



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 2012



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Corporate Information

DIRECTORS

Executive Directors

Lee Rie-Ho (*Chairman*)

Lee Shih-Wei (*Vice Chairman*)

Lee Chia Ling (*Chief Executive Officer*)

Lee Kuo-Lin (*Chief Operating Officer*)

Lee Min-Zun (Resigned as Director on 27 August 2012 but remains as Chief Financial Officer)

Non-executive Directors

Tseng Ming-Sung

Wei Ke (Appointed on 27 August 2012)

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 Hing (*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

REGISTERED OFFICE

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

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

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Xinjing Commerce Centre
No. 25 Jiahe Road
Xiamen
the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat A, 24/F
Wing Hang Finance Centre
60 Gloucester Road
Wanchai
Hong Kong

AUTHORIZED REPRESENTATIVES

Lee Chia Ling (Appointed on 27 August 2012)
Lee Min-Zun (Resigned on 27 August 2012)
Mok Ming Wai

COMPANY SECRETARY

Mok Ming Wai (FCS, FCIS)

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")

NAME OF STOCK

Tenfu (Cayman) Holdings Company Limited
(the "Company")

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

AUDITORS

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

Yuanta Securities (Hong Kong) Company Limited

WEBSITE

www.tenfu.com

BUSINESS REVIEW AND OUTLOOK

In the first half of 2012, the Company and its subsidiaries (the “Group”) achieved revenue of RMB905.2 million, up 8.4% from the corresponding period in 2011, and recorded profit for the period of RMB160.1 million, up 4.6% from the corresponding period in 2011. The increase in the Group’s revenue for the period was driven by the expansion of the Group’s sales network as well as same store sales growth.

In the first half of 2012, the Group further strengthened its market position and the efficiency of its operations, laying a solid foundation for further increases in market share.

1. **Leading brand position.** According to a 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 2012 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 19 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 2012, the Group had a total of 1,267 self-owned and third-party owned retail outlets and retail points, up a net of 60 retail outlets and retail points from a total of 1,207 as of 31 December 2011.
3. **Continuous growth in each tea product category.** In the first half of 2012, revenue from sales of the Group’s tea leaves and tea ware grew by 8.0% and 21.1%, respectively, from the corresponding period in 2011. Revenue from sales of the Group’s tea snacks also grew marginally over the same period.

Management Discussion and Analysis

4. **Enhanced processing and distribution efficiency and effectiveness.** The Group completed the implementation of a point-of-sale (POS) system and intends to implement an ERP (Enterprise Resource Planning) system in the second half of 2012 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.

In addition, the successful initial public offering on the main board of the Stock Exchange on 26 September 2011 provided the Company with a fully-integrated financial platform to support its future development. The Company raised net proceeds of RMB933.3 million from the listing. The table below sets out the Company's planned use of the net proceeds at the time of listing and its use of such net proceeds as of 30 June 2012:

	Planned use of net proceeds at Listing	Net proceeds used as of 30 June 2012
Expand and optimize network of self-owned retail outlets and retail points	40.0%	20.2%
Acquire store premises for self-owned retail outlets	25.0%	14.6%
Working capital and other general corporate purposes	10.0%	10.0%
Maintain and promote brands	15.0%	6.0%
Expand production capacity	10.0%	2.6%
Total	100.0%	53.4%

As of 30 June 2012, the Company had used RMB188.9 million (or 20.2%) to expand its network of self-owned retail outlets, RMB136.0 million (or 14.6%) to acquire store premises for the operation of self-owned retail outlets, RMB93.3 million (or 10.0%) to finance its working capital, RMB56.1 million (or 6.0%) to maintain and promote its brands and enhance consumer awareness of its brands in the PRC through effective targeted marketing and promotional activities, and RMB23.8 million (or 2.6%) to expand its production capacity through the construction of additional production facilities, primarily for its tea leaves packaging and tea snacks production and packaging facilities. The Company plans to use the remaining net proceeds as stated in the section headed "Future Plans and Use of Proceeds" of the Company's prospectus dated 14 September 2011 (the "Prospectus").

Management Discussion and Analysis

In the second half of 2012, despite the estimated slowdown in the economic growth of China, 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 150 retail outlets and retail points per year over the next four 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 further 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” (天福) brand. The Group also plans to introduce an enhanced rewards program for its customers in order to encourage repeat business and increase customer loyalty.
3. **Continue to expand tea-related products portfolio.** 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 and expand its product portfolio.
4. **Expand production capacity.** The Group is in the process of constructing additional production facilities, which are expected to be in use by the end of 2012, and will consider further expansion by acquisition when suitable acquisition opportunities arise, in order to satisfy the anticipated increases in the demand for tea and tea-related products.

Management Discussion and Analysis

5. **Quality assurance.** The Group considers product quality assurance to be essential to its operations, and places particular emphasis on inspecting and controlling the quality of raw materials in its supply chain. The Group will continue its commitment to quality assurance going forward by further enhancing its internal testing capabilities.

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 2012, 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, 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.

During the six months ended 30 June 2012, 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 8.4% to RMB905.2 million for the six months ended 30 June 2012, from RMB835.3 million for the corresponding period in 2011. The following table sets forth a breakdown of revenue by product category for the periods indicated:

	Six months ended 30 June			
	2012		2011	
	RMB'000	%	RMB'000	%
Revenue contributed from:				
Tea leaves	673,389	74.5	623,740	74.6
Tea ware	115,363	12.7	95,237	11.4
Tea snacks	99,908	11.0	99,857	12.0
Others ⁽¹⁾	16,529	1.8	16,436	2.0
Total	905,189	100.0	835,270	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.

Management Discussion and Analysis

Revenue from sales of the Group's tea leaves increased by 8.0% to RMB673.4 million for the six months ended 30 June 2012 from RMB623.7 million for the corresponding period in 2011. Revenue from sales of the Group's tea ware increased by 21.1% to RMB115.4 million, from RMB95.2 million for the corresponding period in 2011. Revenue from sales of the Group's tea snacks grew marginally, remaining stable at RMB99.9 million for the six months ended 30 June 2012 and the corresponding period in 2011. The increase in revenue across all three product categories was driven by the expansion of the Group's sales network as well as same store sales growth.

Cost of sales

Cost of sales of the Group primarily comprises costs of inventories (mainly including costs of raw materials) and labor costs. Cost of sales of the Group decreased by 3.7% to RMB312.7 million for the six months ended 30 June 2012 from RMB324.8 million for the corresponding period in 2011, primarily due to a decrease in the sales quantity of certain of the Group's tea leaves and tea ware products.

Gross profit and gross profit margin

As a result of the foregoing factors, gross profit of the Group increased by 16.1% to RMB592.5 million for the six months ended 30 June 2012 from RMB510.4 million for the corresponding period in 2011, with gross profit margin increasing to 65.5% for the six months ended 30 June 2012 from 61.1% for the corresponding period in 2011.

Distribution costs

The distribution costs of the Group increased by 23.3% to RMB271.1 million for the six months ended 30 June 2012 from RMB219.9 million for the corresponding period in 2011. The increase of distribution costs was primarily due to (i) an increase in expenditure on sales personnel to RMB89.5 million for the six months ended 30 June 2012 from RMB66.8 million for the six months ended 30 June 2011 as a result of the increased number of self-owned retail outlets and retail points and increased staff compensation, (ii) an increase in operating lease payments to RMB73.7 million for the six months ended 30 June 2012 from RMB55.3 million for the six months ended 30 June 2011 as a result of the increased number of self-owned retail outlets and retail points, and (iii) an increase in depreciation of fixed assets, including store premises acquired, to RMB14.1 million for the six months ended 30 June 2012 from RMB9.2 million for the corresponding period in 30 June 2011, as a result of the increased number of self-owned retail outlets and retail points.

Management Discussion and Analysis

Administrative expenses

Administrative expenses for the Group increased by 39.6% to RMB110.6 million for the six months ended 30 June 2012 from RMB79.2 million for the corresponding period in 2011. The increase was primarily due to the expansion of the Group's business operations. The increasing number of the Group's self-owned retail outlets and retail points also resulted in higher expenditures on utilities, pre-opening costs and office expenses, increased labor costs, as well as greater depreciation of property, plant and equipment.

Other income

Other income of the Group increased by 83.9% to RMB10.3 million for the six months ended 30 June 2012 from RMB5.6 million for the corresponding period in 2011. The increase was primarily due to an increase in PRC local government grants to RMB8.6 million for the six months ended 30 June 2012 from RMB3.9 million for the corresponding period in 2011.

Other losses/gains, net

Other losses of the Group was RMB3.8 million for the six months ended 30 June 2012, as compared to an other gain of RMB0.1 million for the six months ended 30 June 2011, primarily due to (i) net foreign exchange losses of RMB3.0 million for the six months ended 30 June 2012, as a result of the dividends payment in May 2012 and from daily operations, and (ii) a one-time gain from the acquisition of a subsidiary of RMB1.0 million for the six months ended 30 June 2011.

Finance income

Finance income of the Group increased to RMB5.6 million for the six months ended 30 June 2012, from RMB0.8 million for the corresponding period in 2011, primarily due to an increase in interest income on bank deposits to RMB3.0 million for the six months ended 30 June 2012 from RMB0.1 million for the corresponding period in 2011.

Finance costs

Finance costs of the Group decreased by 48.0%, to RMB5.1 million for the six months ended 30 June 2012 from RMB9.8 million for the corresponding period in 2011, primarily due to a decrease in interest expenses on bank borrowings to RMB5.1 million for the six months ended 30 June 2012 from RMB9.8 million for the corresponding period in 2011, reflecting a decrease in the Group's bank borrowings to RMB110.5 million as at 30 June 2012 from RMB324.8 as at 31 December 2011.

Management Discussion and Analysis

Share of profit of a jointly controlled entity

Share of profit of a jointly controlled entity of the Group was RMB0.3 million and RMB0.5 million for the six months ended 30 June 2012 and 2011, respectively.

Income tax expense

Income tax expense of the Group increased by 4.3% to RMB58.0 million for the six months ended 30 June 2012 from RMB55.6 million for the corresponding period in 2011, primarily due to an increase in the Group's profit before tax to RMB218.1 million for the six months ended 30 June 2012 from RMB208.7 million for the corresponding period in 2011.

Profit for the period

As a result of the foregoing factors, profit of the Group, all of which was attributable to the owners of the Company, increased by RMB7.0 million, or 4.6%, to RMB160.1 million for the six months ended 30 June 2012 from RMB153.1 million for the corresponding period in 2011. Net profit margin of the Group decreased to 17.7% from 18.3% for the relevant periods, primarily due to increases in distribution costs, administrative expenses and labor costs of the Group as it expanded its sales network and increased the number of its self-owned retail outlets and retail points.

Liquidity and capital resources

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 decreased by RMB656.9 million, or 58.7%, to RMB463.0 million as of 30 June 2012 from RMB1,119.9 million as of 31 December 2011, primarily due to the acquisition of store premises, repayment of bank borrowings and payment of dividends.

The Group had net cash inflow from operating activities of RMB96.2 million, net cash outflow from investing activities of RMB265.9 million and net cash outflow from financing activities of RMB487.3 million for the six months ended 30 June 2012.

Management Discussion and Analysis

Bank borrowings and gearing ratio

The Group had total bank borrowings of RMB110.5 million as of 30 June 2012 compared to RMB324.8 million as of 31 December 2011. As of 30 June 2012, the weighted average effective interest rate of the Group's bank borrowings was 6.3%, and 96.0% of the Group's bank borrowings were denominated in Renminbi ("RMB"), while 4.0% were denominated in United States Dollars ("USD").

As of 30 June 2012, bank borrowings of RMB50.0 million were secured by land use rights and property, plant and equipment of the Group with net book values of RMB13.0 million and RMB6.4 million, respectively, and bank borrowings of RMB4.5 million were secured by a bank deposit of RMB4.5 million.

The Group regularly monitors its gearing ratio, which represents total debt as a percentage of total capital. Total debt is calculated as total borrowings. Total capital is calculated as total equity plus total debt. As of 30 June 2012, the gearing ratio of the Group was 5.9%, compared to 14.7% as of 31 December 2011. The decrease during the first half of 2012 was primarily due to repayment of the Group's bank borrowings and increase in its total capital driven by net profit earned during this period.

Working capital

	As at 30 June 2012 RMB'000	As at 31 December 2011 RMB'000
Trade and other receivables	300,824	314,731
Trade and other payables	186,343	213,034
Inventories	415,985	380,026
Trade receivables turnover days ⁽¹⁾	135	126
Trade payables turnover days ⁽²⁾	63	58
Inventories turnover days ⁽³⁾	238	187

Management Discussion and Analysis

Notes:

- (1) *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 channels, mainly representing sales to Ten Ren Tea Co., Ltd. (天仁茶業股份有限公司), for the period, multiplied by the number of days in the period.*
- (2) *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) *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.*

The Group's trade and other receivables represent primarily balances due from third-party retailers. The Group's trade and other receivables decreased by RMB13.9 million to RMB300.8 million as of 30 June 2012 from RMB314.7 million as of 31 December 2011, primarily due to the settlement of trade receivables due from third parties.

The Group's trade and other payables principally comprise payables to its raw material suppliers, employee benefit payables, other taxes payable, accrued operating expenses and advances from customers. The Group's trade and other payables decreased to RMB186.3 million as of 30 June 2012 from RMB213.0 million as of 31 December 2011, primarily due to (i) a decrease in trade payables to third parties, including raw material suppliers, of RMB16.2 million, and (ii) a decrease in other taxes payable of RMB7.0 million, as a result of the decrease in value added tax payable as of 30 June 2012, compared with that as of 31 December 2011.

The Group's inventories comprise raw materials (including packaging materials), work-in-progress and finished goods. The Group's inventories increased to RMB416.0 million as of 30 June 2012 from RMB380.0 million as of 31 December 2011, primarily reflecting increased procurement in the first half of 2012 to satisfy the sales demand for the full year of 2012, primarily in anticipation of increased sales attributable to the Mid-Autumn Festival holiday.

Management Discussion and Analysis

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 30 June 2012, most of the operating entities' revenues, 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 Hong Kong Dollars ("HKD"). In the opinion of the directors, the Group does not have significant foreign currency risk exposure.

Any future depreciation of RMB would affect the value of any dividends the Group pays to its shareholders. The Group currently does not engage in hedging activities designed or intended to manage such exchange rate risk. Because RMB 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 of 30 June 2012.

EMPLOYEE AND REMUNERATION POLICY

As of 30 June 2012, the Group had a total of 6,889 employees with 6,886 employees in the PRC and 3 employees in Hong Kong. For the six months ended 30 June 2012, the labor costs of the Group was RMB166.8 million.

Management Discussion and Analysis

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 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 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 Company adopted a share option scheme on 17 December 2010. During the six months ended 30 June 2012, the Company granted options to subscribe for an aggregate of 7,046,000 shares on 6 January 2012 to certain directors, employees and independent third party distributors of the Group and an aggregate of 1,307,000 shares on 12 January 2012 to certain directors of the Group. These options vest in tranches over a period of up to 3 years.

Other Information

SHARE OPTION SCHEME

On 17 December 2010, the Company adopted a share option scheme (“Share Option Scheme”) whereby the Board can grant options for the subscription of the Company’s shares (“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), 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 on the Stock Exchange (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.

Other Information

In January 2012, the Company has granted share options to subscribe 8,353,000 Shares in conformity with the Share Option Scheme to some of the Directors, some employees and independent third party distributors of the Group and none of the share options were exercised by the grantees, cancelled by the Company or lapsed as at 30 June 2012. The options granted in January 2012 will be exercisable during a 10 year option period commencing from the date of grant subject to a vesting schedule and conditional upon fulfilment of certain prescribed performance targets during the financial years ending 31 December 2012, 2013 and 2014. At the end of the relevant annual performance period, the Board or its remuneration committee will determine the extent of achievement of the performance targets set out for that period and the number of Shares comprised in the vested options which are exercisable. The Board or its remuneration committee will have the rights and discretion to waive any performance target requirement in respect of any of the options granted. The followings are details of the options granted pursuant to the Share Option Scheme but not yet exercised:

Grantee	Position of the grantee	Date of grant of options	Number of options granted	Exercise price per Share	Number of options		Number of options as at 30 June 2012	Approximate percentage of shareholding upon the exercise of the options
					Number of options as at 1 January 2012	exercised/ cancelled/ lapsed during the period		
Lee Rie-Ho	Executive Director and substantial shareholder	12 January 2012	708,000	5.60	-	-	708,000	0.06%
Lee Chia Ling	Executive Director and substantial shareholder	6 January 2012	354,000	5.41	-	-	354,000	0.03%
Lee Shih-Wei	Executive Director	6 January 2012	354,000	5.41	-	-	354,000	0.03%
Lee Kuo-Lin	Executive Director	6 January 2012	354,000	5.41	-	-	354,000	0.03%
Lee Min-Zun	Executive Director (Resigned on 27 August 2012)	6 January 2012	109,000	5.41	-	-	109,000	
		12 January 2012	245,000	5.60	-	-	245,000	
			354,000		-	-	354,000	0.03%
Tseng Ming-Sung	Non-executive Director	12 January 2012	354,000	5.60	-	-	354,000	0.03%
Lo Wah Wai	Independent non-executive Director	6 January 2012	354,000	5.41	-	-	354,000	0.03%

Other Information

Grantee	Position of the grantee	Date of grant of options	Number of options granted	Exercise price per Share	Number of options as at 1 January 2012	Number of options exercised/ cancelled/ lapsed during the period	Number of options as at 30 June 2012	Approximate
								percentage of shareholding upon the exercise of the options
Lee Kwan Hung	Independent non-executive Director	6 January 2012	354,000	5.41	-	-	354,000	0.03%
Fan Ren Da, Anthony	Independent non-executive Director	6 January 2012	354,000	5.41	-	-	354,000	0.03%
Employees	-	6 January 2012	4,502,000	5.41	-	-	4,502,000	0.37%
Independent third party distributors	-	6 January 2012	311,000	5.41	-	-	311,000	0.03%
Total			8,353,000		-		8,353,000	0.68%

INTERIM DIVIDEND

At the Board meeting held on 27 August 2012, it was proposed that an interim dividend of HK\$0.08 per Share (equivalent to RMB0.065 per Share) be paid after 28 September 2012 to the shareholders of the Company whose names appear on the Company's register of members on 19 September 2012.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend, the register of members of the Company will be closed from 17 September 2012 to 19 September 2012, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the interim dividend, all transfers of Shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 14 September 2012.

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

As at 30 June 2012, the interests or short positions of the Directors or chief executives of the Company in 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 (the "Model Code") as set out in Appendix 10 of the Listing Rules, are as follows:

(i) Interest in the Company

Name of Director	Nature of interest	Number of securities	Approximate percentage of shareholding
Mr. Lee Rie-Ho ⁽¹⁾	Interest in a controlled corporation	188,760,000 (L) ⁽⁴⁾	15.38%
	Personal Interest/individual	708,000 (L) ⁽⁴⁾	0.06%
Mr. Lee Shih-Wei ⁽²⁾	Personal Interest/individual	5,073,000 (L) ⁽⁴⁾	0.41%
Mr. Lee Chia Ling ⁽³⁾	Settlor of The KCL Trust	377,520,000 (L) ⁽⁴⁾	30.76%
	Personal Interest/individual	354,000 (L) ⁽⁴⁾	0.03%
Mr. Lee Kuo-Lin ⁽²⁾	Personal interest/individual	354,000 (L) ⁽⁴⁾	0.03%
Mr. Lee Min-Zun ⁽²⁾ (Resigned on 27 August 2012)	Personal Interest/individual	1,354,000 (L) ⁽⁴⁾	0.11%
Mr. Tseng Ming-Sung ⁽²⁾	Personal Interest/individual	5,073,000 (L) ⁽⁴⁾	0.41%

Other Information

Name of Director	Nature of interest	Number of securities	Approximate percentage of shareholding
Mr. Lo Wah Wai ⁽²⁾	Personal Interest/individual	354,000 (L) ⁽⁴⁾	0.03%
Mr. Lee Kwan Hung ⁽²⁾	Personal Interest/individual	354,000 (L) ⁽⁴⁾	0.03%
Mr. Fan Ren Da, Anthony ⁽²⁾	Personal Interest/individual	354,000 (L) ⁽⁴⁾	0.03%

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. 708,000 share options were granted to Mr. Lee Rie-Ho with the exercise price per share of HK\$5.60 on 12 January 2012.*
- (2) *354,000 share options were granted to each of Mr. Lee Shih-Wei, Mr. Lee Kuo-Lin, Mr. Lo Wah Wai, Mr. Lee Kwan Hung and Mr. Fan Ren Da, Anthony and 109,000 to Mr. Lee Min-Zun with the exercise price per share of HK\$5.41 on 6 January 2012. 245,000 share options were granted to Mr. Lee Min-Zun and 354,000 to Mr. Tseng Ming-Sung with the exercise price per share of HK\$5.60 on 12 January 2012.*

Other Information

- (3) *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 settler 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. 354,000 share options were granted to Mr. Lee Chia Ling with the exercise price per share of HK\$5.41 on 6 January 2012.*
- (4) *The letter "L" denotes long position in such securities.*

(ii) Interest 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 our Company.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 30 June 2012, 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 Division 2 and 3 of Part XV of the SFO:

Name	Capacity in which interests are held	Number of Shares	Approximate 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	189,468,000 (L) ⁽⁵⁾	15.44%
Credit Suisse Trust Limited ^{(2) (3)}	Trustee	377,520,000 (L) ⁽⁵⁾	30.76%

Other Information

Name	Capacity in which interests are held	Number of Shares	Approximate percentage of shareholding
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	377,874,000 (L) ⁽⁵⁾	30.79%
General Atlantic Singapore Fund Pte. Ltd. ⁽⁴⁾	Registered owner	99,495,830 (L) ⁽⁵⁾	8.11%
General Atlantic Singapore Fund Interholdco Ltd. ⁽⁴⁾	Interest in a controlled Corporation	99,495,830 (L) ⁽⁵⁾	8.11%
General Atlantic Partners (Bermuda) II, L.P. ⁽⁴⁾	Interest in a controlled Corporation	99,495,830 (L) ⁽⁵⁾	8.11%
General Atlantic GenPar (Bermuda), L.P. ⁽⁴⁾	Interest in a controlled Corporation	99,495,830 (L) ⁽⁵⁾	8.11%
GAP (Bermuda) Limited ⁽⁴⁾	Interest in a controlled corporation	99,495,830 (L) ⁽⁵⁾	8.11%

Other Information

Note:

- (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. 708,000 share options were granted to Mr. Lee Rie-Ho with the exercise price per share of HK\$5.60 on 12 January 2012.*
- (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. 354,000 share options were granted to Mr. Lee Chia Ling with the exercise price per share of HK\$5.41 on 6 January 2012.*
- (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.*
- (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 Havaladar 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. The number of Shares and the approximate percentage of shareholding of General Atlantic Singapore Fund Pte. Ltd., GA Interholdco, GAP LP, GA GenPar and GAP (Bermuda) Limited were referred to the disclosure of interest on the website of the Stock Exchange.*
- (5) *The letter "L" denotes long position in such securities.*

Other Information

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 six months ended 30 June 2012, the Board is of the view that, for the period from 1 January 2012 till 31 March 2012, the Company has complied with the code provisions on the Code on Corporate Governance Practices (the "Old Code") set out in Appendix 14 to the Listing Rules and for the period from 1 April 2012 till 30 June 2012, the Company has complied with the code provisions included in the amendments made to the Old Code which took effect and re-named as "Corporate Governance Code" (the "New Code") since 1 April 2012 and there has been no deviation from the code provisions as set forth under the Old Code and the New Code for the six months ended 30 June 2012.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the standards for the Directors' dealing in the securities of the Company. Specific enquiry has been made of all Directors and all Directors have confirmed their compliance with the Model Code throughout the six months ended 30 June 2012.

DISCLOSURE OF INFORMATION OF DIRECTOR UNDER RULES 13.51(2) AND 13.51B(1) OF THE LISTING RULES

Mr. Wei Ke was appointed as a non-executive Director with effect from 27 August 2012. Mr. Lee Min-Zun resigned as an executive Director and ceased to act as an authorized representative of the Company with effect from 27 August 2012 and will remain the chief financial officer of the Company. Mr. Lee Chia Ling, an executive Director was appointed as an authorized representative of the Company under the Listing Rules with effect from 27 August 2012.

Save as disclosed in the 2011 annual report of the Company, Mr. Lee Kwan Hung is also an independent non-executive director of China BlueChemical Ltd. (a company listed on the main board of the Stock Exchange) and no longer an independent non-executive director of New Universe International Group Limited (a company listed on the Growth Enterprise Market of the Stock Exchange).

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 2011 annual report of the Company.

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 during the six months ended 30 June 2012.

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 during the six months ended 30 June 2012.

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, 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 including review of the interim results of the Group for the six months ended 30 June 2012. The condensed consolidated interim financial statements of the Group for the six months ended 30 June 2012 have also 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.

Other Information

PUBLICATION OF INTERIM REPORT

This interim report is published on the websites of the Stock Exchange (<http://www.hkexnews.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, 27 August 2012

Condensed Consolidated Balance Sheet

As at 30 June 2012

	Note	30 June 2012 Unaudited RMB'000	31 December 2011 Audited RMB'000
ASSETS			
Non-current assets			
Leasehold land and land use rights	7	26,710	19,119
Investment properties	7	4,887	5,030
Property, plant and equipment	7	526,117	383,544
Intangible assets	7	2,190	2,670
Investment in a jointly controlled entity		3,271	4,061
Deferred income tax assets		43,603	42,008
Prepayments – non-current portion	8	79,380	31,134
		686,158	487,566
Current assets			
Inventories	9	415,985	380,026
Trade and other receivables	8	300,824	314,731
Prepayments	8	152,007	103,605
Restricted cash	10	4,490	16,470
Time deposits	10	100,000	55,600
Cash and cash equivalents	10	463,023	1,119,929
		1,436,329	1,990,361
Total assets		2,122,487	2,477,927
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	11	100,816	100,816
Share premium	11	758,089	1,036,145
Other reserves	12	377,288	375,897
Retained earnings		537,771	377,624
Total equity		1,773,964	1,890,482

Condensed Consolidated Balance Sheet (continued)

As at 30 June 2012

		30 June	31 December
		2012	2011
		Unaudited	Audited
Note	RMB'000	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
		17,219	14,497
Current liabilities			
	14	186,343	213,034
		32,349	35,143
	15	110,471	324,771
	16	2,141	–
		331,304	572,948
Total liabilities		348,523	587,445
Total equity and liabilities		2,122,487	2,477,927
Net current assets		1,105,025	1,417,413
Total assets less current liabilities		1,791,183	1,904,979

The notes on pages 32 to 64 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	Note	Six months ended 30 June	
		2012 Unaudited RMB'000	2011 Unaudited RMB'000
Revenue	6	905,189	835,270
Cost of sales		(312,728)	(324,848)
Gross profit		592,461	510,422
Distribution costs		(271,139)	(219,862)
Administrative expenses		(110,559)	(79,157)
Other income	18	10,269	5,619
Other (losses)/gains – net	17	(3,757)	147
Operating profit		217,275	217,169
Finance income		5,604	788
Finance costs		(5,081)	(9,794)
Finance income/(cost) – net		523	(9,006)
Share of profit of a jointly controlled entity		337	541
Profit before income tax		218,135	208,704
Income tax expense	20	(57,988)	(55,580)
Profit for the period, all attributable to the owners of the Company		160,147	153,124
Other comprehensive income for the period		–	–
Total comprehensive income for the period, all attributable to the owners of the Company		160,147	153,124
Earnings per share for profit attributable to the owners of the Company (expressed in RMB per share)			
– Basic earnings per share	21	0.13	0.15
– Diluted earnings per share	21	0.13	0.15

The notes on pages 32 to 64 are an integral part of these condensed consolidated interim financial statements.

		Six months ended 30 June	
		2012 Unaudited RMB'000	2011 Unaudited RMB'000
Dividends	22	80,239	–

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

Unaudited					
Attributable to the owners of the Company					
	Par value of ordinary shares	Share premium	Other reserves	Retained earnings	Total equity
Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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
Balance at 1 January 2012	100,816	1,036,145	375,897	377,624	1,890,482
Total comprehensive income for the six months ended 30 June 2012	–	–	–	160,147	160,147
Share option scheme – value of services from directors, employees and independent third party distributors	12	–	1,391	–	1,391
Dividends	22	(278,056)	–	–	(278,056)
Balance at 30 June 2012	100,816	758,089	377,288	537,771	1,773,964

The notes on pages 32 to 64 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

		Six months ended 30 June	
		2012	2011
	Note	Unaudited RMB'000	Unaudited RMB'000
Cash flows from operating activities			
Cash generated from operations		172,456	303,695
Interest paid		(5,081)	(9,794)
Income tax paid		(71,146)	(73,652)
Net cash inflow from operating activities		96,229	220,249
Cash flows from investing activities			
Acquisition of sales business, net of cash acquired		–	(8,534)
Purchase of land use rights	7	(7,881)	(181)
Purchase of property, plant and equipment		(220,340)	(119,207)
Purchase of intangible assets	7	–	(239)
Investments in time deposits with maturity more than 3 months	10	(44,400)	(55,600)
Proceeds from disposal of property, plant and equipment		16	233
Interest received		5,152	788
Dividends received from a jointly controlled entity		1,127	1,034
Decrease in amounts due from related parties	24	381	–
Net cash outflow from investing activities		(265,945)	(181,706)
Cash flows from financing activities			
Capital contribution from the owners of the Company		–	2,292
Proceeds from borrowings		20,000	36,883
Repayments of borrowings		(234,300)	(84,142)
Dividends paid to the owners of the Company	22	(278,056)	(116,216)
Changes in restricted cash pledged for borrowings		6,980	(6,980)
Decrease in amounts due to related parties		(1,941)	(47,692)
Net cash outflow from financing activities		(487,317)	(215,855)
Net decrease in cash and cash equivalents		(657,033)	(177,312)
Effect of foreign exchange rate changes		127	(394)
Cash and cash equivalents at beginning of the period		1,119,929	450,685
Cash and cash equivalents at end of the period		463,023	272,979

The notes on pages 32 to 64 are an integral part of these condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012 (unaudited)

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 (the “Listing”).

These condensed consolidated interim financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These condensed consolidated interim financial statements set out on pages 27 to 64 were approved for issue by the Company’s Board of Directors (“Board”) on 27 August 2012.

These condensed consolidated interim financial statements have not been audited.

Key events

Pursuant to the share option scheme adopted on 17 December 2010, the Company granted options to subscribe for an aggregate of 7,046,000 shares on 6 January 2012 to certain directors, employees and independent third party distributors of the Group and an aggregate of 1,307,000 shares on 12 January 2012 to certain directors of the Group. These options vest in tranches over a period of up to 3 years. Further details are given in Note 13.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012 (unaudited)

2 BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 30 June 2012 have been prepared in accordance with 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 annual financial statements for the year ended 31 December 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 annual financial statements for the year ended 31 December 2011, as described in those annual financial statements.

(a) Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the Group receives services from directors, employees, independent third party distributors and other persons as consideration for equity instruments (options) of the Company. The fair value of the services received from these participants in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and an employee remaining on service over a specified time period);
- excluding any market performance conditions (for example, the Company’s share price); and
- excluding the impact of any non-vesting conditions (for example, the requirement for employees to save).

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012 (unaudited)

3 ACCOUNTING POLICIES (continued)

(a) Share-based payments (continued)

Non-market performance vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market performance vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The grant by the Company of options over its equity instruments to the employees of subsidiaries in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in a subsidiary, with a corresponding credit to equity in the parent company accounts.

(b) Customer loyalty programme

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. Reward points will expire till the end of next year after the initial sale.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012 (unaudited)

3 ACCOUNTING POLICIES (continued)

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

The amended standards or interpretations that are effective for the first time for this interim period do not have any material impact on the Group.

The following new standards and amendments to standards have been issued and are relevant to the Group's operations but they are not yet effective for the financial year beginning on 1 January 2012 and have not been early adopted by the Group:

		Effective for accounting period beginning on or after
HKAS 1 (Amendment)	Presentation of financial statements	1 July 2012
HKFRS 9	Financial instruments	1 January 2015
HKFRS 10	Consolidated financial statements	1 January 2013
HKAS 27 (revised 2011)	Separate financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKAS 28 (revised 2011)	Investments in associates and joint ventures	1 January 2013
HKFRS 12	Disclosure of interests in other entities	1 January 2013
HKFRS 13	Fair value measurements	1 January 2013
HKAS 19 (Amendment)	Employee benefits	1 January 2013
HKAS 32 (Amendment)	Offsetting financial assets and financial liabilities	1 January 2014
HKFRS 7 and HKFRS 9 (Amendment)	Mandatory effective date and transition disclosures	1 January 2015
HKFRS 1 (Amendment)	Government loans	1 January 2013

The Group will apply the new/revised standards and amendments described above when they become effective. The Group is in the process of making an assessment on the impact of these new/revised standards and amendments and does not anticipate that the adoption when they become effective will result in any material impact on the Group's results of operations and financial position.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012 (unaudited)

4 ESTIMATES

The preparation of condensed consolidated interim financial statements requires 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 annual financial statements for the year ended 31 December 2011, except for the accounting estimate in respect of the share-based payment charge as described below.

Share-based payments with specific performance conditions

The Group's share-based payments are exercisable subject to the Group achieving certain non-market performance vesting conditions. The Group recognises an amount for the goods or services received during the vesting period based on the best available estimate of the number of equity instruments expected to vest and revises that estimate, if necessary, if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates. Where the expectation is different from the original estimate, such difference will impact the recognition of share-based payment expense charge in the period in which such estimate has been changed.

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 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 2011.

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

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012 (unaudited)

5 FINANCIAL RISK MANAGEMENT *(continued)*

5.2 Liquidity risk

Compared to 2011 year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

5.3 Fair value estimation

The carrying amount of the Group's financial assets (including trade and other receivables, cash and cash equivalents, restricted cash and time deposits) 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.

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 and management service. 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 all the operating assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012 (unaudited)

6 SEGMENT INFORMATION (continued)

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. 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, prepayments, as well as cash and cash equivalents and restricted cash held by subsidiaries in the PRC. They exclude investment properties, deferred income tax assets and prepaid tax, as well as cash and cash equivalents and time deposits held by the Company and overseas subsidiaries.

Segment liabilities comprise operating liabilities. They exclude borrowings, deferred income tax liabilities, tax liabilities, dividends payable and directors' and senior management's emoluments payable.

Revenue

Turnover of the Group consists of the following revenues for the six months ended 30 June 2012 and 2011.

	Six months ended 30 June	
	2012	2011
	Unaudited	Unaudited
	RMB'000	RMB'000
Tea leaves	673,389	623,740
Tea ware	115,363	95,237
Tea snacks	99,908	99,857
Others	16,529	16,436
	905,189	835,270

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012 (unaudited)

6 SEGMENT INFORMATION (continued)

The segment results for the six months ended 30 June 2012:

	Unaudited				
	Tea leaves	Tea snacks	Tea ware	All other segments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	673,389	99,908	115,363	16,529	905,189
Segment results	200,725	5,775	12,337	2,394	221,231
Common administrative expenses					(10,468)
Other losses – net					(3,757)
Other income					10,269
Finance income – net					523
Share of results of a jointly controlled entity					337
Profit before income tax					218,135
Income tax expense					(57,988)
Profit for the period					160,147

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012 (unaudited)

6 SEGMENT INFORMATION (continued)

Other segment items included in the condensed consolidated interim statement of comprehensive income for the six months ended 30 June 2012:

	Unaudited					Total RMB'000
	Tea leaves	Tea snacks	Tea ware	All other segments	Unallocated	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Depreciation of property, plant and equipment	14,590	3,822	2,035	810	6,003	27,260
Depreciation of investment properties	–	–	–	–	143	143
Amortisation of leasehold land and land use rights	173	46	46	25	–	290
Losses/(gains) on disposal of property, plant and equipment, net	553	77	98	(7)	–	721

The segment assets and liabilities as at 30 June 2012 are as follows:

	Unaudited					Total RMB'000
	Tea leaves	Tea snacks	Tea ware	All other segments	Unallocated	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Segment assets	1,057,291	192,427	207,807	29,459	635,503	2,122,487
Segment liabilities	138,258	16,790	24,291	1,028	168,156	348,523

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012 (unaudited)

6 SEGMENT INFORMATION (continued)

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

	Unaudited				
	Tea leaves	Tea snacks	Tea ware	All other segments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	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 gains – net					147
Other income					5,619
Finance costs – net					(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 2012 (unaudited)

6 SEGMENT INFORMATION (continued)

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

	Unaudited					Total RMB'000
	Tea leaves	Tea snacks	Tea ware	All other	Unallocated	
	RMB'000	RMB'000	RMB'000	segments	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
Amortisation 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					Total RMB'000
	Tea leaves	Tea snacks	Tea ware	All other	Unallocated	
	RMB'000	RMB'000	RMB'000	segments	RMB'000	
Segment assets	881,469	163,747	132,936	36,209	209,551	1,423,912
Segment 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 2012 (unaudited)

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

	Leasehold land and land use rights RMB'000	Property, plant and equipment RMB'000	Investment properties RMB'000	Intangible assets RMB'000
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 a business combination	-	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
Six months ended 30 June 2012 (unaudited)				
Opening net book amount				
as at 1 January 2012	19,119	383,544	5,030	2,670
Additions	7,881	170,570	-	-
Disposals	-	(737)	-	-
Depreciation and amortisation	(290)	(27,260)	(143)	(480)
Closing net book amount				
as at 30 June 2012	26,710	526,117	4,887	2,190

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012 (unaudited)

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

(continued)

Land use rights have been pledged as securities for bank borrowings as below:

	As at	As at
	30 June	31 December
	2012	2011
	Unaudited	Audited
	RMB'000	RMB'000
Cost of land use rights	14,885	17,175
Net book value of land use rights	12,966	15,334
Pledged bank borrowings (Note 15)	50,000	100,000

Property, plant and equipment have been pledged as securities for bank borrowings as follows:

	As at	As at
	30 June	31 December
	2012	2011
	Unaudited	Audited
	RMB'000	RMB'000
Cost of property, plant and equipment	15,771	47,663
Net book value of property, plant and equipment	6,436	31,381
Pledged bank borrowings (Note 15)	50,000	100,000

As at 30 June 2012, the fair value of the investment properties is RMB6,210,000 (31 December 2011: RMB6,020,000), with carrying amount of RMB4,887,000 (31 December 2011: RMB5,030,000). The fair value represents open market value determined at each reporting date by an external valuer.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012 (unaudited)

8 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

(i) Trade and other receivables

	As at 30 June 2012 Unaudited RMB'000	As at 31 December 2011 Audited RMB'000
Current		
Trade receivables – due from third parties	270,321	285,626
Less: Provision for impairment of trade receivables	–	–
Trade receivables – net	270,321	285,626
Amounts due from related parties (Note 24(c))	67	448
Others	30,436	28,657
	300,824	314,731

Most of 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 ageing analysis of the trade receivables is as follows:

	As at 30 June 2012 Unaudited RMB'000	As at 31 December 2011 Audited RMB'000
Up to 140 days	245,248	259,966
141 days to 6 months	17,202	16,094
6 months to 1 year	7,304	9,504
1 year to 2 years	567	62
	270,321	285,626

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012 (unaudited)

8 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (continued)

(ii) Prepayments

	As at 30 June 2012 Unaudited RMB'000	As at 31 December 2011 Audited RMB'000
Non-current		
Prepayments for property, plant and equipment	79,380	31,134
Current		
Prepayments for lease of property and lease deposit – current portion	59,042	63,247
Prepayments to related parties (Note 24(c))	55,396	14,342
Prepayments to third parties	19,417	21,322
Prepaid income tax	11,491	–
Value added tax recoverable	6,661	4,694
	152,007	103,605
	231,387	134,739

9 INVENTORIES

	As at 30 June 2012 Unaudited RMB'000	As at 31 December 2011 Audited RMB'000
Raw materials and packaging materials	104,316	95,476
Work in progress	94,825	76,219
Finished goods	216,844	208,331
	415,985	380,026

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012 (unaudited)

10 CASH AND CASH EQUIVALENTS, TIME DEPOSITS AND RESTRICTED CASH

	As at 30 June 2012 Unaudited RMB'000	As at 31 December 2011 Audited RMB'000
Cash at bank and on hand (a)	567,513	1,191,999
Less: Time deposits (b)	(100,000)	(55,600)
Restricted cash (c)	(4,490)	(16,470)
Cash and cash equivalents	463,023	1,119,929

- (a) The weighted average effective interest rate on cash placed with banks and deposits were 0.35% and 0.20% per annum for the six months ended 30 June 2012 and 2011.
- (b) As at 30 June 2012, the Group has time deposits of RMB100,000,000 (31 December 2011: RMB55,600,000) which will be matured in March 2013.
- (c) As at 30 June 2012, the Group has a fixed deposit of RMB4,490,000 (31 December 2011: RMB16,470,000) which is pledged as collateral for the Group's bank borrowings of RMB4,471,000 (31 December 2011: RMB61,444,000) (Note 15).

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012 (unaudited)

11 SHARE CAPITAL

	Unaudited				
	Number of authorized shares (thousands)	Number of issued shares	Ordinary shares RMB	Share premium RMB	Total RMB
At 1 January 2011 and 30 June 2011	8,000,000	101,858,746	8,874,657	194,806,000	203,680,657
At 1 January 2012 (i)(ii)	8,000,000	1,227,207,460	100,815,647	1,036,145,418	1,136,961,065
Dividends (iii)	–	–	–	(278,056,000)	(278,056,000)
At 30 June 2012	8,000,000	1,227,207,460	100,815,647	758,089,418	858,905,065
Representing:					
– Proposed dividends (iii)				80,239,000	
– Others				677,850,418	
At 30 June 2012				758,089,418	

- (i) On 26 September 2011, pursuant to a shareholders' resolution dated 31 August 2011, conditional on the share premium account of the Company being credited as a result of the issue of the offer shares pursuant to the global offering, the Company capitalised an amount of Hong Kong Dollar ("HKD") 91,672,871 (equivalent to RMB74,896,736), standing to the credit of its share premium account by applying such sum to pay up in full at par a total of 916,728,714 shares for allotment and issue to the persons whose names appear on the then register of members of the Company prior to the Listing of the Company in accordance with their respective shareholdings in the Company (as nearly as possible without involving fractions).

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012 (unaudited)

11 SHARE CAPITAL (continued)

- (ii) On 26 September 2011, the Company issued 208,620,000 new ordinary shares of HKD0.1 each at HKD6.0 per share in connection with its global offering and the commencement of the Listing of its shares on the SEHK, and raised gross proceeds of approximately HKD1,251,720,000 (equivalent to RMB1,022,655,240). The excess over the par value of RMB17,044,254 for the 208,620,000 ordinary share issued net of transaction costs RMB89,374,832 was credited to “share premium” with amount of RMB916,236,154.
- (iii) Pursuant to Section 34 of the Cayman Companies Law (2003 Revision) and the Articles of Association of the Company, share premium of the Company is available for distribution to shareholders subject to a solvency test on the Company and the provision of the Articles of Association of the Company. Details of the dividends are set out in Note 22.

12 OTHER RESERVES

	Unaudited				
	Merger reserve	Capital reserve	Statutory reserve	Share-based payment reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011 and					
30 June 2011	278,811	231	63,368	–	342,410
At 1 January 2012	278,811	231	96,855	–	375,897
Share option scheme					
– value of services from directors, employees and independent third party distributors (Note 13)	–	–	–	1,391	1,391
At 30 June 2012	278,811	231	96,855	1,391	377,288

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012 (unaudited)

13 SHARE-BASED PAYMENTS

On 17 December 2010, the Company adopted a share option scheme whereby the Board can grant options for the subscription of the Company's shares to the directors, employees, managerial staff and senior employees and those other persons that the Board considers that they will contribute or have contributed to the Group.

Share Option Scheme

Pursuant to the share option scheme of the Company in relation to the grant of options under the Share Option Scheme, the Company granted options to subscribe for an aggregate of 7,046,000 shares and 1,307,000 shares on 6 January 2012 and 12 January 2012 respectively to certain directors, employees and independent third party distributors. The options have a contractual option term of 10 years. The Group has no legal or constructive obligation to repurchase or settle the options in cash. These options vest in tranches over a period of up to 3 years.

The options are exercisable during the following periods, subject to the Group achieving its target growth in revenue and net profit and the employees and independent third party distributors meeting their performance targets as well. The employees should remain in the Group's employ and the independent third party distributors should keep their businesses with the Group until that performance condition is satisfied.

- (i) up to 35% on or after 5 January 2013 and 11 January 2013 respectively;
- (ii) up to 35% on or after 5 January 2014 and 11 January 2014 respectively;
- (iii) all the remaining options on or after 5 January 2015 and 11 January 2015 respectively.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012 (unaudited)

13 SHARE-BASED PAYMENTS (continued)

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Average exercise price in HKD per share	Options (thousands)
As at 1 January 2012	–	–
Granted on 6 January 2012	5.41	7,046
Granted on 12 January 2012	5.60	1,307
As at 30 June 2012	5.44	8,353

Share options outstanding at 30 June 2012 have the following expiry dates and exercise prices:

Expiry date	Exercise price HKD per share	Number of options
5 January 2022	5.41	7,046
11 January 2022	5.60	1,307

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012 (unaudited)

13 SHARE-BASED PAYMENTS (continued)

The total fair value, which was determined by using Binomial option price model, of the options granted under the Share Option Scheme as at the grant dates are approximately HKD17,615,000 (equivalent to RMB14,330,000) and HKD3,685,000 (equivalent to RMB2,999,000) on 6 January 2012 and 12 January 2012 respectively. The following assumptions were adopted to calculate the fair value of the options on the grant dates:

	Granted on 6 January 2012	Granted on 12 January 2012
Exercise price	HKD5.41	HKD5.60
Expected volatility	53.95%	53.93%
Expected dividend yield	2.00%	2.00%
Risk free rate	1.52%	1.49%

The expected volatility is determined by calculating the historical volatility of the price of listed companies with businesses similar to the Group. The expected dividend yield is determined by the Directors based on the expected future performance and dividend policy of the Group.

The share option expense charged to the condensed consolidated statement of comprehensive income during the six months ended 30 June 2012 was approximately HKD1,704,000 (equivalent to RMB1,391,000).

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012 (unaudited)

14 TRADE AND OTHER PAYABLES

	As at	As at
	30 June	31 December
	2012	2011
	Unaudited	Audited
	RMB'000	RMB'000
Trade payables – due to third parties	91,648	107,757
Trade payables – due to related parties (Note 24)	3,166	4,048
Other payables for property, plant and equipment	1,288	2,812
Other payables for share issuance costs	–	2,370
Other taxes payable	11,267	18,312
Employee benefit payables	26,551	31,336
Accrued operating expenses	24,312	20,255
Advances from customers	11,423	11,289
Amounts due to related parties (Note 24)	654	2,056
Others	16,034	12,799
	186,343	213,034

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	As at
	30 June	31 December
	2012	2011
	Unaudited	Audited
	RMB'000	RMB'000
Up to 6 months	92,292	92,992
6 months to 1 year	2,509	13,741
1 year to 2 years	–	1,958
Over 2 years	13	3,114
	94,814	111,805

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012 (unaudited)

15 BORROWINGS

	As at	As at
	30 June	31 December
	2012	2011
	Unaudited	Audited
	RMB'000	RMB'000
Short-term bank borrowings		
– Unsecured bank borrowings	56,000	163,327
– Mortgaged bank borrowings (i)	54,471	161,444
	110,471	324,771

(i) At 30 June 2012, bank borrowings of RMB50,000,000 (31 December 2011: RMB100,000,000) are secured by the land use rights and property, plant and equipment of the Group (Note 7).

At 30 June 2012, bank borrowings of RMB4,471,000 (31 December 2011: RMB61,444,000) are secured by bank deposits of the Group (Note 10).

16 OTHER LIABILITIES

	As at	As at
	30 June	31 December
	2012	2011
	Unaudited	Audited
	RMB'000	RMB'000
Deferred revenue: customer loyalty programme	2,141	–

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. Reward points will expire till the end of next year after the initial sale.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012 (unaudited)

17 OTHER (LOSSES)/GAINS – NET

	Six months ended 30 June	
	2012	2011
	Unaudited	Unaudited
	RMB'000	RMB'000
Losses on disposal of property, plant and equipment, net	(721)	(161)
Net foreign exchange losses	(3,036)	(740)
Gain from acquisition of a subsidiary	–	1,048
	(3,757)	147

18 OTHER INCOME

	Six months ended 30 June	
	2012	2011
	Unaudited	Unaudited
	RMB'000	RMB'000
Government grants	8,578	3,919
Investment property rental income	1,347	1,342
Others	344	358
	10,269	5,619

19 EXPENSES BY NATURE

	Six months ended 30 June	
	2012	2011
	Unaudited	Unaudited
	RMB'000	RMB'000
Amortisation of land use rights	290	278
Depreciation of investment properties	143	139
Depreciation of property, plant and equipment	27,260	22,479
Amortisation of intangible assets	480	408

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012 (unaudited)

20 INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	2011
	Unaudited	Unaudited
	RMB'000	RMB'000
Current income tax		
– Hong Kong profits tax	176	–
– PRC corporate income tax	56,685	55,225
Deferred income tax	1,127	355
Income tax expense	57,988	55,580

(i) Cayman Islands profits tax

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

(ii) Hong Kong profits tax

For the six months ended 30 June 2012, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the period. For the six months ended 30 June 2011, no Hong Kong profits tax has been provided, as the Group has no taxable profit earned or derived in Hong Kong.

(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 2012 and 2011, the applicable income tax rate of Jiajiang Tenfu is 12.5%.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012 (unaudited)

20 INCOME TAX EXPENSE (continued)

(iv) PRC withholding income tax

According to the New 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.

21 EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2012	2011
	Unaudited	Unaudited
Profit attributable to the owners of the Company (RMB'000)	160,147	153,124
Weighted average number of ordinary shares in issue	1,227,207,460	1,018,587,460
Basic earnings per share (RMB per share)	0.13	0.15

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012 (unaudited)

21 EARNINGS PER SHARE (continued)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's potentially dilutive ordinary shares comprise share options.

Performance-related employee share options are treated as contingently issuable shares. Contingently issuable shares are considered outstanding and where applicable, included in the calculation of diluted earnings per share as if the conditions of the contingency are deemed to have been met, based on the information available, at the end of reporting period.

As at 30 June 2012, none of the performance conditions of the share options were met, and thus the potentially dilutive ordinary shares are not included in the calculation of diluted earnings per share. As a result, diluted earnings per share is the same as basic earnings per share.

22 DIVIDENDS

2011 final dividend and special dividend of HKD16 cents (equivalent to RMB13 cents) per share and HKD12 cents (equivalent to RMB10 cents) per share respectively, totalling HKD196,353,000 (equivalent to RMB158,889,000) and HKD147,265,000 (equivalent to RMB119,167,000) respectively, were paid in May 2012.

In addition, an interim dividend of HKD8 cents (equivalent to RMB6.5 cents) per share was declared by the Board on 27 August 2012 using the share premium account. This interim dividend, amounting to HKD98,177,000 (equivalent to RMB80,239,000), has not been recognised as liability in these condensed consolidated interim financial statements. It will be reflected as an appropriation of share premium for the year ending 31 December 2012.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012 (unaudited)

23 CONTINGENCIES

The Group did not have contingent liabilities as at 30 June 2012 or 31 December 2011.

24 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 2012 and 2011, as well as the balances arising from related party transactions as at 30 June 2012 and 31 December 2011.

(a) Name and relationship with related parties

Company name	Relationships
Mr. Lee Rie-Ho	Original owner of the Group, key management
Mr. Lee Shih-Wei	Original owner of the Group, key management, nephew of Mr. Lee Rie-Ho
Mr. Lee Chia Ling	Original owner of the Group, key management, son of Mr. Lee Rie-Ho
Mr. Lee Kuo-Lin	Key management, 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
Tenfu Group (SAMOA) Holdings Co., Ltd. ("SAMOA")	Controlled by key management of the Group
Ming-Feng	Jointly controlled by key management of the Group
Ten Ren Tea Co., Ltd. ("Ten Ren")	Controlled by key management of the Group
Anxi Tianfu Tea Industry Co., Ltd. ("Anxi Tenfu")	Subsidiary of SAMOA
Huaan Tianfu Tea Industry Co., Ltd. ("Huaan Tenfu")	Subsidiary of SAMOA

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012 (unaudited)

24 RELATED-PARTY TRANSACTIONS (continued)

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

Company name	Relationships
Kun Ming Tianfu Tea Industry Co., Ltd. ("Kunming Tenfu")	Subsidiary of SAMOA
Zhejiang Tianfu Tea Industry Co., Ltd. ("Zhejiang 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
Tenyuan (Singapore) Holdings Co., Ltd. ("Tenyuan Singapore")	Subsidiary of SAMOA
Fujian Petrol	Jointly controlled entity
Luyu Tea Artcraft Co., Ltd. ("Taiwan Luyu")	Controlled by key management of the Group
Xiamen Tenfu Tenmax Trade Co., Ltd. ("Tenmax")	Controlled by key management of the Group

(b) Transactions with related parties

(i) Sales of goods and services

	Six months ended 30 June	
	2012 Unaudited RMB'000	2011 Unaudited RMB'000
Anxi Tenfu	–	11,182
Uncle Lee's Tea	–	1,895
Tenmax	–	1,826
Ten Ren	–	662
Kunming Tenfu	–	174
Huaan Tianfu	–	61
	–	15,800

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012 (unaudited)

24 RELATED-PARTY TRANSACTIONS (continued)

(b) Transactions with related parties (continued)

(ii) Purchases of goods and services

	Six months ended 30 June	
	2012	2011
	Unaudited	Unaudited
	RMB'000	RMB'000
Xiamen Tenfu Tea Industry	23,305	4,115
Taiwan Luyu	14,863	8,808
Huaan Tenfu	7,800	8,350
Zhejiang Tenfu	6,234	–
Anxi Tenfu	2,455	24,196
Kunming Tenfu	2,441	6,863
Ten Ren	–	9,490
	57,098	61,822

(iii) Processing fee expenses

	Six months ended 30 June	
	2012	2011
	Unaudited	Unaudited
	RMB'000	RMB'000
Kunming Tenfu	399	–

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012 (unaudited)

24 RELATED-PARTY TRANSACTIONS (continued)

(b) Transactions with related parties (continued)

(iv) Rental expenses

	Six months ended 30 June	
	2012	2011
	Unaudited	Unaudited
	RMB'000	RMB'000
Mr. Lee Chia Ling	675	450
Mr. Lee Kuo-Lin	433	–
Mr. Lee Min-Zun	420	330
Xiamen Tenfu Tea Industry	400	–
Ms. Zhou Nan Nan	174	–
Ms. Chen Xiu Duan	137	104
Mr. Lee Shih-Wei	105	104
	2,344	988

(v) Key management compensation

	Six months ended 30 June	
	2012	2011
	Unaudited	Unaudited
	RMB'000	RMB'000
Salaries, social security costs and other benefits	3,570	1,032
Share-based payments	622	–
	4,192	1,032

(vi) Dividends received from a jointly controlled entity

	Six months ended 30 June	
	2012	2011
	Unaudited	Unaudited
	RMB'000	RMB'000
Fujian Petrol	1,127	1,034

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012 (unaudited)

24 RELATED-PARTY TRANSACTIONS (continued)

(c) Balances with related parties

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

	As at 30 June 2012 Unaudited RMB'000	As at 31 December 2011 Audited RMB'000
Non-trade related		
– Tenyuan Singapore	67	67
– Mr. Lee Shih-Wei	–	381
	67	448

(ii) Prepayments to related parties (Note 8(ii)):

	As at 30 June 2012 Unaudited RMB'000	As at 31 December 2011 Audited RMB'000
Trade related		
– Xiamen Tenfu Tea Industry	34,213	–
– Kunming Tenfu	13,440	–
– Anxi Tenfu	7,743	8,415
– Huan Tenfu	–	5,927
	55,396	14,342

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2012 (unaudited)

24 RELATED-PARTY TRANSACTIONS (continued)

(c) Balances with related parties (continued)

(iii) Due to related parties (Note 14):

	As at 30 June 2012 Unaudited RMB'000	As at 31 December 2011 Audited RMB'000
Trade related		
– Zhejiang Tenfu	1,519	–
– Taiwan Luyu	1,427	2,274
– Huan Tenfu	220	–
– Xiamen Tenfu Tea Industry	–	1,700
– Kunming Tenfu	–	74
	3,166	4,048
Non-trade related		
– Xiamen Tenfu Tea Industry	539	253
– Mr. Lee Chia Ling	115	1,423
– Anxi Tenfu	–	380
	654	2,056
	3,820	6,104

The receivables from related parties arise mainly from sale transactions and lendings. The receivables are unsecured and bear no interest. There are no provisions made against receivables from related parties.

The payables to related parties arise mainly from purchase transactions and borrowings. The payables bear no interest and are repayable on demand.