") of the Company on 18 March 2022.

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 or revalued amount.

(c) New and amended standards adopted by the Group

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

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

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

(d) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2021 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

		Effective for annual periods beginning on or after
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
AG 5 (Revised)	Merger Accounting for Common Control Combinations	1 January 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKFRS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKFRS 17	Insurance contracts	1 January 2023
HK Int 5 (2020)	Presentation of Financial Statements-Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Annual Improvements to HKFRS Standards 2018-2020		1 January 2022
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023

2 Summary of significant accounting policies *(continued)*

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2.3).

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

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.

2 Summary of significant accounting policies *(continued)*

2.2 Consolidation *(continued)*

(b) Associates *(continued)*

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.

(c) Joint arrangements

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.

2 Summary of significant accounting policies *(continued)*

2.2 Consolidation *(continued)*

(d) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

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

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

2 Summary of significant accounting policies *(continued)*

2.4 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 2.10.

2.5 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 executive committee that makes strategic decisions.

2.6 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'.

2 Summary of significant accounting policies *(continued)*

2.6 Foreign currency translation *(continued)*

(b) Transactions and balances *(continued)*

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.

2.7 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.

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 Summary of significant accounting policies *(continued)*

2.8 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.

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 2.10).

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 Summary of significant accounting policies *(continued)*

2.9 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.

(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 Summary of significant accounting policies *(continued)*

2.10 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.

2.11 Financial assets

2.11.1 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.

2.11.2 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 Summary of significant accounting policies *(continued)*

2.11 Financial assets *(continued)*

2.11.3 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 fair value through other comprehensive income 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.

2.11.4 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.

2.12 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)*

2.13 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.

2.14 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 13 for further information about the Group's accounting for trade and other receivables and Note 2.11.4 for a description of the Group's impairment policies.

2.15 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.

2.16 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.

2.17 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 Summary of significant accounting policies *(continued)*

2.18 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.

2.19 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.

2.20 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)*

2.20 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 and does not give rise to equal taxable and deductible temporary differences. 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.

2.21 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 Summary of significant accounting policies *(continued)*

2.22 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.

2.23 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.

2.24 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.

2 Summary of significant accounting policies *(continued)*

2.24 Revenue recognition *(continued)*

(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 through payment platforms such as Alipay or WeChat Pay.

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.

2.25 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.

(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.

2.26 Dividend income

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

2 Summary of significant accounting policies *(continued)*

2.27 Leases

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.

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.

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.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

2.28 Interest income

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

2 Summary of significant accounting policies *(continued)*

2.29 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.

2.30 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.

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk (continued)

(i) Foreign exchange risk *(continued)*

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	
	2021	2020
	RMB'000	RMB'000
Profit after income tax increase/(decrease)		
– Strengthened 5%	**3,509**	6,916
– Weakened 5%	**(3,509)**	(6,916)
Equity increase/(decrease)		
– Strengthened 5%	**3,509**	6,916
– Weakened 5%	**(3,509)**	(6,916)

(ii) Cash flow and fair value interest rate risk

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	
	2021	2020
	RMB'000	RMB'000
Post-tax profit increase/(decrease)		
– 10% higher	**(1,618)**	(1,074)
– 10% lower	**1,618**	1,074
Equity increase/(decrease)		
– 10% higher	**(1,618)**	(1,074)
– 10% lower	**1,618**	1,074

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(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 2021 and 2020, 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.

(i) Impairment of financial assets

The Group has only one type of financial assets that are subject to the expected credit loss model: trade receivables for sales of inventory.

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

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 December 2021 or 1 January 2021 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk (continued)

(i) Impairment of financial assets *(continued)*

On that basis, the loss allowance as at 31 December 2021 and 31 December 2020 was determined as follows for trade receivables:

31 December 2021	**Current RMB'000**	**More than 1 year past due RMB'000**	**More than 2 years past due RMB'000**	**Total RMB'000**
Expected loss rate	**0.6%**	**79.2%**	**100.0%**	
Gross carrying amount – trade receivables	**358,937**	**361**	**1,544**	**360,842**
Loss allowance	**2,211**	**286**	**1,544**	**4,041**

31 December 2020	Current RMB'000	More than 1 year past due RMB'000	More than 2 years past due RMB'000	Total RMB'000
Expected loss rate	0.6%	93.2%	100.0%	
Gross carrying amount – trade receivables	306,838	172	2,278	309,288
Loss allowance	1,752	160	2,278	4,190

The loss allowances for trade receivables and contract assets as at 31 December reconcile to the opening loss allowances as follows:

	Trade receivables	
	2021 RMB'000	2020 RMB'000
Opening loss allowance at 1 January	**4,190**	–
Increase in loan loss allowance recognised in profit or loss during the year	**(149)**	4,190
Closing loss allowance at 31 December	**4,041**	4,190

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 2021	**Less than 1 year RMB'000**	**Between 1 and 2 years RMB'000**	**Between 2 and 5 years RMB'000**	**Over 5 years RMB'000**	**Total RMB'000**
Borrowings	**619,400**	**–**	**–**	**–**	**619,400**
Interest payments on borrowings (note)	**6,714**	**–**	**–**	**–**	**6,714**
Lease liabilities	**38,462**	**39,360**	**46,014**	**21,057**	**144,893**
Trade and other payables	**352,141**	**–**	**–**	**–**	**352,141**
	1,016,717	**39,360**	**46,014**	**21,057**	**1,123,148**

As at 31 December 2020	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Borrowings	586,600	–	–	–	586,600
Interest payments on borrowings (note)	751	–	–	–	751
Lease liabilities	38,885	37,403	46,208	19,992	142,488
Trade and other payables	225,634	–	–	–	225,634
	851,870	37,403	46,208	19,992	955,473

Note: The interest payments on borrowings are calculated based on borrowings held as at 31 December 2021 and 2020 respectively (excluding the accrued interest payable balance already in trade and other payables) without taking into account future borrowings.

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 2021, the Group's strategy is to maintain the gearing ratio below 50% (2020: below 50%). The gearing ratios at 31 December 2021 and 2020 were as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Net debt	**519,243**	365,975
Total equity	**1,832,819**	1,751,524
Net debt to equity ratio	**28%**	21%

The net debt to equity ratio increased from 21% to 28% as a result of purchasing of property, plant and equipment and right-of-use assets, which has resulted in an increase of investing cash outflow and decreased the cash held by the Group at the end of the year.

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 2021 and 2020 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 2021 and 2020.

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
FVPL (Note 14)		
– Level 3	**5,000**	1,000

During the year ended 31 December 2021, 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 2021 and 2020, 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.

4 Critical accounting estimates and judgements *(continued)*

4.1 Critical accounting estimates and assumptions *(continued)*

(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.

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

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

During 2021 and 2020, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

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

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

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

5 Revenue and segment information *(continued)*

Revenue

Revenue of the Group consists of the following revenues for the years ended 31 December 2021 and 2020. All revenues are derived from external customers.

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

Segment information

The segment results for the year ended 31 December 2021:

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

5 Revenue and segment information *(continued)*

Segment information *(continued)*

Other segment items included in the 2021 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	35,952	12,864	6,751	4,456	10,006	70,029
Depreciation of investment properties	–	–	–	–	1,821	1,821
Depreciation and amortisation of right-of-use assets	58,460	10,434	8,126	325	–	77,345
Amortisation of intangible assets	272	38	51	18	604	983
Losses on disposal of land use rights and property, plant and equipment, net	736	127	107	13	–	983

The segment assets and liabilities as at 31 December 2021 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	2,074,333	300,018	298,044	316,055	223,612	3,212,062
Segment liabilities	667,305	107,082	96,956	50,124	457,776	1,379,243

5 Revenue and segment information *(continued)*

Segment information *(continued)*

The segment results for the year ended 31 December 2020:

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

Other segment items included in the 2020 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	30,364	13,830	6,735	7,879	13,383	72,191
Depreciation of investment properties	–	–	–	–	560	560
Depreciation and amortisation of right-of-use assets	61,532	10,955	9,063	1,745	–	83,295
Amortisation of intangible assets	436	80	87	24	298	925
Losses on disposal of property, plant and equipment, net	598	170	99	18	–	885

5 Revenue and segment information *(continued)*

Segment information *(continued)*

The segment assets and liabilities as at 31 December 2020 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	1,796,358	237,709	288,225	340,312	305,117	2,967,721
Segment liabilities	632,675	103,235	87,405	61,407	331,475	1,216,197

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

	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000
Contract liabilities – advances	**64,020**	65,976
Contract liabilities – customer loyalty programme	**10,232**	9,462
Total contract liabilities	**74,252**	75,438

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 2021 RMB'000	As at 31 December 2020 RMB'000
Contract liabilities – advances	**65,976**	72,978
Contract liabilities – customer loyalty programme	**9,462**	12,853
	75,438	85,831

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 2021							
Cost	927,764	104,345	33,373	235,752	5,463	31,386	1,338,083
Accumulated depreciation	(399,045)	(75,761)	(22,553)	(194,854)	(1,724)	–	(693,937)
Net book amount	528,719	28,584	10,820	40,898	3,739	31,386	644,146
Year ended 31 December 2021							
Opening net book amount	528,719	28,584	10,820	40,898	3,739	31,386	644,146
Acquisition of subsidiary	51,335	4,418	774	1,894	–	71	58,492
Additions	1,239	3,369	7,271	20,464	–	42,578	74,921
Transfers	22,380	415	–	389	–	(23,184)	–
Transfer to investment properties (Note 8)	(6,698)	–	–	–	–	(4,490)	(11,188)
Disposals (Note 33(b))	(331)	(676)	(743)	(908)	–	–	(2,658)
Depreciation (Note 24)	(41,394)	(5,732)	(4,199)	(18,445)	(259)	–	(70,029)
Closing net book amount	555,250	30,378	13,923	44,292	3,480	46,361	693,684
At 31 December 2021							
Cost	1,009,716	121,302	39,642	256,320	5,466	46,361	1,478,807
Accumulated depreciation	(454,466)	(90,924)	(25,719)	(212,028)	(1,986)	–	(785,123)
Net book amount	555,250	30,378	13,923	44,292	3,480	46,361	693,684

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 2020							
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
Year ended 31 December 2020							
Opening net book amount	559,179	32,079	11,311	37,760	3,998	37,241	681,568
Additions	486	1,725	3,424	23,498	–	13,343	42,476
Transfers	13,378	–	–	1,427	–	(14,805)	–
Reclassification	131	17	–	(148)	–	–	–
Transfer to investment properties (Note 8)	(1,239)	–	–	–	–	–	(1,239)
Disposals (Note 33(b))	(535)	(213)	(348)	(979)	–	–	(2,075)
Depreciation (Note 24)	(42,681)	(5,024)	(3,567)	(20,660)	(259)	–	(72,191)
Impairment	–	–	–	–	–	(4,393)	(4,393)
Closing net book amount	528,719	28,584	10,820	40,898	3,739	31,386	644,146
At 31 December 2020							
Cost	927,764	104,345	33,373	235,752	5,463	35,779	1,342,476
Accumulated depreciation and impairment	(399,045)	(75,761)	(22,553)	(194,854)	(1,724)	(4,393)	(698,330)
Net book amount	528,719	28,584	10,820	40,898	3,739	31,386	644,146

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

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Distribution costs	**22,500**	20,376
Administrative expenses	**36,339**	41,008
Cost of sales	**11,190**	10,807
	70,029	72,191

6 Property, plant and equipment *(continued)*

As at the date of issuance of these consolidated financial statements, the certificate of certain property, plant and equipment with carrying amount of RMB11,764,000 (2020: RMB12,601,000) is under application process.

Construction work in progress as at 31 December 2021 mainly comprised manufacturing plant, and commercial unit being constructed.

During the year, the Group has capitalised borrowing costs amounting to RMB760,000 (2020: RMB44,000) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 3.30% 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 2021 RMB'000	As at 31 December 2020 RMB'000
Right-of-use assets		
– Land use rights	**290,635**	259,724
– Retail shops	**133,765**	135,027
	424,400	394,751
Lease liabilities		
– Current	**37,125**	37,462
– Non-current	**101,098**	102,912
	138,223	140,374

7 Leases *(continued)*

(ii) Amounts recognised in the statement of comprehensive income

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

	2021			2020		
	Retail Shops RMB'000	**Land use rights RMB'000**	**Total RMB'000**	Retail Shops RMB'000	Land use rights RMB'000	Total RMB'000
Depreciation and amortisation charge of right-of-use assets (Note 24)						
Distribution costs	**61,548**	**11,861**	**73,409**	62,894	12,004	74,898
Administrative expenses	**1,997**	**313**	**2,310**	5,807	313	6,120
Cost of sales	**–**	**1,626**	**1,626**	–	2,277	2,277
	63,545	**13,800**	**77,345**	68,701	14,594	83,295
Interest expense (including in finance cost) (Note 28)			**8,302**			7,851
Expense relating to short-term leases (Note 24)			**27,523**			29,205
Exemption of lease expenses due to COVID-19 (Note 24)			**–**			(8,770)
Total charges to the statement of comprehensive income			**113,170**			111,581

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

8 Investment properties

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
At beginning of the year		
Cost	**14,141**	11,392
Accumulated depreciation	**(6,520)**	(4,450)
Net book amount	**7,621**	6,942
Opening net book amount	**7,621**	6,942
Transfer from property, plant and equipment (Note 6)	**11,188**	1,239
Transfer from right-of-use assets	**8,876**	–
Depreciation (Note 24)	**(1,821)**	(560)
Closing net book amount	**25,864**	7,621
At end of the year		
Cost	**43,915**	14,141
Accumulated depreciation	**(18,051)**	(6,520)
Net book amount	**25,864**	7,621

Depreciation expenses of RMB1,821,000 (2020: RMB560,000) have been charged in 'administrative expenses' for the year ended 31 December 2021.

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Rental income	**1,676**	1,046
Property management fees income	**1,623**	1,396
Direct operating expenses from properties that generated rental income	**(2,118)**	(896)
	1,181	1,546

The fair value of the investment properties is RMB47,107,000 (2020: RMB19,773,000) as at 31 December 2021, with carrying amount of RMB25,865,000 (2020: RMB7,621,000). The fair value is determined at each balance sheet date with reference to the valuation performed by an external valuer.

9 Intangible assets

	Goodwill RMB'000	Software RMB'000	Trademarks RMB'000	Total RMB'000
At 1 January 2021				
Cost	**1,740**	**12,256**	**878**	**14,874**
Accumulated amortisation	**–**	**(10,144)**	**(727)**	**(10,871)**
Net book amount	**1,740**	**2,112**	**151**	**4,003**
Year ended 31 December 2021				
Opening net book amount	**1,740**	**2,112**	**151**	**4,003**
Acquisition of subsidiary	**1,078**	**–**	**–**	**1,078**
Additions	**–**	**462**	**32**	**494**
Amortisation charge (Note 24)	**–**	**(929)**	**(54)**	**(983)**
Closing net book amount	**2,818**	**1,645**	**129**	**4,592**
At 31 December 2021				
Cost	**2,818**	**12,718**	**910**	**16,446**
Accumulated amortisation	**–**	**(11,073)**	**(781)**	**(11,854)**
Net book amount	**2,818**	**1,645**	**129**	**4,592**

	Goodwill RMB'000	Software RMB'000	Trademarks RMB'000	Total RMB'000
At 1 January 2020				
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
Year ended 31 December 2020				
Opening net book amount	1,740	1,648	54	3,442
Additions	–	1,383	132	1,515
Amortisation charge (Note 24)	–	(919)	(6)	(925)
Disposal	–	–	(29)	(29)
Closing net book amount	1,740	2,112	151	4,003
At 31 December 2020				
Cost	1,740	12,256	878	14,874
Accumulated amortisation	–	(10,144)	(727)	(10,871)
Net book amount	1,740	2,112	151	4,003

Amortisation expenses of RMB983,000 (2020: RMB925,000) have been charged in 'administrative expenses' for the year ended 31 December 2021.

9 Intangible assets *(continued)*

Impairment tests for goodwill

As at 31 December 2021, the intangible assets include goodwill of RMB1,078,000 which arose from the acquisition of Anxi Tianfu Tea Industry Co., Ltd. (Anxi Tianfu) during the year 2021, as well as 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 2021, goodwill which arose from the acquisition of Anxi Tianfu is allocated to tea leaves segment, and goodwill which arose from the acquisition of Tian Qia is allocated to the business of catering management, beverage production and sales of pre-packaged food, which did not qualify as a reportable operating segment.

In the years ended 31 December 2020, goodwill which arose from the acquisition of Tian Qia is allocated to the business of catering management, beverage production and sales of pre-packaged food, which did not qualify as a reportable operating segment.

The following is a summary of goodwill allocation for each operating segment:

2021	Opening RMB'000	Addition RMB'000	Closing RMB'000
Tea leaves	–	1,078	1,078

The recoverable amount of a CGU is determined based on value-in-use calculations. Management believes that the tea leaves business requires continued investment in brand building as well as enlarging the sales network to achieve long term profit growth. 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 2021 is as follows:

	Tea leaves	Others
– Gross margin	62%	34%
– Long term growth rate	3%	3%
– Discount rate	20%	20%

9 Intangible assets *(continued)*

Impairment tests for goodwill *(continued)*

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 2021, 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:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Joint ventures	**112,309**	112,347
Associates	**488**	622
	112,797	112,969

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Joint ventures	**2,802**	2,406
Associates	**(46)**	(245)
	2,756	2,161

(a) Investments in joint ventures

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
At beginning of the year	**112,347**	117,027
Share of profits	**2,802**	2,406
Cash dividends declared	**(2,840)**	(2,496)
Impairment	**–**	(4,590)
At end of the year	**112,309**	112,347

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 2021 and 2020, 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 2021	2020	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 2019	RMB2,000,000	RMB1,052,600	**–**	–	Sales of snacks, beverage, pastries, sugar, alcohol, and café service.
Xiamen Tianfu Just.Tea Commerce and Trading Co., Ltd. ("Just.Tea") (iii)	PRC, 22 January 2019	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 2019	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") (ii)	PRC, 21 March 2016	RMB20,000,000	RMB9,180,000	**–**	–	Sales of snacks, beverage, pastries, sugar, alcohol, and café service.

(i) As at 31 December 2021 and 2020, 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) As at 31 December 2020, fully provision of the investment to Caffaina was provided due to the impact of Coronavirus Disease ("the COVID-19 outbreak").

Pursuant to the agreement dated 1 December 2020, a subsidiary Xiamen Tianqia Catering Management Co., Ltd. disposed all its shares in Kanuojia to Kacui at nil consideration. And pursuant to the agreement dated 10 December 2020, a subsidiary Fujian Tian Fu Sales Co., Ltd., disposed all its shares in Kacui to a third-party company, Connoisseur (Hong Kong) Holdings Co., Ltd. at nil consideration. The transactions were completed in December 2020, then Kanuojia ceased to be the subsidiary of the Group, Caffaina and Kacui ceased to be the joint venture of the Group.

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

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

(iii) As at 31 December 2021 and 2020, 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.

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	% interest held
Jiangxi Changtai	**2021**	106,627	(3,355)	7,986	608	50%
	2020	105,822	(3,157)	10,024	1,796	50%
Others	**2021**	12,232	(3,195)	16,680	2,194	50%
	2020	13,947	(4,266)	12,539	3,461	50%

All of the above companies are private companies and there are no quoted market prices available for their shares.

(b) Investment in an associate

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
At beginning of the year	**622**	567
Investment in an associate	**–**	300
Share of profits less losses	**(46)**	(245)
Impairment	**(88)**	–
At end of the year	**488**	622

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

(b) Investment in an associate *(continued)*

The particulars of the associate of the Group at 31 December 2021 and 2020, 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		Principal activities
				2021	2020	
Xiamen JUST BOBA Catering Management Co., Ltd. ("JUST BOBA") (i)	PRC, 8 October 2016	RMB3,000,000	RMB1,000,000	**43%**	43%	Sales of milk tea
Xiamen Tianyutian Trading Co., Ltd. ("Tianyutian") (ii)	PRC, 17 March 2020	RMB1,000,000	RMB1,000,000	**30%**	30%	Sales of tea ware

(i) As at 31 December 2021 and 2020, the Group had paid the capital injection of RMB430,000 to JUST BOBA.

According to the application form dated on 1 December 2021, a subsidiary Xiamen Tianqia Catering Management Co., Ltd. decided to write off JUST BOBA. As of 31 December 2021, the cancellation procedure is still in process.

(ii) On 17 March 2020, a subsidiary Fujian Tian Fu Sales Co., Ltd. entered into an agreement with two individuals and Xiamen Tianjili Trading Co., Ltd. to set up an associate to undertake such activities as trading tea ware with registered capital of RMB1,000,000. At the end of year 2020, paid capital of Tianyutian reached to RMB1,000,000, of which Xiamen Tianqia Catering Management Co., Ltd. own 30%.

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

	JUST BOBA		**Tianyutian**	
	2021 RMB'000	2020 RMB'000	**2021 RMB'000**	2020 RMB'000
Assets	**51**	264	**512**	365
Liabilities	**(12)**	(2)	**(24)**	(5)
Revenue	**329**	325	**629**	302
(Losses)/Gains	**(174)**	(305)	**128**	60
% interest held	**43%**	43%	**30%**	30%

JUST BOBA and Tianyutian are private companies and there are no quoted market price available for their shares.

11 Inventories

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Raw materials and packaging materials	**353,504**	290,674
Work in progress	**251,615**	214,280
Finished goods	**456,754**	371,022
	1,061,873	875,976

The cost of inventories recognised as expenses and included in 'cost of sales' amounted to RMB697,831,000 for the year ended 31 December 2021 (2020: RMB598,793,000) (Note 24).

The Group did not have any losses on obsolete inventories or write-down of inventories for the year ended 31 December 2021 (2020: nil).

12 Financial instruments by category

		As at 31 December	
		2021	2020
	Notes	**RMB'000**	RMB'000
Financial assets			
Financial assets at amortised cost			
Trade and other receivables	13	**380,895**	321,354
Cash and cash equivalents	15	**238,380**	360,999
Financial assets at fair value through profit or loss (FVPL)	14	**5,000**	1,000
		624,275	683,353
Financial liabilities			
Liabilities at amortised cost			
Trade and other payables	19	**403,965**	275,979
Borrowings	20	**619,400**	586,600
Lease liabilities	7	**138,223**	140,374
		1,161,588	1,002,953

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

13 Trade and other receivables and prepayments

(a) Trade and other receivables

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade receivables from third parties	**360,843**	309,288
Less: provision for impairment	**(4,041)**	(4,190)
Trade receivables, net	**356,802**	305,098
Other receivables due from related parties (Note 36(b))	**3,135**	–
Interest receivable on time deposits	**14,328**	9,088
Others	**6,630**	7,168
	24,093	16,256
Total of trade and other receivables	**380,895**	321,354

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

As at 31 December 2021 and 2020, the ageing analysis of the trade receivables of the Group based on invoice date is as follows:

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

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

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

As at 31 December 2021, trade receivables of RMB22,831,000 (2020: RMB6,283,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Past due within 40 days	**15,925**	861
Past due over 40 days and within 220 days	**5,574**	2,559
Past due over 220 days	**1,332**	2,863
	22,831	6,283

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

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
RMB	**384,339**	324,725
USD	**597**	819
	384,936	325,544

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.

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

(b) Prepayments

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Non-current		
Prepayments for property, plant and equipment	**22,841**	273
Current		
Prepayments for lease of property and lease deposits	**23,159**	23,354
Prepayments to related parties (Note 36(b))	**–**	942
Prepaid taxes	**29,420**	31,293
Prepayments for raw materials and packaging materials	**12,404**	7,295
	64,983	62,884
	87,824	63,157

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

14 Financial assets at fair value through profit or loss

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Wealth management product		
– with principal and interests non-guaranteed	**5,000**	1,000

The financial assets at fair value through profit or loss represented 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/(losses) – net" (Note 26).

15 Cash and cash equivalents, time deposits and restricted cash

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Cash at bank and on hand (i)	**368,380**	494,999
Less: Long-term time deposits, with original maturity over one year	**(130,000)**	(20,000)
Restricted cash – current deposits for issuing letters of guarantee (ii)	**–**	(4,000)
Restricted cash – long-term deposits for issuing bank receipt note (ii)	**–**	(110,000)
Cash and cash equivalents	**238,380**	360,999

(i) The weighted average effective interest rate on cash placed with banks and deposits for the year ended 31 December 2021 was 1.72% (2020: 1.80%) per annum.

(ii) As at 31 December 2021, the corresponding restricted cash – long-term time deposits for issuing bank receipt note are unpledged and have been presented as long-term time deposits – current portion.

As at 31 December 2020, a subsidiary of the Group pledged time deposits of RMB4,000,000 as collateral for issue of trade payable amounting to RMB10,000,000.

In addition, as at 31 December 2020, subsidiaries of the Group pledged long-term time deposits of RMB110,000,000 as collateral for bank receipt note of the Group amounting to RMB110,000,000 (Note 20).

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
RMB	**346,159**	359,984
USD	**11,249**	11,174
HKD	**10,420**	123,417
JPY	**552**	424
	368,380	494,999

16 Share capital and treasury shares

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

(i) Details of treasury shares

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

16 Share capital and treasury shares *(continued)*

(i) Details of treasury shares *(continued)*

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

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

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

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

17 Other reserves

	Merger reserve (i)	**Capital reserve (ii)**	**Statutory reserves (iii)**	**Other (iv)**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	278,811	231	276,253	(513,369)	41,926
Appropriation to statutory reserves (Note 18)	–	–	19,590	–	19,590
Cancellation of shares	–	–	–	(42,241)	(42,241)
At 31 December 2020	278,811	231	295,843	(555,610)	19,275
At 1 January 2021	**278,811**	**231**	**295,843**	**(555,610)**	**19,275**
Appropriation to statutory reserves (Note 18)	**–**	**–**	**19,034**	**–**	**19,034**
Cancellation of shares	**–**	**–**	**–**	**(30,889)**	**(30,889)**
At 31 December 2021	**278,811**	**231**	**314,877**	**(586,499)**	**7,420**

17 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

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

18 Retained earnings

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
At 1 January	**1,653,549**	1,569,434
Profit for the year	**359,481**	305,409
Dividends (Note 31)	**(255,725)**	(201,704)
Appropriation to statutory reserves (Note 17)	**(19,034)**	(19,590)
At 31 December	**1,738,271**	1,653,549
Representing:		
Proposed final dividend	**204,789**	184,003
Others	**1,533,482**	1,469,546
At 31 December	**1,738,271**	1,653,549

19 Trade and other payables

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade payables – due to third parties	**113,975**	105,130
Trade payables – due to related parties (Note 36(b))	**52,612**	39,609
Total trade payables	**166,587**	144,739
Payables for property, plant and equipment	**2,463**	2,330
Other taxes payable	**23,256**	20,539
Employee benefit payables	**28,568**	29,806
Other payables for acquisition (Note 36(b))	**92,183**	–
Others	**90,908**	78,565
	403,965	275,979

As at 31 December 2021 and 2020, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice date is as follows:

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

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

20 Borrowings

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

(i) As at 31 December 2020, short-term bank borrowings of RMB110,000,000 raised from discounted bank receipt notes of RMB110,000,000 were pledged by time deposits of RMB110,000,000 as collateral (Note 15).

(ii) As at 31 December 2021, short-term bank borrowings of RMB555,400,000 (2020: RMB450,000,000) were guaranteed by Mr. Lee Rie-Ho, Mr. Lee Chia Ling and Mr. Lee Kuo-Lin, all of them are directors of the Company, either separately or jointly (Note 36(c)).

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
6 months or less	**397,800**	256,600
7-12 months	**221,600**	330,000
	619,400	586,600

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
RMB	**619,400**	586,600

20 Borrowings *(continued)*

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

	As at 31 December	
	2021	2020
Short-term bank borrowings	**3.06%**	3.60%

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

The Group has the following undrawn bank borrowing facilities:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Fixed rate:		
– expiring within one year	**427,172**	677,510
– expiring over one year and within three years	**100,000**	–
	527,172	677,510

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

21 Contract liabilities

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Advance receipts from customers	**64,020**	65,976
Deferred revenue: customer loyalty programme	**10,232**	9,462
	74,252	75,438

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.

22 Deferred income on government grants

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
At beginning of the year	**32,793**	33,925
Granted during the year	**12,680**	1,000
Amortised as income (Note 25)	**(1,424)**	(2,132)
At end of the year	**44,049**	32,793

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.

23 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	
	2021	2020
	RMB'000	RMB'000
Deferred income tax assets		
– to be recovered after more than 12 months	**4,833**	4,705
– to be recovered within 12 months	**41,920**	43,040
	46,753	47,745
Deferred income tax liabilities		
– to be settled after more than 12 months	**5,577**	828
– to be settled within 12 months	**41,127**	49,224
	46,704	50,052

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

The gross movement on the deferred income tax assets is as follows:

	Temporary differences in respect of accruals	Tax losses	Unrealised profit on inventories	Customer loyalty programme	Government grant	Provision for impairment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	2,787	2,919	36,863	3,213	5,084	–	50,866
(Charged)/credited to the consolidated statement of comprehensive income (Note 29)	(1,035)	(947)	(1,120)	(848)	(219)	1,048	(3,121)
At 31 December 2020	1,752	1,972	35,743	2,365	4,865	1,048	47,745
At 1 January 2021	**1,752**	**1,972**	**35,743**	**2,365**	**4,865**	**1,048**	**47,745**
(Charged)/credited to the consolidated statement of comprehensive income (Note 29)	**1,022**	**(1,657)**	**(1,181)**	**193**	**1,077**	**(446)**	**(992)**
At 31 December 2021	**2,774**	**315**	**34,562**	**2,558**	**5,942**	**602**	**46,753**

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 2021, the Group did not recognise deferred income tax assets of RMB12,555,000 (2020: RMB13,941,000) in respect of tax losses amounting to RMB54,273,000(2020: RMB58,468,000) that can be carried forward to offset against future taxable income due to uncertainty of realisation. As at 31 December 2021, losses amounting to RMB1,756,000 (2020: RMB1,756,000), RMB220,000 (2020: RMB220,000), RMB20,787,000 (2020: RMB20,787,000), RMB12,829,000 (2020: RMB12,829,000), and RMB5,769,000 will expire in 2022, 2023, 2024, 2025 and 2026 respectively.

As at 31 December 2021, the unrealised profits on inventories sold by the inter-companies within the Group amounted to RMB138,246,000 (2020: RMB142,973,000), and were eliminated in the Group's consolidated financial statements. Deferred income tax assets were recognised for the unrealised profits.

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

The gross movement on the deferred income tax liabilities is as follows:

	Withholding tax on unremitted earnings of certain subsidiaries RMB'000	Fair value gains RMB'000	Property, plant and equipment RMB'000	Total RMB'000
At 1 January 2020	(27,007)	(930)	–	(27,937)
Paid out	19,000	–	–	19,000
(Charged)/credited to the consolidated statement of comprehensive income (Note 29)	(41,166)	51	–	(41,115)
At 31 December 2020	(49,173)	(879)	–	(50,052)
At 1 January 2021	**(49,173)**	**(879)**	**–**	**(50,052)**
Paid out	**36,000**	**–**	**–**	**36,000**
(Charged)/credited to the consolidated statement of comprehensive income (Note 29)	**(24,894)**	**(4,860)**	**(2,898)**	**(32,652)**
At 31 December 2021	**(38,067)**	**(5,739)**	**(2,898)**	**(46,704)**

As at 31 December 2021, deferred income tax liabilities of RMB61,661,000 (2020: RMB56,392,000) have not been recognised for the PRC withholding tax. The corresponding unremitted earnings amounted to RMB897,731,000 as at 31 December 2021 (2020: RMB836,007,000) which are intended to be reinvested.

24 Expenses by nature

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Cost of inventories (Note 11)	**697,831**	598,793
Employee benefit expenses – including directors' emoluments (Note 27)	**315,404**	267,342
Depreciation of property, plant and equipment (Note 6)	**70,029**	72,191
Depreciation and amortisation of right-of-use assets (Note 7)	**77,345**	83,295
Depreciation of investment properties (Note 8)	**1,821**	560
Amortisation of intangible assets (Note 9)	**983**	925
Concession fees	**58,960**	52,157
Transportation expenses	**38,316**	33,037
Lease expenses (Note 7)	**27,523**	29,205
Free trial expenses	**15,490**	13,745
Provision for impairment	**(61)**	13,173
Exemption of lease expenses due to COVID-19 (Note 7)	**–**	(8,770)
Auditor's remuneration		
– Audit services	**2,600**	3,000
– Non-audit services	**1,824**	1,469
Other expenses	**111,112**	94,377
Total cost of sales, distribution costs and administrative expenses	**1,419,177**	1,254,499

25 Other income

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Government grants	**13,693**	23,516
Income from investment properties (Note 8)	**3,299**	2,442
Amortisation of deferred income on government grants (Note 22)	**1,424**	2,132
Others	**1,317**	2,001
	19,733	30,091

26 Other gains/(losses) – net

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Gains on acquisition of subsidiary	**3,153**	–
Losses on disposal of land use rights and property, plant and equipment, net (Note 33(b))	**(983)**	(885)
Net foreign exchange gains	**–**	177
Gains from sale of financial assets at fair value through profit or loss	**80**	287
	2,250	(421)

27 Employee benefit expenses

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Wages and salaries	**269,673**	245,837
Pension cost – defined contribution plans (a)	**19,449**	2,165
Other benefits	**26,282**	19,340
	315,404	267,342

(a) Pension cost – defined contribution plans

Pursuant to the relevant labour laws, rules and regulations in the PRC, the Group participates in defined contribution retirement benefit scheme (the "Retirement Benefit Scheme") organised by the relevant local government authorities in the PRC whereby the Group is required to make contributions to the Retirement Benefit Scheme at a certain rate of the standard wages determined by the relevant authorities in the PRC during the year. Contributions to the Retirement Benefit Scheme vest immediately.

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for employees employed under the jurisdiction of the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the MPF Scheme vest immediately.

27 Employee benefit expenses *(continued)*

(a) Pension cost – defined contribution plans *(continued)*

During the year ended 31 December 2021, there was no forfeited contribution under the MPF Scheme and Retirement Benefit Scheme which may be used by the Group to reduce the existing level of contributions and the contribution payable in the future years. Accordingly, there was no forfeited contribution was utilised during the year.

(b) Other benefits

In addition, the Group's employees in Mainland China participate in state-sponsored employee social security plans, including medical, housing and other welfare benefits. The Group has no further obligation beyond the contributions.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2021 include four (2020: four) directors whose emoluments are reflected in the analysis shown in Note 38. The emoluments payable to the remaining one (2020: one) individual for the year ended 31 December 2021 is as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Salaries and social security costs	**935**	935

The emoluments fell within the following bands:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Emolument bands (in RMB)		
Within HKD1,500,000		
(equivalent to approximately RMB1,226,000)	**1**	1

28 Finance costs – net

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Finance income		
– Interest income on bank deposits and time deposits	**7,437**	8,470
Total finance income (Note 33(a))	**7,437**	8,470
Finance costs		
– Interest expenses on bank borrowings	**(18,439)**	(22,135)
– Less: amounts capitalised in qualifying assets	**760**	44
– Net foreign exchange losses	**(2,937)**	(1,364)
– Interest expenses for lease liabilities	**(8,302)**	(7,851)
Total finance costs (Note 33(a))	**(28,918)**	(31,306)
Net finance costs	**(21,481)**	(22,836)

29 Income tax expense

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Current income tax		
– PRC corporate income tax	**115,607**	117,446
Deferred income tax (Note 23)	**33,644**	44,236
Income tax expense	**149,251**	161,682

(i) Cayman Islands profits tax

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

(ii) Hong Kong profits tax

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

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

CIT is provided at the rate of 25% (2020: 25%) on the assessable income of entities within the Group incorporated in Mainland China.

29 Income tax expense *(continued)*

(iv) PRC withholding income tax

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

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

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	
	2021	2020
	RMB'000	RMB'000
Profit before income tax	**508,732**	467,091
Tax calculated at domestic tax rates applicable to profits in the respective jurisdictions	**111,521**	115,696
Tax effects of:		
Expenses not deductible for tax purposes	**6,279**	1,563
Joint ventures' and associate's results reported net of tax	**(953)**	(540)
Tax losses for which no deferred income tax asset was recognised	**2,242**	3,797
Effect of change of tax rate upon assessing deferred tax assets	**5,268**	–
Withholding tax on the expected distributable profits of the subsidiaries in Mainland China (Note 23)	**24,894**	41,166
Tax charges	**149,251**	161,682

30 Earnings per share

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

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

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

31 Dividends

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

At a meeting held on 18 March 2022, the Board proposed a final dividend for 2021 of HKD251,879,000 (equivalent to RMB204,789,000) (2020: HKD220,362,000 (equivalent to RMB183,427,000)), representing HKD23 cents (equivalent to RMB19 cents) (2020: HKD20 cents (equivalent to RMB17 cents)) per share, to be appropriated from retained earnings.

The proposed final dividend for 2021 is to be approved by the shareholders at the forthcoming Annual General Meeting. The proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2022.

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

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

32 Subsidiaries

Particulars of the subsidiaries of the Group as at 31 December 2021 and 2020 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 2021	2020	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. ("Zhangzhou Tianfu")	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

32 Subsidiaries *(continued)*

Particulars of the subsidiaries of the Group as at 31 December 2021 and 2020 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 2021	2020	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	RMB80,000,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware and provision of hotel, restaurant and related service
Anxi Tianfu Tea Industry Co., Ltd. (i)	PRC, 19 August 2005	Domestic enterprises	RMB18,741,542	RMB18,741,542	**100%**	NA	Classification, packaging of tea leaves, manufacture of tea snacks, and sale of tea leaves and tea snacks
Guigang Tianfu Tea Industry Co., Ltd. ("Guangxi Guigang")(i)	PRC, 29 December 2009	Domestic enterprises	RMB44,695,000	RMB44,695,000	**100%**	NA	Classification, packaging of tea leaves, manufacture of tea snacks, and sale of tea leaves and tea snacks
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
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

32 Subsidiaries *(continued)*

Particulars of the subsidiaries of the Group as at 31 December 2021 and 2020 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 2021	2020	Principal activities
Indirectly owned *(continued)*							
Subsidiaries – established in the Mainland China *(continued)*							
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	RMB16,512,025	RMB16,512,025	**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
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	RMB12,922,880	RMB12,922,880	**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	RMB12,759,780	RMB12,759,780	**100%**	100%	Sale of tea leaves, tea snacks and tea ware

32 Subsidiaries *(continued)*

Particulars of the subsidiaries of the Group as at 31 December 2021 and 2020 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 2021	2020	Principal activities
Indirectly owned *(continued)*							
Subsidiaries – established in the Mainland China *(continued)*							
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	RMB12,412,400	RMB12,412,400	**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
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 2019	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 2020	Domestic enterprise	RMB5,000,000	RMB5,000,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
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 August 2021, Zhangzhou Tianfu, an indirectly wholly owned subsidiary of the Company, announced to acquire 100% of share capital of Anxi Tianfu and Guangxi Guigang, the transaction has been done within the year (Note 35).

33 Notes to the consolidated cash flow statement

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Profit before income tax	**508,732**	467,091
Adjustments for:		
– Share of profit less losses of investments accounted for using the equity method (Note 10)	**(2,756)**	(2,161)
– Depreciation of property, plant and equipment (Note 6)	**70,029**	72,191
– Depreciation of investment properties (Note 8)	**1,821**	560
– Depreciation and amortisation of right-of-use assets (Note 7)	**77,345**	83,295
– Amortisation of intangible assets (Note 9)	**983**	925
– Amortisation of deferred income (Note 22)	**(1,424)**	(2,132)
– Losses on disposal of land use rights and property, plant and equipment (Note 26)	**983**	885
– Gain on purchase of an subsidiary (Note 35)	**(3,153)**	–
– Finance income (Note 28)	**(7,437)**	(8,470)
– Finance costs (Note 28)	**28,918**	31,306
– Gains from sale of financial assets at fair value through profit or loss (Note 26)	**(80)**	(287)
– Exemption of lease expenses due to COVID-19 (Note 7)	**–**	(8,770)
– Provision for impairment	**(61)**	13,173
Changes in working capital:		
– Inventories	**(149,885)**	(93,341)
– Trade and other receivables and prepayments	**(48,424)**	6,702
– Trade and other payables	**(1,704)**	(67,466)
– Contract liabilities	**(1,186)**	(10,393)
Cash generated from operations	**472,701**	483,108

33 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 2021 RMB'000	2020 RMB'000
Net book amount		
– Property, plant and equipment (Note 6)	**2,658**	2,075
Losses on disposal of plant and equipment, net (Note 26)	**(983)**	(885)
Proceeds from disposal of land use rights and property, plant and equipment	**1,675**	1,190

(c) Net debt reconciliation

Net debt	**31 December 2021 RMB'000**	31 December 2020 RMB'000
Cash and cash equivalents (Note 15)	**238,380**	360,999
Borrowings – repayable within one year (Note 20)	**(619,400)**	(586,600)
Lease liabilities (Note 7)	**(138,223)**	(140,374)
Net debt	**(519,243)**	(365,975)

	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 debt as at 1 January 2020	190,966	(510,826)	(5,877)	(144,832)	(470,569)
Financing cash flows	171,397	(69,897)	–	46,091	147,591
Leases	–	–	–	(41,633)	(41,633)
Foreign exchange adjustments	(1,364)	–	–	–	(1,364)
Other non-cash movements	–	(5,877)	5,877	–	–
Net debt as at 31 December 2020	360,999	(586,600)	–	(140,374)	(365,975)
Financing cash flows	**(119,682)**	**(32,800)**	**–**	**72,735**	**(79,747)**
Leases	**–**	**–**	**–**	**(70,584)**	**(70,584)**
Foreign exchange adjustments	**(2,937)**	**–**	**–**	**–**	**(2,937)**
Net debt as at 31 December 2021	**238,380**	**(619,400)**	**–**	**(138,223)**	**(519,243)**

34 Commitments

(a) Equity investment commitments

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Investment in joint ventures and associate (Note 10)	**4,717**	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	
	2021	2020
	RMB'000	RMB'000
Property, plant and equipment	**23,554**	27,976
Intangible assets	**–**	521
	23,554	28,497

(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.

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	
	2021	2020
	RMB'000	RMB'000
No later than 1 year	**6,986**	6,943

35 Business combination

(a) Acquisition of Anxi Tianfu

On 26 August 2021, Zhangzhou Tianfu, an indirectly wholly owned subsidiary of the Company, acquired 100% of equity share of Anxi Tianfu, a manufacturer company from a related party, Ten Yuan (Singapore) Holdings Co. Pte. Ltd. ("Ten Yuan Singapore"), at a consideration of RMB35,047,400.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	Fair value RMB$'000
Cash	424
Trade and other receivables	7,773
Inventories	3,364
Land and buildings	10,941
Plant and equipment	12,684
Trade and other payables	(1,217)
Net identifiable assets acquired	33,969
Add: goodwill	1,078
Net assets acquired	35,047

The goodwill is attributable to the workforce and the high profitability of the acquired business. It will not be deductible for tax purposes.

(i) Revenue and profit contribution

The acquired business contributed revenues of RMB7,630,000 and net profit of RMB995,000 to the Group for the period from acquisition date to 31 December 2021. As all the revenue of Anxi Tianfu are derived from companies within the Group, which will be eliminated in the consolidated financial statements, the acquired businesses contributed net loss of RMB1,400,000 to the Group during the period from acquisition date to 31 December 2021.

If the acquisition had occurred on 1 January 2021, consolidated pro-forma revenue and profit for the year ended 31 December 2021 would have been RMB1,924,651,000 and RMB359,258,000 respectively. These amounts have been calculated using the subsidiary's results and adjusting them for:

- differences in the accounting policies between the Group and the subsidiary, and
- the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2021, together with the consequential tax effects.

35 Business combination *(continued)*

(b) Acquisition of Guangxi guigang

On 26 August 2021, Zhangzhou Tianfu, an indirectly wholly owned subsidiary of the Company, acquired 100% of equity share of Guangxi guigang, a manufacturer company from a related party, Ten Yuan Singapore, at a consideration of RMB57,135,900.

Details of the purchase consideration, the net assets acquired and gains are as follows:

	Fair value
	RMB'000
Cash	1,756
Trade and other receivables	7,918
Inventories	32,648
Land and buildings	7,942
Plant and equipment	45,807
Contract liabilities	(29,770)
Trade and other payables	(5,945)
Deferred tax liability	(67)
Net identifiable assets acquired	60,289
Add: gains on acquisition	(3,153)
	57,136

(i) Revenue and profit contribution

The acquired business contributed revenues of RMB7,181,000 and net profit of RMB967,000 to the Group for the period from acquisition date to 31 December 2021. As part of the revenue of Guangxi guigang are derived from companies within the Group, which will be eliminated in the consolidated financial statements, the acquired businesses contributed net loss of RMB1,027,000 to the Group during the period from acquisition date to 31 December 2021.

If the acquisition had occurred on 1 January 2021, consolidated pro-forma revenue and profit for the year ended 31 December 2021 would have been RMB1,936,200,000 and RMB366,176,000 respectively. These amounts have been calculated using the subsidiary's results and adjusting them for:

- differences in the accounting policies between the Group and the subsidiary, and
- the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2021, together with the consequential tax effects.

35 Business combination *(continued)*

(c) Purchase consideration – cash outflow

	2021 RMB'000
Inflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	**–**
Less: Balances acquired	
Cash	**(2,180)**
Net inflow of cash – investing activities	**2,180**

36 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	
		2021 RMB'000	2020 RMB'000
(i)	Purchases of goods and services		
	– Subsidiaries of SAMOA	**129,415**	112,855
	– A company controlled by the Controlling Shareholders	**17,923**	25,399
		147,338	138,254
(ii)	Processing fee expenses		
	– Subsidiaries of SAMOA	**1,187**	1,166
(iii)	Rental expenses		
	– The Controlling Shareholders and their affiliates	**3,192**	3,422
	– A company controlled by an affiliate of the Controlling Shareholders	**2,524**	2,075
		5,716	5,497
(iv)	Right-of-use assets		
	– The Controlling Shareholders and their affiliates	**7,438**	7,984
	– A subsidiary of SAMOA	**–**	1,728
	– A company controlled by an affiliate of the Controlling Shareholders	**7,102**	7,341
		14,540	17,053
(v)	Key management compensation	**5,244**	5,078

36 Related-party transactions *(continued)*

(b) Balances with related parties

The Group has the following balances with its related parties As at 31 December 2021 and 2020:

		As at 31 December	
		2021	2020
		RMB'000	RMB'000
(i)	Other receivables due from related parties (Note13(a))		
	– Subsidiaries of SAMOA	**3,135**	–
(ii)	Prepayments to related parties (Note 13(b))		
	– A company controlled by the Controlling Shareholders	**–**	612
	– The Controlling Shareholders and their affiliates	**–**	330
		–	942
(iii)	Due to related parties (Note 19)		
	Trade related		
	– Subsidiaries of SAMOA	**52,612**	39,609
	Other payables for acquisition		
	– Subsidiaries of SAMOA	**92,183**	–
		144,795	39,609

The payables to related parties for the years ended 31 December 2021 and 2020 arise mainly from purchase transactions and acquisition of subsidiaries. The payables bear no interest and are repayable on demand.

(c) Borrowings guaranteed by related parties

The Group's bank borrowings of RMB555,400,000 (2020: RMB450,000,000) as at 31 December 2021 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 20).

37 Balance sheet and reserve movement of the Company

Balance sheet of the Company

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Investments in subsidiaries	**860,388**	860,388
Current assets		
Trade and other receivables	**1,296,116**	971,116
Cash and cash equivalents	**10,955**	123,468
	1,307,071	1,094,584
Total assets	**2,167,459**	1,954,972
EQUITY		
Capital and reserves attributable to the shareholders of the Company		
Share capital	**90,025**	90,571
Treasury shares	**(2,897)**	(11,871)
Other reserve (Note (a))	**(586,499)**	(555,610)
Retained earnings (Note (a))	**245,901**	189,448
Total equity	**(253,470)**	(287,462)
LIABILITIES		
Current liabilities		
Other payables	**2,310,686**	2,162,183
Borrowings	**110,000**	80,000
Dividends payable	**243**	251
	2,420,929	2,242,434
Total liabilities	**2,420,929**	2,242,434
Total equity and liabilities	**2,167,459**	1,954,972

The balance sheet of the Company was approved by the Board of Directors on 18 March 2022 and was signed on its behalf by:

Mr. LEE Rie-Ho
Director

Mr. LEE Chia Ling
Director

37 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 2021	**(555,610)**	**189,448**
Profit for the year	**–**	**312,178**
Dividends	**–**	**(255,725)**
Cancellation of shares (Note 17(iv))	**(30,889)**	**–**
At 31 December 2021	**(586,499)**	**245,901**
At 1 January 2020	(513,369)	220,850
Profit for the year	–	170,302
Dividends	–	(201,704)
Cancellation of shares (Note 17(iv))	(42,241)	–
At 31 December 2020	(555,610)	189,448

38 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 2021 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	**249**	**620**	**–**	**869**
Mr. Lee Kuo-Lin	**249**	**500**	**–**	**749**
Mr. Lee Chia Ling (i)	**399**	**200**	**–**	**599**
Mr. Tseng Ming-Sung	**–**	**208**	**–**	**208**
Mr. Zhang Honghai (ii)	**140**	**359**	**–**	**499**
Mr. Fan Ren-Da, Anthony (ii)	**89**	**360**	**–**	**449**
Mr. Lo Wah Wai	**266**	**–**	**–**	**266**
Mr. Lee Kwan Hung, Eddie	**266**	**–**	**–**	**266**
Dr. Huang Wei (ii)	**149**	**–**	**–**	**149**
	1,807	**2,247**	**–**	**4,054**

38 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 2020 is set out as follows:

Name	Fees	Salaries and social security costs	Share option expense	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Lee Rie-Ho	268	620	–	888
Mr. Lee Kuo-Lin	268	500	–	768
Mr. Lee Shih-Wei	90	120	–	210
Mr. Lee Chia Ling (i)	576	–	–	576
Mr. Tseng Ming-Sung	–	224	–	224
Mr. Lo Wah Wai	286	–	–	286
Mr. Lee Kwan Hung, Eddie	286	–	–	286
Mr. Fan Ren-Da, Anthony	286	–	–	286
	2,060	1,464	–	3,524

(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 2021 and 2020, 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.

(ii) Mr. Zhang Honghai and Dr. Huang Wei were appointed as executive director and independent non-executive director respectively on 18 May 2021. Mr. Fan Ren-Da, Anthony resigned from audit committee and was appointed as executive director on 18 May 2021.

38 Benefits and interests of directors *(continued)*

(b) Directors' retirement and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the year ended 31 December 2021.

(c) Consideration provided to third parties for making available directors' services

The Group did not pay consideration to any third parties for making available directors' services during the year ended 31 December 2021.

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans and other dealings were made available in favour of directors, bodies corporate controlled by or entities connected with directors subsisted at the end of the year or at any time during the year ended 31 December 2021.

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.