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

Interim Report 2011

Contents

Corporate Information

DIRECTORS

Executive Directors

Lee Rie-Ho

Lee Shih-Wei

Lee Chia Ling

Lee Kuo-Lin

Lee Min-Zun

Non-executive Director

Tseng Ming-Sung

Independent non-executive Directors

Lo Wah Wai

Lee Kwan Hung

Fan Ren Da, Anthony

BOARD COMMITTEES

Audit Committee

Lo Wah Wai *(Chairman)*

Tseng Ming-Sung

Fan Ren Da, Anthony

Lee Kwan Hung

Nomination Committee

Lee Kwan Hung *(Chairman)*

Lee Kuo-Lin

Fan Ren Da, Anthony

Lo Wah Wai

Remuneration Committee

Fan Ren Da, Anthony *(Chairman)*

Lee Rie-Ho

Lo Wah Wai

Lee Kwan Hung

Lee Chia Ling

Corporate Information

REGISTERED OFFICE

P.O. Box 2681
Cricket Square Hutchins Drive
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")

15/F, Paragon Centre Commercial Building
No. 1, Lianyue Road
Xiamen 361012
the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2210, 22/F
3 Lockhart Road
Wanchai
Hong Kong

AUTHORIZED REPRESENTATIVES

Lee Min-Zun

Mok Ming Wai

COMPANY SECRETARY

Mok Ming Wai, ACS, ACIS

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

HONG KONG 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")

STOCK CODE

6868

(listed on the Stock exchange on 26 September 2011) (the "Listing Date")

Corporate Information

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

LEGAL ADVISORS

As to Hong Kong law:

Sidley Austin
Level 39, Two International Finance Centre
8 Finance Street
Central
Hong Kong

As to Cayman Islands law:

Conyers Dill & Pearman
2901 One Exchange Square
8 Connaught Place
Central
Hong Kong

COMPLIANCE ADVISOR

Polaris Securities (Hong Kong) Limited

WEBSITE

www.tenfu.com

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

In the first half of 2011, Tenfu (Cayman) Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") achieved revenue of approximately RMB835.3 million, up approximately 63.6% from the corresponding period in 2010, and recorded profit for the period of approximately RMB153.1 million, up approximately 79.8% from the corresponding period in 2010. The increase in the Group's revenue for the period was mainly driven by the expansion of the Group's sales network, in particular the growth in the number of its self-owned retail outlets and retail points. For a detailed analysis of the financial results of the Group for the six months ended 30 June 2011, please refer to the section titled "Financial Review" in this interim report.

In the first half of 2011, the Group further strengthened its market position and the efficiency of its operations, including by completing the restructuring of its sales network, laying a solid foundation for further increases in market share.

1. **Leading brand position.** According to a recent report commissioned by Euromonitor International, an independent third party, the "Tenfu" (天福) brand has one of the highest levels of brand awareness amongst tea product consumers in the PRC. The Group views the increased sales of its tea products in the first half of 2011 as reflecting, in part, the recent trend of Chinese consumers switching from unbranded to branded traditional Chinese tea leaves. With its high level of brand awareness and more than 18 years of presence in the market, the Group believes it is in a strong position to continue capturing such expected growth in the market for branded traditional Chinese tea leaves.

2. **Expanding sales network.** The Group has continued adding retail outlets and retail points with a view to expanding the reach of its sales network for its tea products in the PRC. As of 30 June 2011, the Group had a total of 1,107 self-owned and third-party owned retail outlets and retail points, up a net of 65 retail stores and retail points from a total of 1,042 as of 31 December 2010.

3. **Completion of retail sales network restructuring.** In March 2011, the Group completed the strategic restructuring of its retail sales network, allowing the Group to better manage, monitor and optimize its sales network, product development, marketing and inventory management. In line with the goals of the restructuring, 63 of the 65 net additional retail outlets and retail points in the first half of 2011 were self-owned. As of 30 June 2011, the Group had a total of 469 self-owned retail outlets and retail points in the PRC.

Management Discussion and Analysis

4. **Continuous double-digit growth in each tea product category.** In the first half of 2011, revenue from sales of the Group's tea leaves, tea snacks and tea ware grew by approximately 68.5%, 39.6% and 79.8%, respectively, from the corresponding period in 2010, following on growth of approximately 74.8%, 72.2% and 157.4%, respectively, for the full year of 2010 from the full year of 2009.

In the second half of 2011, the Group plans to continue to expand and optimize its network of self-owned retail outlets and retail points and acquire store premises for the operation of self-owned retail outlets. In particular, the Group plans to:

1. **Continue to expand and optimize retail sales network.** The Group plans to achieve a net increase of approximately 150 retail outlets and retail points per year over the next five years, including both self-owned and third-party owned retail outlets and retail points. As part of this goal, the Group plans to establish new retail outlets on high-traffic streets in the central business districts of selected cities, as well as retail points in popular shopping malls. In addition, the Group plans to strengthen its business relationships with major department stores and hypermarkets by entering into cooperation agreements to expand the circulation of its tea products.

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 continue its participation in international events, such as Asia-Pacific Economic Cooperation (APEC) events, make further efforts to promote its products and brands during major Chinese traditional festivals, and continue opening tea cultural flagship stores in order to maintain and promote the well-known Tenfu brand.

3. **Continue to develop new concepts for tea-related products.** The Group believes that a broad portfolio of products will help it maintain its leading brand awareness and keep pace with constantly changing consumer preferences and trends. To this end, the Group plans to develop and introduce new concepts for tea-related products, recruit new marketing personnel and increase its marketing expenditure.

Management Discussion and Analysis

4. **Enhance processing and distribution efficiency and effectiveness.** The Group expects to implement by 2012 a fully-integrated ERP (Enterprise Resource Planning) system to provide real-time sales and inventory data from retail outlets, allowing the Group to more efficiently and effectively plan its processing schedules, manage resources and monitor sales and inventory information.

5. **Expand production capacity.** 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.

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 six months ended 30 June 2011, the Group engaged in the sale 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 and Sichuan province, China. 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.

Management Discussion and Analysis

During the six months ended 30 June 2011, the Group derived substantially all of its revenue from sales of tea leaves, tea snacks and tea ware. The revenue of the Group increased by approximately 63.6% to approximately RMB835.3 million for the six months ended 30 June 2011, from approximately RMB510.5 million for the corresponding period in 2010. The following table sets forth a breakdown of revenue by product category for the periods indicated:

	Six months ended 30 June			
	2011		2010	
	RMB'000	**%**	RMB'000	%
Revenue contributed from:				
Tea leaves	623,740	74.7	370,154	72.5
Tea snacks	99,857	11.9	71,519	14.0
Tea ware	95,237	11.4	52,955	10.4
Others[(1)]	16,436	2.0	15,873	3.1
Total	835,270	100.0	510,501	100.0

Note:

(1) "Others" include revenue from restaurant, hotel tourist and management service. 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 and sightseeing facilities.

Revenue from sales of the Group's tea leaves increased by approximately 68.5% to approximately RMB623.7 million for the six months ended 30 June 2011 from approximately RMB370.2 million for the corresponding period in 2010. Revenue from sales of the Group's tea snacks increased by approximately 39.6% to approximately RMB99.9 million from approximately RMB71.5 million for the corresponding period in 2010. Revenue from sales of the Group's tea ware increased by approximately 79.8% to approximately RMB95.2 million, from approximately RMB53.0 million for the corresponding period in 2010. The revenue increases across all three product categories were primarily driven by the expansion of the Group's sales network, in particular the growth in the number of its self-owned retail outlets and retail points.

Management Discussion and Analysis

Cost of sales

Cost of sales of the Group primarily comprises costs of inventory (mainly including costs of raw materials) and labour costs. Cost of sales of the Group increased by approximately 29.8% to approximately RMB324.8 million for the six months ended 30 June 2011 from approximately RMB250.3 million for the corresponding period in 2010, primarily due to greater sales of its tea products, as reflected by the approximately 68.5% increase in its revenue during the period, and partially offset by an increase in the proportion of revenue derived from retail sales of the Group's tea products, which generally have a higher profit margin than wholesales of its tea products.

Gross profit and gross profit margin

As a result of the foregoing factors, gross profit of the Group increased by approximately 96.2% to approximately RMB510.4 million for the six months ended 30 June 2011 from approximately RMB260.2 million for the corresponding period in 2010, with the gross profit margin increasing to approximately 61.1% for the six months ended 30 June 2011 from approximately 51.0% for the corresponding period in 2010.

Distribution costs

The distribution costs of the Group increased by approximately 100% to approximately RMB219.9 million for the six months ended 30 June 2011 from approximately RMB109.9 million for the corresponding period in 2010. The increase was primarily due to (i) an increase in expenditure on sales personnel to approximately RMB66.8 million for the six months ended 30 June 2011 from approximately RMB33.4 million for the six months ended 30 June 2010 as a result of increased self-owned retail outlets and retail points, (ii) an increase in operating lease expenses to approximately RMB55.3 million for the six months ended 30 June 2011 from approximately RMB36.7 million for the six months ended 30 June 2010 as a result of increased self-owned retail outlets and retail points, and (iii) an increase in sales commission expenses to approximately RMB32.2 million for the six months ended 30 June 2011 from approximately RMB9.1 million for the six months ended 30 June 2010 resulting from the increased number of self-owned retail points located in hypermarkets and department stores, whose sales are subject to concession fees.

Management Discussion and Analysis

Administrative expenses

Administrative expenses for the Group increased by approximately 167.1% to approximately RMB79.2 million for the six months ended 30 June 2011 from approximately RMB29.6 million for the corresponding period in 2010. The increase was primarily due to the expansion of the Group's business operations. The Group employed a greater number of administrative personnel, leading to higher salary costs. The increasing number of the Group's self-owned retail outlets and retail points also resulted in higher expenditures on utilities and pre-opening costs, as well as greater depreciation of property, plant and equipment.

Other income

Other income of the Group increased by approximately 40.7% to approximately RMB5.6 million for the six months ended 30 June 2011 from approximately RMB4.0 million for the corresponding period in 2010. The increase was primarily due to the increase in PRC local government grants to approximately RMB3.9 million for the six months ended 30 June 2011 from approximately RMB3.0 million for the six months ended 30 June 2010, and the increase in investment property rental income to approximately RMB1.3 million for the six months ended 30 June 2011 from approximately RMB0.6 million for the six months ended 30 June 2010.

Other gain, net

Other gain, net of the Group was approximately RMB0.1 million and approximately RMB0.3 million for the six months ended 30 June 2011 and 2010, respectively.

Finance income

Finance income of the Group was approximately RMB0.8 million and approximately RMB1.0 million for the six months ended 30 June 2011 and 2010, respectively.

Finance costs

Finance costs of the Group increased by approximately 85.2%, to approximately RMB9.8 million for the six months ended 30 June 2011 from approximately RMB5.3 million for the corresponding period in 2010, primarily due to the increase in interest expenses mainly as a result of increased bank borrowings.

Share of profit of a jointly controlled entity

Share of profit of a jointly controlled entity of the Group was approximately RMB0.5 million and approximately RMB0.5 million for the six months ended 30 June 2011 and 2010, respectively.

Management Discussion and Analysis

Income tax expense

Income tax expense of the Group increased by approximately 54.7% to approximately RMB55.6 million for the six months ended 30 June 2011 from approximately RMB35.9 million for the corresponding period in 2010, primarily due to an increase in the Group's profit before tax to approximately RMB208.7 million for the six months ended 30 June 2011 from approximately RMB121.1 million for the six months ended 30 June 2010, partially offset by a decrease in withholding income tax on distributable profits that Tenfu (Hong Kong) Holdings Co., Limited and Ten Rui (Hong Kong) Sales Holdings Co., Limited, the Group's Hong Kong subsidiaries will receive from the Group's PRC subsidiaries as dividends for the corresponding period.

Profit for the period

As a result of the foregoing factors, profit of the Group increased by approximately RMB67.9 million, or approximately 79.8%, to approximately RMB153.1 million for the six months ended 30 June 2011 from approximately RMB85.2 million for the corresponding period in 2010. Correspondingly, net profit margin of the Group increased to approximately 18.3% from approximately 16.7% for the relevant periods.

The profit attributable to owners of the Company was approximately RMB153.1 million for the six months ended 30 June 2011, compared to approximately RMB85.2 million for the corresponding period in 2010.

Cash position

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

The Group's cash and cash equivalents increased by approximately RMB92.3 million, or approximately 51.0%, to approximately RMB273.0 million as of 30 June 2011 from approximately RMB180.7 million as of 30 June 2010.

The Group had net cash inflow from operating activities of approximately RMB220.2 million, net cash used in investing activities of approximately RMB181.7 million and net cash used in financing activities of approximately RMB215.9 million for the six months ended 30 June 2011.

The Group has sufficient working capital and financial resources to support for regular operation.

Management Discussion and Analysis

Bank borrowings and gearing ratio

The Group had total bank borrowings of approximately RMB352.5 million as of 30 June 2011 compared to approximately RMB399.7 million as of 31 December 2010.

As of 30 June 2011, bank borrowings of approximately RMB60 million were secured by the land use rights of the Group amounting to approximately RMB14.9 million, bank borrowings of approximately RMB10.3 million were secured by bank deposits, bank borrowings of approximately RMB40 million were guaranteed by Mr. Lee Kuo-Lin, a related party of the Group, and bank borrowings of approximately RMB19.4 million were guaranteed by Mr. Lee Rie-Ho, Mr. Lee Shih-Wei and Mr. Lee Chia Ling, all of whom are related parties of the Group. The guarantees on bank borrowings provided by related parties had been subsequently released.

Gearing ratio 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 30 June 2011, the gearing ratio of the Group was approximately 30.1%, compared to approximately 37.6% as of 31 December 2010. The decrease during the first half of 2011 was primarily due to the repayment of the Group's bank borrowings and increases in its total capital driven by higher net profit earned during this period.

Working capital

	As at 30 June 2011 RMB'000	As at 31 December 2010 RMB'000
Trade and other receivables	154,191	354,069
Trade and other payables	183,519	260,232
Inventories	333,426	299,173
Trade receivables turnover days(1)	116	179
Trade payables turnover days(2)	53	49
Inventories turnover days(3)	175	158

Notes:

(1) Trade receivables turnover days = the average of the beginning and ending balances for the period, divided by revenue from wholesales to third-party retailers plus sales from the Group's self-owned retail points and sales through other sales channel mainly representing sales to Samoa Group, Xiamen Apex (prior to the acquisition of it in January 2011) and Ten Ren U.S.A. for the period, multiplied by the number of days in the period.

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

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

Management Discussion and Analysis

The Group's trade and other receivables represent primarily the balances due from third-party retailers. The Group's trade and other receivables decreased by approximately RMB199.9 million to approximately RMB154.2 million as at 30 June 2011 from approximately RMB354.1 million as at 31 December 2010, primarily due to the settlement of receivables due from third parties.

The Group's trade and other payables principally comprise payables to its raw material suppliers, employee benefit payables, other taxes payable, accrued operating expenses and amounts due to related parties. The Group's trade and other payables decreased to approximately RMB183.5 million as at 30 June 2011 from approximately RMB260.2 million as at 31 December 2010, primarily due to decreases in employee benefit payables and amounts due to related parties.

The Group's inventories comprise raw materials (including packaging materials), work-in-progress and finished products. The Group's inventories increased to approximately RMB333.4 million as at 30 June 2011 from approximately RMB299.2 million as at 31 December 2010, primarily reflecting increases in procurement, primarily in anticipation of Mid-Autumn Festival.

Foreign exchange risk

The Group's normal operating activities are principally conducted in Renminbi, since all of the operating entities are based in the PRC. As at 30 June 2011, most of the operating entities' assets and liabilities were denominated in Renminbi and in the opinion of the directors of the Company (the "Directors"), these entities did not have significant foreign currency risk exposure.

As the proceeds of the Global Offering will be in Hong Kong Dollars, any future appreciation of the Renminbi against the Hong Kong Dollar will adversely affect the amount of proceeds the Group receive in terms of Renminbi. On the other hand, any future depreciation of the Renminbi would adversely affect the value of any dividends the Group pays to its Shareholders subsequent to the Global Offering. The Group currently does not engage in hedging activities designed or intended to manage such exchange rate risk. Because the Renminbi is not freely convertible, the Group's ability to reduce foreign exchange rate risk is limited.

Contingent liabilities

The Group had no material contingent liabilities as at 30 June 2011.

Management Discussion and Analysis

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2011, the Group had a total of 6,489 employees with 6,487 employees in the PRC and 2 employees in Hong Kong. For the six-months period ended 30 June 2011, the staff cost of the Group was approximately RMB120.9 million.

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 appraisal once every year for its employees, the results of which are applied in annual salary review and promotional 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 Company adopted a share option scheme on 17 December 2010. During the six months ended 30 June 2011, no options have been granted. 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 service. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or any material labor dispute during the six month period ended 30 June 2011.

Other Information

SHARE OPTION SCHEME

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

Since the Share Option Scheme was adopted and up to 30 June 2011, no options have been granted.

Other Information

INTERESTS AND SHORT POSITIONS OF DIRECTORS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES

As at the date of this interim report, the interests or short positions of the Directors or chief executives of the Company in the shares of the Company (the "Shares"), underlying Shares and 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 interest 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 of the Listing Rules (the "Model Code"), are as follows:

(i) Interests in the Company

Name of Director	Nature of Interest	Number of Shares held	Approximate percentage of shareholding
Mr. Lee Rie-Ho(1)	Interest in a controlled corporation	188,760,000 (L)(3)	15.38%
Mr. Lee Shih-Wei	Personal Interest/individual	4,719,000 (L)(3)	0.38%
Mr. Lee Chia Ling(2)	Settlor of The KCL Trust	377,520,000 (L)(3)	30.76%
Mr. Tseng Ming-Sung	Personal Interest/individual	4,719,000 (L)(3)	0.38%
Mr. Lee Min-Zun	Personal Interest/individual	1,000,000 (L)(3)	0.08%

Other Information

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 Credit Suisse Trust Limited (the "Trustee") (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 and the Trustee as trustee on 12 April 2011. The beneficiaries of The KCL Trust include family members of Mr. Lee Chia Ling. Mr. Lee Chia Ling is deemed to be interested in 377,520,000 Shares held by The KCL Trust, Tiger Nature and Trackson Investments Limited immediately upon completion of the Global Offering 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 securities.

(ii) Interest in associated corporations

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

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at the date of this interim report, 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 interests and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO:

Name	Capacity in which interests are held	Number of shares	Percentage of shareholding (%)
Discerning Group Limited[1]	Beneficial interest	188,760,000 (L)[5]	15.38
Ms. Lee Tsai Li-Li[1]	Interest in spouse	188,760,000 (L)[5]	15.38
Credit Suisse Trustee Limited[2] [3]	Trustee	377,520,000 (L)[5]	30.76
Trackson Investments Limited[2]	Registered owner	377,520,000 (L)[5]	30.76
Tiger Nature Holdings Limited[2]	Interest in a controlled corporation	377,520,000 (L)[5]	30.76
The KCL Trust[2]	Interest in a controlled corporation	377,520,000 (L)[5]	30.76
Mr. Lee John L[2]	Beneficiary of The KCL Trust	377,520,000 (L)[5]	30.76
Ms. Zhou Nan Nan[2]	Interest in spouse	377,520,000 (L)[5]	30.76
General Atlantic Singapore Fund Pte. Ltd.[4]	Registered owner	73,017,000 (L)[5]	5.95

Other Information

Name	Capacity in which interests are held	Number of shares	Percentage of shareholding (%)
General Atlantic Singapore Fund Interholdco Ltd.[(4)]	Interest in a controlled corporation	73,017,000 (L)[(5)]	5.95
General Atlantic Partners (Bermuda) II, L.P.[(4)]	Interest in a controlled corporation	73,017,000 (L)[(5)]	5.95
General Atlantic GenPar (Bermuda), L.P.[(4)]	Interest in a controlled corporation	73,017,000 (L)[(5)]	5.95
GAP (Bermuda) Limited[(4)]	Interest in a controlled corporation	73,017,000 (L)[(5)]	5.95

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 the Trustee (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 and the Trustee as trustee on 12 April 2011. The beneficiaries of The KCL Trust include family members of Mr. Lee Chia Ling. Mr. Lee Chia Ling is deemed to be interested in 377,520,000 Shares held by The KCL Trust, Tiger Nature and Trackson Investments Limited immediately upon completion of the Global Offering 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) Credit Suisse Trustee Limited is the trustee of The KCL Trust, it is deemed to be interested in 377,520,000 Shares held by The KCL Trust.

Other Information

(4) *General Atlantic Singapore Fund Pte. Ltd. is managed and controlled on day-to-day basis by its board of directors comprised solely of Abhay Havaldar and Nicholas Nash, both of whom are residents of Singapore and investment professionals who work on a full-time basis in Singapore. The sole shareholder of General Atlantic Singapore Fund Pte. Ltd. is General Atlantic Singapore Fund Interholdco Ltd. ("GA Interholdco") and the controlling shareholder of GA Interholdco is General Atlantic Partners (Bermuda) II, L.P. ("GAP LP"). The general partner of GAP LP is General Atlantic GenPar (Bermuda), L.P. ("GA GenPar") and the general partner of GA GenPar is GAP (Bermuda) Limited.*

(5) *The letter "L" denotes long position in such securities.*

CORPORATE GOVERNANCE

The Company strived to maintain a high standard of corporate governance and complied with the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules. To the knowledge of the Board, the Company had fully complied with the code provisions in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules since 26 September 2011, the date of listing of the Company's shares on the Stock Exchange (the "Listing Date") up to the date of this report, and there has been no deviation from any of the code provisions.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Board has adopted the Model Code for the transactions of the Company's securities. The Company has made specific enquiry with all Directors and all the Directors have confirmed their compliance with the required standards set out in the Model Code since the Listing Date of the Company and up to the date of this report.

PURCHASE, SALE AND REDEMPTION OF SHARES

There was no purchase, sale and redemption of any listed securities of the Company by the Company or any of its subsidiaries between the period since the Listing Date and the date of this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information available to the Company and within the knowledge of the Directors, the Company maintained adequate public float since Listing Date.

Other Information

AUDIT COMMITTEE

The Company has an audit committee (the "Audit Committee") which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three members who are the independent non-executive Directors and one non-executive Director of the Company, namely Mr. Lo Wah Wai, Mr. Fan Ren Da, Anthony, Mr. Lee Kwan Hung and Mr. Tseng Ming-Sung. The Audit Committee and the Company's management have reviewed the accounting principles and practices adopted by the Group, and discussed internal control and financial reporting matters. The unaudited interim results and the interim report of the Group for the six months ended 30 June 2011 have been reviewed by the Audit Committee. The condensed consolidated interim financial statements of the Group for the six months ended 30 June 2011 set out in the interim report have been reviewed by PricewaterhouseCoopers, the external auditor of the Company, in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM REPORT

This interim report is published on the websites of the Stock Exchange (http://www.hkex.com.hk) and the Company (http://www.tenfu.com). This report will be despatched to the shareholders of the Company and made available for review on the aforesaid websites.

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

Hong Kong, 26 September 2011

Condensed Consolidated Balance Sheet

As at 30 June 2011

(All amounts in Renminbi ("RMB") unless otherwise stated)

	Note	30 June 2011 Unaudited RMB'000	31 December 2010 Audited RMB'000
ASSETS			
Non-current assets			
Leasehold land and land use rights	7	19,280	19,377
Investment properties	7	5,174	5,313
Property, plant and equipment	7	365,396	278,562
Intangible assets	7	2,741	2,910
Investment in a jointly controlled entity		3,255	3,748
Deferred income tax assets		32,651	30,331
Prepayments – non-current portion	8	18,901	8,462
		447,398	348,703
Current assets			
Inventories	9	333,426	299,173
Trade and other receivables	8	154,191	354,069
Prepayments	8	149,878	70,638
Restricted cash	10	10,440	3,460
Time deposit	10	55,600	–
Cash and cash equivalents	10	272,979	450,685
		976,514	1,178,025
Total assets		1,423,912	1,526,728
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	11	8,875	8,875
Share premium	11	194,806	194,806
Other reserves	12	342,410	342,410
Retained earnings		270,725	117,601
Total equity		816,816	663,692

Condensed Consolidated Balance Sheet (continued)

As at 30 June 2011

(All amounts in RMB unless otherwise stated)

	Note	**30 June 2011 Unaudited RMB'000**	31 December 2010 Audited RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	14	–	738
Deferred income tax liabilities		8,847	14,477
		8,847	15,215
Current liabilities			
Trade and other payables	13	183,519	260,232
Dividend payable	22(c)	41,533	157,749
Current income tax liabilities		20,742	30,864
Borrowings	14	352,455	398,976
		598,249	847,821
Total liabilities		607,096	863,036
Total equity and liabilities		1,423,912	1,526,728
Net current assets		378,265	330,204
Total assets less current liabilities		825,663	678,907

The notes on pages 27 to 60 are an integral part of this condensed consolidated interim financial statements.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011
(All amounts in RMB unless otherwise stated)

		Six months ended 30 June	
		2011	2010
		Unaudited	Unaudited
	Note	**RMB'000**	RMB'000
Revenue	6	835,270	510,501
Cost of sales	17	(324,848)	(250,304)
Gross profit		510,422	260,197
Distribution costs	17	(219,862)	(109,930)
Administrative expenses	17	(79,157)	(29,635)
Other income	16	5,619	3,995
Other gains – net	15	147	292
Operating profit		217,169	124,919
Finance income		788	955
Finance costs		(9,794)	(5,289)
Finance costs – net		(9,006)	(4,334)
Share of profit of a jointly controlled entity		541	514
Profit before income tax		208,704	121,099
Income tax expense	18	(55,580)	(35,928)
Profit for the period, all attributable to the owners of the Company		153,124	85,171
Other comprehensive income for the period		–	–
Total comprehensive income for the period, all attributable to owners of the Company		153,124	85,171
Earnings per share for profit attributable to owners of the Company (expressed in RMB)			
– Basic earnings per share	19	0.15	0.08
– Diluted earnings per share	19	0.15	0.08

The notes on pages 27 to 60 are an integral part of this condensed consolidated interim financial statements.

	Six months ended 30 June	
	2011	2010
	Unaudited	Unaudited
	RMB'000	RMB'000
Dividends	–	–

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

(All amounts in RMB unless otherwise stated)

	Unaudited				
	Attributable to owners of the Company				
	Par value of ordinary shares	**Share premium**	**Other reserves**	**Retained earnings**	**Total equity**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2010	–	–	322,152	230,307	552,459
Total comprehensive income for the six months ended 30 June 2010	–	–	–	85,171	85,171
Balance at 30 June 2010	–	–	322,152	315,478	637,630
Balance at 1 January 2011	8,875	194,806	342,410	117,601	663,692
Total comprehensive income for the six months ended 30 June 2011	–	–	–	153,124	153,124
Balance at 30 June 2011	8,875	194,806	342,410	270,725	816,816

The notes on pages 27 to 60 are an integral part of this condensed consolidated interim financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

(All amounts in RMB unless otherwise stated)

	Note	Six months ended 30 June 2011 Unaudited RMB'000	2010 Unaudited RMB'000
Cash flows from operating activities			
Cash generated from operations		303,695	49,204
Interest paid		(9,794)	(5,289)
Income tax paid		(73,652)	(42,544)
Net cash inflow from operating activities		220,249	1,371
Cash flows from investing activities			
Acquisition of businesses, net of cash acquired	21	(8,534)	(17,269)
Purchase of land use rights	7	(181)	–
Purchase of property, plant and equipment	7	(119,207)	(20,612)
Purchase of intangible assets	7	(239)	(108)
Investment in short-term time deposit	10	(55,600)	–
Proceeds from disposal of property, plant and equipment		233	3,947
Interest received		788	955
Dividends received from a jointly controlled entity		1,034	756
Decrease in amounts due from third parties	8	–	146,589
Decrease in amounts due from related parties	22	–	34,709
Net cash (outflow)/inflow from investing activities		(181,706)	148,967
Cash flows from financing activities			
Capital contribution from owners of the Company		2,292	–
Proceeds from borrowings		36,883	120,000
Repayments of borrowings		(84,142)	(241,738)
Dividends paid to owners of the Company		(116,216)	–
Changes of deposits for short-term borrowing		(6,980)	–
(Decrease)/increase in amounts due to related parties	22	(47,692)	10,960
Net cash outflow from financing activities		(215,855)	(110,778)
Net (decrease)/increase in cash and cash equivalents		(177,312)	39,560
Effect of foreign exchange rate changes		(394)	–
Cash and cash equivalents at beginning of the period		450,685	141,171
Cash and cash equivalents at end of the period		272,979	180,731

The notes on pages 27 to 60 are an integral part of this condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2011

(All amounts in RMB unless otherwise stated)

1 GENERAL INFORMATION

Tenfu (Cayman) Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") are engaged in the classification, packaging of tea leaves, manufacture of tea snacks, and sale of tea leaves, tea snacks and tea ware. The Group has manufacturing plants in Fujian Province and Sichuan 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 were listed on the main board of The Stock Exchange of Hong Kong Limited (the "SEHK") on 26 September 2011.

These condensed consolidated interim financial statements are presented in Renminbi ("RMB"), unless otherwise stated and were approved by the Company's board of directors on 26 September 2011.

These condensed consolidated interim financial statements have not been audited.

Key events

The operational highlight of the period was the acquisition of Xiamen Apex Trading Co., Ltd. ("Xiamen Apex"), a company that trading tea leaves, tea snacks and tea ware. Further details are given in Note 20(b).

On 31 August 2011, the Board of Directors approved the conditional capitalisation issue. Further details are given in Note 11.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2011
(All amounts in RMB unless otherwise stated)

2 BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 30 June 2011 have been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34, 'Interim Financial Reporting' issued by the Hong Kong Institute of Certified Public Accountants. The condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the years ended 31 December 2008, 2009 and 2010 and three months ended 31 March 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants.

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the consolidated financial statements for the years ended 31 December 2008, 2009 and 2010 and three months ended 31 March 2011, as described in those consolidated financial statements as set out in the accountant's report contained in the Company's Prospectus dated 14 September 2011.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New and amended standards adopted by the Group

The following new standard and amendment to standard are mandatory for the first time for the financial year beginning 1 January 2011.

- HKAS 24 (Revised) 'Related Party Disclosures' is effective for annual periods beginning on or after January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose:
  - The name of the government and the nature of their relationship;
  - The nature and amount of any individually significant transactions; and
  - The extent of any collectively-significant transactions qualitatively or quantitatively.

  It also clarifies and simplifies the definition of a related party.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2011
(All amounts in RMB unless otherwise stated)

3 ACCOUNTING POLICIES *(continued)*

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

- Amendment to HKAS 34 'Interim Financial Reporting' is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

(b) Amendments and interpretations to existing standards effective in 2011 but not relevant to the Group

- Amendment to HKAS 32 'Classification of Rights Issues' is effective for annual periods beginning on or after 1 February 2010. This is not currently applicable to the Group, as it has not made any rights issue.
- HK(IFRIC) – Int 19 'Extinguishing Financial Liabilities with Equity Instruments' is effective for annual periods beginning on or after 1 July 2010. This is not currently applicable to the Group, as it has no extinguishment of financial liabilities replaced with equity instruments currently.
- Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010 by the HKICPA, except for amendment to HKAS 34 'Interim financial reporting' as disclosed in note 3(a) and the clarification to allow the presentation of an analysis of the components of other comprehensive income by item within the notes, all are not currently relevant to the Group. All improvements are effective in the financial year of 2011.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2011

(All amounts in RMB unless otherwise stated)

3 ACCOUNTING POLICIES *(continued)*

(c) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted:

- HKAS 1 (Amendment) "Presentation of Financial Statements" changes the disclosure of items presented in other comprehensive income in the statement of comprehensive income. The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendment is not applicable until 1 January 2012 but is available for early adoption. The Group has not yet decided when to adopt this amendment

- HKAS 19 (Amendment) "Employee Benefits" makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. Some of the key changes include:

  - Actuarial gains and losses are renamed 'remeasurements' and will be recognised immediately in other comprehensive income. Actuarial gains and losses will no longer be deferred using the corridor approach or recognised in profit or loss. Remeasurements recognised in other comprehensive income will not be recycled through profit or loss in subsequent periods.

  - The distinction between short and long-term benefits for measurement purposes is based on when payment is expected, not when payment can be demanded.

  - Any benefit that has a future-service obligation is not a termination benefit. A liability for a termination benefit is recognised when the entity can no longer withdraw the offer of the termination benefit or recognises any related restructuring costs.

  - The amendment is not applicable until 1 January 2013 but is available for early adoption. The Group has not yet decided when to adopt this amendment.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2011

(All amounts in RMB unless otherwise stated)

3 ACCOUNTING POLICIES *(continued)*

(c) *(continued)*

- HKFRS 9 'Financial Instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. HKFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 'Financial instruments: Recognition and measurement' and have not been changed. The Group has not yet decided when to adopt HKFRS 9.

- HKFRS 10 'Consolidated Financial Statements' replaces all of the guidance on control and consolidation in HKAS 27, 'Consolidated and Separate Financial Statements', and HK(SIC)-12, 'Consolidation – Special Purpose Entities'. The revised definition of control under HKFRS 10 focuses on the need to have both power and variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. HKFRS 10 also includes guidance on 'de facto' control, participating and protective rights and agent/principal relationships. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group has not yet decided when to adopt HKFRS 10.

- HKFRS 11 'Joint Arrangements' changes the definitions to reduce the types of joint arrangements to two, joint operations and joint ventures. A joint operation is a joint arrangement that gives parties to the arrangement direct rights to the assets and obligations for the liabilities. A joint operator will recognise its interest based on its involvement in the joint operation (that is, based on its direct rights and obligations) rather than on the participation interest it has in the joint arrangement. A joint venture, in contrast, gives the parties rights to the net assets or outcome of the arrangement. Joint ventures are accounted for using the equity method in accordance with HKAS 28, 'Investments in Associates'. Entities can no longer account for an interest in a joint venture using the proportionate consolidation method. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group has not yet decided when to adopt HKFRS 11.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2011

(All amounts in RMB unless otherwise stated)

3 ACCOUNTING POLICIES *(continued)*

(c) *(continued)*

- HKFRS 12 “Disclosure of Interests in Other Entities” sets out the required disclosures for entities reporting under the two new standards, HKFRS 10, ‘Consolidated Financial Statements’, and HKFRS 11, ‘Joint Arrangements’. It replaces the disclosure requirements currently found in HKAS 28, ‘Investments in Associates’. The existing guidance and disclosure requirements for separate financial statements are unchanged under HKAS 27 (as amended in 2011). HKFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group has not yet decided when to adopt HKFRS 12.

- HKFRS 13 ‘Fair Value Measurement’ defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (ie an exit price). The standard is not applicable until 1 January 2013 but is available for early adoption. The definition of fair value emphasises that fair value is a market-based measurement, not an entity-specific measurement. When measuring fair value, an entity uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. As a result, an entity’s intention to hold an asset or to settle or otherwise fulfil a liability is not relevant when measuring fair value. The Group has not yet decided when to adopt HKFRS 13.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2011

(All amounts in RMB unless otherwise stated)

3 ACCOUNTING POLICIES *(continued)*

(c) *(continued)*

- HKFRS 7 (Amendment) 'Disclosures – Transfers of Financial Assets' introduces new disclosure requirement on transfers of financial assets. Disclosure is required by class of asset of the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. The gain or loss on the transferred assets and any retained interest in those assets must be given. In addition, other disclosures must enable users to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. The disclosures must be presented by type of ongoing involvement. For example, the retained exposure could be presented by type of financial instrument (such as guarantees, call or put options), or by type of transfer (such as factoring of receivables, securitisations or securities lending). The amendment is applicable to annual periods beginning on or after 1 July 2011 with early adoption permitted.

(d) The following amendment to standard has been issued but is not effective for the financial year beginning 1 January 2011 and is not relevant to the Group:

- HKAS 12 (Amendment) 'Deferred Tax: Recovery of Underlying Assets' introduces an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2011

(All amounts in RMB unless otherwise stated)

4 ESTIMATES

The preparation of condensed consolidated interim financial statements require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the years ended 31 December 2008, 2009 and 2010 and three months ended 31 March 2011 as set out in the accountant's report contained in the Prospectus dated 14 September 2011.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2010.

There have been no changes in the risk management department since year end or in any risk management policies.

5.2 Fair value estimation

The carrying amount of the Group's financial assets (including trade and other receivables, cash and cash equivalents and restricted cash) and short term liabilities (including trade and other payables and short term borrowings) are assumed to approximate their fair values due to their short-term maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2011
(All amounts in RMB unless otherwise stated)

6 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 of tea leaves, manufacture of tea snacks, and sale of tea leaves, tea snacks and tea ware.

Other services include revenue from restaurant, hotel, tourist and management services. 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 all the sales and operating profits of the Group are derived within the PRC and all the operating assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns.

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 condensed consolidated interim financial statements. The common administrative expenses, other gains/(losses), other income, financing (including finance costs and interest income), share of results of a jointly controlled entity and income taxes are managed on a group basis and are not allocated to operating segments.

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

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

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2011
(All amounts in RMB unless otherwise stated)

6 SEGMENT INFORMATION *(continued)*

(a) Revenue

Turnover of the Group consists of the following revenues for the six months ended 30 June 2011 and 2010.

	Six months ended 30 June	
	2011	2010
	Unaudited	Unaudited
	RMB'000	RMB'000
Tea leaves	623,740	370,154
Tea snacks	99,857	71,519
Tea ware	95,237	52,955
Others	16,436	15,873
	835,270	510,501

The segment results for the six months ended 30 June 2011:

	Unaudited				
	Tea leaves RMB'000	**Tea snacks RMB'000**	**Tea ware RMB'000**	**All other segments RMB'000**	**Total RMB'000**
Segment revenue	623,740	99,857	95,237	16,436	835,270
Segment results	179,919	21,701	14,612	2,577	218,809
Common administrative expenses					(7,406)
Other losses – net					147
Other income					5,619
Finance costs					(9,006)
Share of results of a jointly controlled entity					541
Profit before income tax					208,704
Income tax expense					(55,580)
Profit for the period					153,124

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2011

(All amounts in RMB unless otherwise stated)

6 SEGMENT INFORMATION *(continued)*

(a) Revenue *(continued)*

Other segment items included in the condensed consolidated interim statement of comprehensive income for the six months ended 30 June 2011:

	Unaudited					
	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	12,382	3,185	1,640	1,354	3,918	22,479
Depreciation of investment properties	–	–	–	–	139	139
Amortization of leasehold land and land use rights	178	45	37	18	–	278
Losses on disposal of property, plant and equipment, net	124	4	–	–	33	161

The segment assets and liabilities as at 30 June 2011 are as follows:

	Unaudited					
	Tea leaves RMB'000	Tea snacks RMB'000	Tea ware RMB'000	All other segments RMB'000	Unallocated RMB'000	Total RMB'000
Total assets	881,469	163,747	132,936	36,209	209,551	1,423,912
Total liabilities	118,352	19,129	17,485	589	450,260	605,815

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2011

(All amounts in RMB unless otherwise stated)

6 SEGMENT INFORMATION *(continued)*

(a) Revenue *(continued)*

The segment results for the six months ended 30 June 2010:

	Unaudited				
	Tea leaves RMB'000	Tea snacks RMB'000	Tea ware RMB'000	All other segments RMB'000	Total RMB'000
Segment revenue	370,154	71,519	52,955	15,873	510,501
Segment results	97,453	18,747	3,095	4,506	123,801
Common administrative expenses					(3,169)
Other gains – net					292
Other income					3,995
Finance costs					(4,334)
Share of results of a jointly controlled entity					514
Profit before income tax					121,099
Income tax expense					(35,928)
Profit for the period					85,171

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2011
(All amounts in RMB unless otherwise stated)

6 SEGMENT INFORMATION *(continued)*

(a) Revenue *(continued)*

Other segment items included in the condensed consolidated interim statement of comprehensive income for the six months ended 30 June 2010:

	Unaudited					
	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	6,385	2,791	502	400	2,672	12,750
Depreciation of investment properties	–	–	–	–	147	147
Amortization of leasehold land and land use rights	167	44	34	16	–	261
Losses on disposal of property, plant and equipment, net	865	–	–	–	–	865

The segment assets and liabilities as at 30 June 2010 are as follows:

	Unaudited					
	Tea leaves RMB'000	Tea snacks RMB'000	Tea ware RMB'000	All other segments RMB'000	Unallocated RMB'000	Total RMB'000
Total assets	633,956	140,102	79,224	41,422	146,489	1,041,193
Total liabilities	117,719	21,104	12,596	655	256,350	408,424

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2011
(All amounts in RMB unless otherwise stated)

7 LEASEHOLD LAND AND LAND USE RIGHTS, PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS

	Leasehold land and land use rights	Property, plant and equipment	Investment properties	Intangible assets
	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended 30 June 2010 (unaudited)				
Opening net book amount 1 January 2010	15,443	236,944	5,277	1,274
Additions	–	20,612	–	108
Additions resulting from acquisition of a subsidiary (Note 21)	–	8,147	–	23
Disposals	–	(4,812)	–	–
Depreciation and amortisation	(261)	(12,750)	(147)	(228)
Closing net book amount 30 June 2010	15,182	248,141	5,130	1,177
Six months ended 30 June 2011 (unaudited)				
Opening net book amount as at 1 January 2011	19,377	278,562	5,313	2,910
Additions	181	108,768	–	239
Additions resulting from acquisition of a subsidiary (Note 21)	–	939	–	–
Disposals	–	(394)	–	–
Depreciation and amortisation	(278)	(22,479)	(139)	(408)
Closing net book amount as at 30 June 2011	19,280	365,396	5,174	2,741

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2011

(All amounts in RMB unless otherwise stated)

7 LEASEHOLD LAND AND LAND USE RIGHTS, PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS *(continued)*

As at 30 June 2011, land use rights with original cost amounting to RMB14,885,000 (31 December 2010: RMB14,487,000), net book value amounting to RMB13,246,000 (31 December 2010: RMB13,077,000) have been pledged as securities for the bank borrowings amounting to RMB60,000,000 (31 December 2010: RMB90,000,000) (Note 14).

As at 30 June 2011, the fair value of the investment properties is RMB6,152,115 (31 December 2010: RMB6,114,000), with carrying amount of RMB5,174,000 (31 December 2010: RMB5,130,000). The fair value represents open market value determined at each reporting date by an external valuer.

8 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

(i) Trade and other receivables

	As at 30 June 2011 Unaudited RMB'000	As at 31 December 2010 Audited RMB'000
Current		
Trade receivables – due from third parties	143,768	331,010
Trade receivables – due from related parties (Note 22)	2,633	5,872
Less: Provision for impairment of trade receivables	–	–
Trade receivables – net	146,401	336,882
Others	7,790	17,187
	154,191	354,069

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2011
(All amounts in RMB unless otherwise stated)

8 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(continued)*

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

The ageing analysis of the trade receivables is as follows:

	As at 30 June 2011 Unaudited RMB'000	As at 31 December 2010 Audited RMB'000
Up to 6 months	146,049	292,339
6 months to 1 year	287	24,800
1 year to 2 years	65	19,743
	146,401	336,882

(ii) Prepayments

	As at 30 June 2011 Unaudited RMB'000	As at 31 December 2010 Audited RMB'000
Non-current		
Prepayments for property, plant and equipment	18,901	8,462
Current		
Prepayments for lease of property and lease deposits – current portion	72,311	56,021
Other prepayments	71,816	9,038
Prepaid taxes	5,751	5,579
	149,878	70,638
	168,779	79,100

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2011

(All amounts in RMB unless otherwise stated)

9 INVENTORIES

	As at 30 June 2011 Unaudited RMB'000	As at 31 December 2010 Audited RMB'000
Raw materials and packaging materials	83,717	78,733
Work in progress	65,266	68,697
Finished goods	184,443	151,743
	333,426	299,173

10 CASH AND CASH EQUIVALENTS, TIME DEPOSIT AND RESTRICTED CASH

	As at 30 June 2011 Unaudited RMB'000	As at 31 December 2010 Audited RMB'000
Cash at bank and on hand (a)	339,019	454,145
Less: Time deposit (b)	(55,600)	–
Restricted cash (c)	(10,440)	(3,460)
Cash and cash equivalents	272,979	450,685

(a) All cash at bank are deposits with original maturity within 3 months. The Group earns interest on cash at bank, including restricted cash, at floating bank deposit rates.

(b) As at 30 June 2011, the Group has a time deposit of RMB55,600,000 (31 December 2010: Nil) which will be matured in June 2012.

(c) As at 30 June 2011, the Group has fixed deposits of RMB10,440,000 (31 December 2010: RMB3,460,000) which are pledged as collateral for the Group's short-term borrowings of RMB10,340,000 (31 December 2010: RMB3,457,000) (Note 14).

Notes to the Condensed Consolidated Interim Financial Statements

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(All amounts in RMB unless otherwise stated)

11 SHARE CAPITAL

	Unaudited				
	Number of authorized shares (thousands)	**Number of issued shares**	**Ordinary shares** RMB	**Share premium** RMB	**Total** RMB
At 22 April 2010 (date of incorporation)	3,800	–	–	–	–
Issuance of ordinary shares (i)	–	1,000	88	–	88
At 30 June 2010	3,800	1,000	88	–	88
At 1 January 2011 and 30 June 2011 (ii) (iii) (iv)	8,000,000	101,858,746	8,874,657	194,806,000	203,680,657

(i) Upon incorporation on 22 April 2010, the Company issued 1,000 ordinary shares to Mr. Tsai Shan Jen, the persons acting in concert, which include Mr. Lee Rie-Ho, Mr. Lee Shih-Wei, and Mr. Lee Chia Ling (the "Persons Acting in Concert") and Mr. Tseng Ming-Sung (collectively, the "Founders") at the par value of HKD0.1 per share, with a total consideration of HKD100 (RMB88).

(ii) On 4 August 2010, the Company issued 100 ordinary shares to Mr. Lee Rei-Ho at the par value of HKD0.1 per share, with a total consideration of HKD10 (RMB9).

(iii) On 4 August 2010, the Company issued 94,378,900 ordinary shares to the Founders at the par value of HKD0.1 per share to transfer their entire equity interests in Ten Rui (BVI) Holdings Co., Ltd. and Tenfu Holdings Co., Ltd. to the Company, with a total consideration of HKD9,437,890 (RMB8,234,560). After the share swap, the Company became the holding company of the Group. After the share swap in August 2010, the Company's issued and outstanding ordinary shares were 94,380,000 shares, with a par value of HKD0.1 per share; and its share capital amounted to HKD9,438,000 (RMB8,234,657).

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2011

(All amounts in RMB unless otherwise stated)

11 SHARE CAPITAL *(continued)*

(iv) On 20 December 2010, the Company issued 7,478,746 ordinary shares to certain financial investors, including Pearl Ever Group Limited as the lead investor (collectively, the "Financial Investors") at a price of USD4.0114 per share, with an aggregated price of USD30 million (RMB199,869,000). The excess over the par value of RMB640,000 for the 7,478,746 ordinary share issued to the Financial Investors net of transaction costs RMB4,423,000 was credited to "share premium" with amount of RMB194,806,000.

(v) On 26 September 2011, the Company completed its global initial public offering of shares by issuing 208,620,000 shares of HKD0.1 each at a price of HKD6.0 per share. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on the same date. The Company generated gross proceeds amounting to approximately HKD1,251.7 million from the issue of new shares, without considering any potential issue of shares for over-allotment.

(vi) On 26 September 2011, pursuant to a shareholders' resolution dated 31 August 2011, as a result of the listing of the Company, 916,728,714 ordinary shares of the Company were allotted and issued to the then shareholders prior to the Listing, pro-rata to their shareholdings as at 26 September 2011 in the Company. The amount was paid up in full by applying an amount of HKD91,672,871.4 standing to the credit of the share premium account of the Company.

12 OTHER RESERVES

	Unaudited			
	Merger Reserve	**Capital reserve**	**Statutory reserves**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010 and 30 June 2010	287,045	231	34,876	322,152
At 1 January 2011 and 30 June 2011	278,811	231	63,368	342,410

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2011
(All amounts in RMB unless otherwise stated)

13 TRADE AND OTHER PAYABLES

	As at 30 June 2011 Unaudited RMB'000	As at 31 December 2010 Audited RMB'000
Trade payables – due to third parties	72,831	73,152
Trade payables – due to related parties (Note 22)	24,070	21,559
Other taxes payable	8,273	15,073
Employee benefit payables	9,918	31,375
Accrued operating expenses	14,387	14,945
Advances from customers	6,687	8,236
Amounts due to related parties (Note 22)	36,231	83,923
Others	11,122	11,969
	183,519	260,232

The ageing analysis of trade payables (including amounts due to related parties of trading in nature, if any) based on invoice date is as follows:

	As at 30 June 2011 Unaudited RMB'000	As at 31 December 2010 Audited RMB'000
Up to 6 months	90,284	91,584
6 months to 1 year	3,490	13
1 year to 2 years	13	–
Over 2 years	3,114	3,114
	96,901	94,711

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14 BORROWINGS

	As at 30 June 2011 Unaudited RMB'000	As at 31 December 2010 Audited RMB'000
Non-current		
Non-current portion of long-term bank borrowings		
– Mortgaged bank borrowings (i)	–	738
Current		
Current portion of long-term bank borrowings		
– Mortgaged bank borrowings (i)	–	2,950
Short-term bank borrowings		
– Unsecured bank borrowings (ii)	282,115	302,568
– Mortgaged bank borrowings (i)	70,340	93,458
	352,455	396,026
Total borrowings	352,455	399,714

(i) At 30 June 2011, bank borrowings of RMB60,000,000 (31 December 2010: RMB90,000,000) are secured by the land use rights of the Group (Note 7).

At 30 June 2011, bank borrowings of RMB10,340,000(31 December 2010: RMB3,458,000) are secured by bank deposits.

At 31 December 2010, bank borrowings of RMB3,688,000 are secured by a property of Mr. Lin Mingxi, a third party. This borrowing was repaid in March 2011.

(ii) At 30 June 2011, bank borrowings of RMB40,000,000 (31 December 2010: RMB70,000,000) are guaranteed by Mr. Lee Kuo-Lin, a related party (Note 22).

At 30 June 2011, bank borrowings of RMB19,415,000 (31 December 2010: RMB19,868,000) are guaranteed by Mr. Lee Rie-Ho, Mr. Lee Shih-Wei and Mr. Lee Chia Ling, all of them are related parties (Note 22).

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2011

(All amounts in RMB unless otherwise stated)

15 OTHER GAINS – NET

	Six months ended 30 June	
	2011	2010
	Unaudited	Unaudited
	RMB'000	RMB'000
Losses on disposal of property, plant and equipment, net	(161)	(865)
Net foreign exchange loss	(740)	(31)
Gains from acquisition of subsidiaries (Note 21)	1,048	1,188
	147	292

16 OTHER INCOME

	Six months ended 30 June	
	2011	2010
	Unaudited	Unaudited
	RMB'000	RMB'000
Government grants	3,919	3,017
Investment property rental income	1,342	603
Others	358	375
	5,619	3,995

17 EXPENSES BY NATURE

	Six months ended 30 June	
	2011	2010
	Unaudited	Unaudited
	RMB'000	RMB'000
Amortisation of land use rights	278	261
Depreciation of investment properties	139	147
Depreciation of property, plant and equipment	22,479	12,750
Amortisation of intangible assets	408	228
Reversal of impairment of trade receivables	–	(641)

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2011

(All amounts in RMB unless otherwise stated)

18 INCOME TAX EXPENSE

	Six months ended 30 June	
	2011	2010
	Unaudited	Unaudited
	RMB'000	RMB'000
Current income tax		
– PRC corporate income tax	55,225	41,867
Deferred income tax	355	(5,939)
Income tax expense	55,580	35,928

(i) Cayman Islands profits tax

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

(ii) Hong Kong profits tax

No Hong Kong profits tax has been provided, as the Group has no taxable profit earned or derived in Hong Kong. The applicable Hong Kong profit tax rate is 16.5% and 16.5% for the six months ended 30 June 2011 and 2010, respectively.

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

CIT is provided on the assessable income of entities within the Group incorporated in the PRC.

Pursuant to the PRC Corporate Income Tax Law (the "New CIT Law"), the CIT is unified at 25% for all types of entities, effective from 1 January 2008.

Jiajiang Tian Fu Tea Garden Co., Ltd. ("Jiajiang Tenfu"), a subsidiary of the Company, is qualified as a foreign investment manufacturing enterprise. Jiajiang Tenfu's applicable CIT rate is 25% according to the New CIT Law. Under the relevant regulations of the new CIT Law, Jiajiang Tenfu was entitled to enjoy a 5-year tax holiday from the first tax profitable year, with 2 years exemption from CIT followed by 3 years 50% reduction in CIT (the "Tax Holiday"). As approved by the tax authorities, the Tax Holiday began from 2008. For the six months ended 30 June 2011 and 2010, the applicable income tax rate of Jiajiang Tenfu is 12.5% and 12.5%, respectively.

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For the six months ended 30 June 2011

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19 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period. In determining the weighted average number of ordinary shares in issue during the six months ended 30 June 2011 and 30 June 2010, the 916,728,714 shares issued and allotted through capitalisation of the share premium account of the Company upon Listing on 26 September 2011 (Note 11(vi)) have been regarded as if these shares were in issue since 1 January 2010.

	Six months ended 30 June	
	2011	2010
	Unaudited	Unaudited
Profit attributable to owners of the Company (RMB'000)	153,124	85,171
Weighted average number of ordinary shares in issue	1,018,587,460	1,011,107,992
Basic earnings per share (RMB per share)	0.15	0.08

As there were no dilutive options and other dilutive potential shares in issue for the six months ended 30 June 2011 and 2010, diluted earnings per share is the same as basic earnings per share.

20 CONTINGENCIES

The Group did not have contingent liabilities as at 30 June 2011 or 31 December 2010.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2011

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21 BUSINESS COMBINATIONS

(a) Acquisition of Beijing Tenfu Tea Co., Ltd. ("Beijing Tenfu")

During the six months ended 30 June 2010, the Group has acquired 100% equity interest of Beijing Tenfu from third party individuals. The equity transfer has been completed by 3 February 2010. The fair value of the net assets at the above acquisition date is higher than the consideration paid, hence a gain of RMB1,188,000 is recognized from the bargain purchase.

	Beijing Tenfu
	RMB'000
Purchase consideration	3,898

Details of the net assets acquired as of 3 February 2010 and the gain arising from the acquisition are as follows:

	Fair value	**Acquiree's carrying amount**
	RMB'000	RMB'000
Cash and cash equivalents	3,202	3,202
Property, plant and equipment (Note 7)	7,205	7,205
Intangible assets (Note 7)	23	23
Inventories	15,631	15,631
Trade and other receivables	5,821	5,821
Trade and other payables	(26,796)	(26,796)
	5,086	5,086
Gain from acquisition (Note 15)	(1,188)	
Total purchase consideration	3,898	
Purchase consideration settled in cash		3,898
Cash and cash equivalents in subsidiary acquired		(3,202)
Cash outflow on acquisition		696

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2011

(All amounts in RMB unless otherwise stated)

21 BUSINESS COMBINATIONS *(continued)*

(b) Acquisition of Xiamen Apex

Pursuant to the equity transfer agreement entered into between Ten Rui (Hong Kong) Sales Holdings Co., Ltd. ("Ten Rui HK") and Ming-Feng (Singapore) Holdings Pte. Ltd. ("Ming-Feng"), dated 10 November 2010, Ming-Feng transferred its entire equity interests in Xiamen Apex to Ten Rui HK at a consideration benchmark against the fair value of the identifiable net assets of Xiamen Apex at the acquisition date. The transaction was completed on 10 January 2011. The fair value of the net assets at the above acquisition date is higher than the consideration paid, hence a gain of RMB1,048,000 is recognized from the bargain purchase. The acquired business contributed revenues of RMB41,099,000 and net profit of RMB266,000 to the Group during the period from acquisition date to 30 June 2011.

	Xiamen Apex RMB'000
Purchase consideration	16,343

Details of the net assets acquired as of 10 January 2011 and the gain arising from the acquisition are as follows:

	Fair value RMB'000	**Acquiree's carrying amount** RMB'000
Cash and cash equivalents	8,041	8,041
Property, plant and equipment (Note 7)	707	707
Inventories	10,946	10,946
Trade and other receivables	2,740	2,740
Trade and other payables	(5,043)	(5,043)
	17,391	17,391
Gain from acquisition (Note 15)	(1,048)	
Total purchase consideration	16,343	
Purchase consideration settled in cash		16,343
Cash and cash equivalents in subsidiary acquired		(8,041)
Cash outflow on acquisition		8,302

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For the six months ended 30 June 2011
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21 BUSINESS COMBINATIONS *(continued)*

(c) Acquisition of other retail businesses

During the six months ended 30 June 2011 and 2010, the Group also acquired certain retail outlets. The fair value of the net assets at the acquisition dates equalled the consideration, hence there is no goodwill or gain recognized.

The aggregated assets acquired as of the acquisition dates arising from these acquisitions are as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Property, plant and equipment (Note 7)	232	942
Inventories	–	15,631
	232	16,573

22 RELATED-PARTY TRANSACTIONS

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the six months ended 30 June 2011 and 2010, balances arising from related party transactions as at 30 June 2011 and 31 December 2010.

(a) Name and relationship with related parties

Company name	Relationships
Mr. Lee Rie-Ho (i)	Owners of the Company
Mr. Tsai Shan Jen (iii)	Owners of the Company
Mr. Lee Shih-Wei (i)	Owners of the Company, nephew of Mr. Lee Rie-Ho
Mr. Lee Chia Ling (i)	Owners of the Company, son of Mr. Lee Rie-Ho
Mr. Lee Kuo-Lin	Son of Mr. Lee Rie-Ho
Ms. Chen Xiu Duan	Spouse of Mr. Lee Kuo-Lin
Ms. Zhou Nan Nan	Spouse of Mr. Lee Chia Ling
Mr. Lee Min-Zun	Key management

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22 RELATED-PARTY TRANSACTIONS *(continued)*

(a) Name and relationship with related parties *(continued)*

Company name	Relationships
Mr. Tseng Ming-Sung	Key management
Discerning Group Limited (ii)	100% held by Mr. Lee Rie-Ho
Trackson Investments Limited (ii)	100% held by Mr. Lee Chia Ling
Tenfu Group (SAMOA) Holdings Co., Ltd. ("SAMOA")	Controlled by Owners of the Company
Ming-Feng	Controlled by Owners of the Company
Ten Ren Tea and Ginseng Co., Inc. U.S.A. ("Ten Ren U.S.A.")	Nominee of the owners with respect to Zhangzhou Tianfu Tea Industry Co., Ltd., Zhangpu Tian Fu Tea Garden Co., Ltd., Minhou Tianyuan Tea Products Co., Ltd. and Jiajiang Tenfu
Anxi Tianfu Tea Industry Co., Ltd. ("Anxi Tenfu")	Subsidiary of SAMOA
Huaan Tianfu Tea Industry Co., Ltd. ("Huaan Tenfu")	Subsidiary of SAMOA
Kun Ming Tianfu Tea Industry Co., Ltd. ("Kunming Tenfu")	Subsidiary of SAMOA
Xiamen Tenfu Tea Industry Co., Ltd. ("Xiamen Tenfu Tea Industry")	Subsidiary of SAMOA
Uncle Lee's Tea Inc. ("Uncle Lee's Tea")	Subsidiary of SAMOA
Xiamen Apex (iv)	Subsidiary of Ming-Feng
Zhangzhou Tenfu Oil Limited ("Fujian Petrol")	Jointly controlled entity
Luyu Tea Artcraft Co., Ltd. ("Taiwan Luyu")	Controlled by owners of the Company

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2011

(All amounts in RMB unless otherwise stated)

22 RELATED-PARTY TRANSACTIONS *(continued)*

(a) Name and relationship with related parties *(continued)*

Company name	Relationships
Ten Ren Tea Co., Ltd. ("Ten Ren")	Controlled by owners of the Company
Xiamen Tenfu Tenmax Trade Co., Ltd. ("Tenmax")	Controlled by key management of the Group
Xiamen Tianyu Trade Co., Ltd. ("Tianyu Trade")	Controlled by owners of the Company

(i) Mr. Lee Rie-Ho, Mr. Lee Shih-Wei and Mr. Lee Chia Ling form the Persons Acting in Concert.

(ii) On 23 December 2010, Mr. Lee Rie-Ho transferred all 18,876,000 of his shares in the Company to Discerning Group Limited for nil consideration, and Mr. Lee Chia Ling transferred all 37,752,000 of his shares in the Company to Trackson Investments Limited for nil consideration. Discerning Group Limited is wholly owned by Mr. Lee Rie-Ho and Trackson Investments Limited is wholly owned by Mr. Lee Chia Ling. Therefore, both Discerning Group Limited and Trackson Investments Limited became related parties of the Group.

(iii) On 23 December 2010, Mr. Tsai Shan Jen transferred an aggregate of 30,387,918 shares of the Company to the 83 individual shareholders. After the transfer, Mr. Tsai Shan Jen held 6.3% equity interest in the Group. Therefore, Mr. Tsai Shan Jen ceased to be the related party of the Group.

(iv) On 10 January 2011, pursuant to the equity transfer agreement entered into between Ten Rui HK and Ming-Feng, Ming-Feng transferred its entire equity interests in Xiamen Apex to Ten Rui HK. Therefore, Xiamen Apex ceased to be the related party of the Group.

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22 RELATED-PARTY TRANSACTIONS *(continued)*

(b) Transactions with related parties

(i) Sales of goods and services

	Six months ended 30 June	
	2011	2010
	Unaudited	Unaudited
	RMB'000	RMB'000
Anxi Tenfu	11,182	12,326
Uncle Lee's Tea	1,895	1,820
Tenmax	1,826	1,332
TianYu Trade	1,100	563
Ten Ren	662	1,540
Kunming Tenfu	174	–
Huaan Tenfu	61	–
Xiamen Apex	–	8,138
	16,900	25,719

(ii) Purchases of goods and services

	Six months ended 30 June	
	2011	2010
	Unaudited	Unaudited
	RMB'000	RMB'000
Anxi Tenfu	24,196	28,826
Ten Ren	9,490	7,641
Taiwan Luyu	8,808	5,251
Huaan Tenfu	8,350	794
Kunming Tenfu	6,863	5,453
Xiamen Tenfu Tea Industry	4,115	–
	61,822	47,965

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22 RELATED-PARTY TRANSACTIONS *(continued)*

(b) Transactions with related parties *(continued)*

(iii) Rental expenses

	Six months ended 30 June	
	2011	2010
	Unaudited	Unaudited
	RMB'000	RMB'000
Mr. Lee Chia Ling	450	524
Mr. Lee Min-Zun	330	240
Mr. Lee Kuo-Lin	–	135
Mr. Lee Shih-Wei	104	106
Ms. Chen Xiu Duan	104	–
	988	1,005

(iv) Key management compensation

	Six months ended 30 June	
	2011	2010
	Unaudited	Unaudited
	RMB'000	RMB'000
Salaries	1,032	425
Other short-term employee benefits	–	–
	1,032	425

(v) Dividend received from a jointly controlled entity

	Six months ended 30 June	
	2011	2010
	Unaudited	Unaudited
	RMB'000	RMB'000
Fujian Petrol	1,034	756

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22 RELATED-PARTY TRANSACTIONS *(continued)*

(b) Transactions with related parties *(continued)*

(vi) Borrowings secured by related parties

At 30 June 2011, bank borrowings of RMB40,000,000 (31 December 2010: RMB70,000,000) are guaranteed by Mr. Lee Kuo-Lin, a related party (Note 14).

At 30 June 2011, bank borrowings of RMB19,415,000 (31 December 2010: RMB19,868,000) are guaranteed by Mr. Lee Rie-Ho, Mr. Lee Shih-Wei and Mr. Lee Chia Ling (Note 14).

(c) Balances with related parties

(i) Due from related parties (Note 8):

	As at 30 June 2011 Unaudited RMB'000	As at 31 December 2010 Audited RMB'000
– Tenmax	1,525	697
– Uncle Lee's Tea	934	881
– Tianyu Trade	174	392
– Xiamen Apex	–	3,388
– Ten Ren	–	514
	2,633	5,872

(ii) Prepayment to a related party:

	As at 30 June 2011 Unaudited RMB'000	As at 31 December 2010 Audited RMB'000
Trade related		
– Anxi Tenfu	43,413	–

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22 RELATED-PARTY TRANSACTIONS *(continued)*

(c) Balances with related parties *(continued)*

(iii) Due to related parties (Note 13):

	As at 30 June 2011 Unaudited RMB'000	As at 31 December 2010 Audited RMB'000
Trade related		
– Ten Ren	6,484	3,777
– Huaan Tenfu	5,741	1,528
– Xiamen Tenfu Tea Industry	3,552	–
– Ten Ren U.S.A	3,114	3,114
– Anxi Tenfu	2,274	9,835
– Taiwan Luyu	2,898	467
– Kunming Tenfu	7	2,838
	24,070	21,559
Non-trade related		
– Mr. Lee Chia Ling	35,691	82,210
– Mr. Lee Kuo-Lin	540	1,713
	36,231	83,923
	60,301	105,482

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22 RELATED-PARTY TRANSACTIONS *(continued)*

(c) Balances with related parties *(continued)*

(iv) Dividend payable:

	As at 30 June 2011 Unaudited RMB'000	As at 31 December 2010 Audited RMB'000
Trackson Investments Limited	16,724	61,522
Mr. Tsai Shan Jen	16,225	63,099
Discerning Group Limited	7,878	31,550
Mr. Lee Shih-Wei	332	789
Mr. Tseng Ming-Sung	374	789
	41,533	157,749

23 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Save as disclosed in Note 1 and Note 11 of this condensed consolidated interim financial statements, there are no other material subsequent events undertaken by the Group after 30 June 2011 and up to the date of issue of these condensed consolidated financial statements.