



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 2013



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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*)

Non-executive Directors

TSENG Ming-Sung

WEI Ke

Independent non-executive Directors

LO Wah Wai

LEE Kwan Hung

FAN Ren Da, Anthony

BOARD COMMITTEES

Audit Committee

LO Wah Wai (*Chairman*)

TSENG Ming-Sung

FAN Ren Da, Anthony

LEE Kwan Hung

Nomination Committee

LEE Kwan Hung (*Chairman*)

LEE Kuo-Lin

FAN Ren Da, Anthony

LO Wah Wai

Remuneration Committee

FAN Ren Da, Anthony (*Chairman*)

LEE Rie-Ho

LO Wah Wai

LEE Kwan Hung

LEE Chia Ling

REGISTERED OFFICE

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Grand Cayman KY1-1111
Cayman Islands

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AUTHORIZED REPRESENTATIVES

LEE Chia Ling
MOK Ming Wai

COMPANY SECRETARY

MOK Ming Wai (FCS, FCIS)

PRINCIPAL SHARE REGISTRAR

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
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Grand Cayman KY1-1110
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
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Wanchai
Hong Kong

PLACE OF LISTING

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

Corporate Information

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")

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

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COMPLIANCE ADVISOR

Halcyon Capital Limited

WEBSITE

www.tenfu.com

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

In the first half of 2013, revenue of the Group was RMB832.1 million, down by 8.1% from the corresponding period in 2012, and profit for the period was RMB128.2 million, down by 20.0% from the corresponding period in 2012. The decrease in the Group's revenue for the period was attributable mainly to the effect of a slowdown in economic development in the PRC.

In the first half of 2013, owing to the macroeconomic depression and the austerity measures of the PRC government, the consumer market in the PRC continued its downward trend. Under this environment, the Group is still pursuing market development and revised its marketing strategies to protect and expand its 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 is of the view that, the sales structure of its tea products in the first half of 2013 reflects the recent trend of Chinese consumers, which has been switching from unbranded to branded traditional Chinese tea leaves, as well as a more reasonable consumption practice. Consumers tend to purchase middle-and-lower-ended but functional products instead of higher-ended products. With its high level of brand awareness and more than 20 years of presence in the market, as well as its diversified product range, the Group believes that it is in a good position to continue to occupy a large market share of branded traditional Chinese tea leaves, and also in a strong position to capture such expected growth in the market.
2. **Expanding and optimizing 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 at 30 June 2013, the Group had a total of 1,326 self-owned and third-party owned retail outlets and retail points, up a net of 11 retail stores and retail points from a total of 1,315 as at 31 December 2012.
3. **Enhanced processing and distribution efficiency and effectiveness.** The Group completed the implementation of a point-of-sale (POS) system and implemented 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.

Management Discussion and Analysis

4. **Strengthened costs control.** The Group has strengthened its costs control on all items in accordance with prevailing economic environment and market conditions, and as a result, distribution costs and administrative expenses decreased as compared to the corresponding period in 2012.

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 at 30 June 2013:

	Planned use of net proceeds at Listing	Net proceeds used as at 30 June 2013
Expand and optimize network of self-owned retail outlets and retail points	40.0%	20.9%
Acquire store premises for self-owned retail outlets	25.0%	22.9%
Working capital and other general corporate purposes	10.0%	10.0%
Maintain and promote brands	15.0%	9.1%
Expand production capacity	10.0%	6.4%
Total	100.0%	69.3%

Management Discussion and Analysis

In the second half of 2013, despite the anticipated further slowdown in the economic growth of the PRC, the Group plans to continue with its expansion and to 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 its retail sales network.** The Group will increase the number of stores, including both self-owned and third-party owned retail outlets and retail points, according to the economic development of the PRC. As part of this goal, the Group plans to continue 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 supermarkets by entering into further cooperation agreements to expand the circulation of its tea products. To capture more customers who prefer to buy their tea products through the internet, the Group continues to monitor the opportunity to start internet sales. As disclosed in the Company's announcement dated 17 July 2013, 福建天福茗茶銷售有限公司 (Fujian Tian Fu Sales Co., Ltd.), an indirectly wholly owned subsidiary of the Company, and Ming Feng Holdings Co., Limited (銘峰控股有限公司) entered into an equity transfer agreement, pursuant to which Fujian Tian Fu Sales Co., Ltd has conditionally agreed to purchase, and Ming Feng Holdings Co., Limited has conditionally agreed to sell, the entire equity interest in 廈門天鈺商貿有限公司 (Xiamen Tianyu Commerce and Trading Co., Limited) at the purchase price of RMB2,061,600. Through the acquisition of Xiamen Tianyu Commerce and Trading Co., Limited, the Group will be able to have multi-channel sales and distribution network, which enables the Group to access a broad market audience and penetrate into different regions in the PRC, and continue to rapidly expand their sales.
- 2. Continue to enhance brand reputation and consumer awareness.** The Group plans to maintain and promote its high level of brand awareness through targeted marketing and promotional activities. The Group will devote 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 continue the promotion of an enhanced rewards program for its customers in order to encourage repeating business and increase customer loyalty.

Management Discussion and Analysis

- 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. On 17 July 2013, 福建天福茗茶銷售有限公司 (Fujian Tian Fu Sales Co., Ltd.) and TenYuan (HongKong) Holdings Co. Limited. (天元 (香港) 控股有限公司), a third party independent of the Company and its connected persons, entered into an equity transfer agreement, pursuant to which Fujian Tian Fu Sales Co., Ltd has conditionally agreed to purchase, and TenYuan (HongKong) Holdings Co. Limited. (天元 (香港) 控股有限公司) has conditionally agreed to sell, the entire equity interest in 廈門天洽餐飲管理有限公司 (Xiamen Tianqia Catering Management Co., Limited) at the purchase price of RMB837,200. Through the acquisition of Xiamen Tianqia Catering Management Co., Limited, the Group will enter into the tea drink industry.
- 4. Expand production capacity to achieve optimization in procurement costs.** The Group has commenced the operation of the new production plant located in Zhangzhou, after the completion of its construction. The Group will consider further expansion through acquisition should suitable acquisition opportunities arise, in order to satisfy the anticipated increases in the demand for tea and tea-related products. As disclosed in the Company's announcement dated 17 July 2013, Tenfu (Hong Kong) Holdings Co., Limited (天福 (香港) 控股有限公司), an indirectly wholly owned subsidiary of the Company, and Ten Yuan (Singapore) Holdings Co. Pte. Ltd. entered into an equity transfer agreement, pursuant to which Tenfu (Hong Kong) Holdings Co., Limited has conditionally agreed to purchase, and Ten Yuan (Singapore) Holdings Co. Pte. Ltd. has conditionally agreed to sell, the entire equity interest in 浙江天福茶業有限公司 (Zhejiang Tianfu Tea Industry Co., Ltd.) at the purchase price of RMB39,128,821. Through the acquisition of Zhejiang Tianfu Tea Industry Co., Ltd., the Group will be able to have a production facility strategically located in Zhejiang, where it is the production base of Longjing tea and close to the retail outlets and retail points in central and Northeast China, as well as to achieve optimization in procurement costs.

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 long-term growth in the PRC tea market.

FINANCIAL REVIEW

Revenue

During the six months ended 30 June 2013, 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, the PRC. The Group's key products are tea leaves, tea snacks and tea ware, which it sells through a nationwide network of self-owned and third-party owned retail outlets and retail points.

During the six months ended 30 June 2013, the Group derived substantially all of its revenue from the sales of tea leaves, tea snacks and tea ware. The revenue of the Group decreased by 8.1% to RMB832.1 million for the six months ended 30 June 2013, as compared to RMB905.2 million for the corresponding period in 2012. The following table sets forth a breakdown of revenue by product category for the periods indicated:

	Six months ended 30 June			
	2013		2012	
	RMB'000	%	RMB'000	%
Revenue contributed from:				
Tea leaves	602,561	72.4	673,389	74.5
Tea ware	114,637	13.8	115,363	12.7
Tea snacks	98,066	11.8	99,908	11.0
Others ⁽¹⁾	16,871	2.0	16,529	1.8
Total	832,135	100.0	905,189	100.0

Note:

- (1) "Others" include revenue from restaurant, hotel 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.

Management Discussion and Analysis

Revenue from sales of the Group's tea leaves decreased by 10.5% to RMB602.6 million for the six months ended 30 June 2013, as compared to RMB673.4 million for the corresponding period in 2012. Revenue from sales of the Group's tea ware decreased by 0.6% from RMB115.4 million for the corresponding period in 2012 to RMB114.6 million. Revenue from sales of the Group's tea snacks decreased by 1.8% to RMB98.1 million for the six months ended 30 June 2013 from RMB99.9 million for the corresponding period in 2012. The slight decrease in revenue across all three product categories were mainly due to the effect of the slowdown in economic development in the PRC.

Cost of sales

Cost of sales of the Group primarily comprises costs of inventory (mainly including costs of raw materials) and labour costs. Cost of sales of the Group increased by 2.9% to RMB321.9 million for the six months ended 30 June 2013, as compared to RMB312.7 million for the corresponding period in 2012, primarily due to a change in the product structure of the products offered by the Group.

Gross profit and gross profit margin

As a result of the decrease in income and the increase in costs, gross profit of the Group decreased by 13.9% to RMB510.2 million for the six months ended 30 June 2013, as compared to RMB592.5 million for the corresponding period in 2012, with gross profit margin decreasing from 65.5% for the corresponding period in 2012 to 61.3% for the six months ended 30 June 2013.

Distribution costs

The distribution costs of the Group decreased by 9.6% from RMB271.1 million for the corresponding period in 2012 to RMB245.2 million for the six months ended 30 June 2013. The decrease in distribution costs was primarily due to (i) a decrease in expenditure on sales personnel to RMB67.9 million for the six months ended 30 June 2013 as compared to RMB89.5 million for the six months ended 30 June 2012 as a result of a strengthened control on staff costs of the Company through tightened human resource management, (ii) the preparation costs of opening stores decreased to RMB2.7 million for the six months ended 30 June 2013 as compared to RMB5.8 million for the six months ended 30 June 2012.

Management Discussion and Analysis

Administrative expenses

Administrative expenses of the Group decreased by 13.6% from RMB110.6 million for the corresponding period in 2012 to RMB95.5 million for the six months ended 30 June 2013. The decrease was primarily due to a strengthened control on staff costs through tightened human resource management, as well as a reinforced supervision on utilities, pre-opening costs and office expenses.

Other income

Other income of the Group decreased by 57.4% to RMB4.4 million for the six months ended 30 June 2013, as compared to RMB10.3 million for the corresponding period in 2012. The decrease was primarily due to a decrease in government subsidies.

Other gains/losses, net

Other gains of the Group was RMB0.7 million for the six months ended 30 June 2013, as compared to other losses of RMB3.8 million for the six months ended 30 June 2012, primarily due to a decrease in foreign exchange losses.

Finance income

Finance income of the Group decreased slightly from RMB5.6 million for the corresponding period in 2012 to RMB5.4 million for the six months ended 30 June 2013, and finance income for both periods were comparable.

Finance costs

Finance costs of the Group decreased by 33.6%, from RMB5.1 million for the corresponding period in 2012 to RMB3.4 million for the six months ended 30 June 2013, primarily due to the average balance of bank loans for the six months ended 30 June 2012 was more than the average balance of bank loans for the six months ended 30 June 2013.

Management Discussion and Analysis

Share of profit of a joint venture

Share of profit of a joint venture of the Group was RMB0.7 million and RMB0.3 million for the six months ended 30 June 2013 and 2012, respectively.

Income tax expense

Income tax expense of the Group decreased by 15.3% from RMB58.0 million for the corresponding period in 2012 to RMB49.1 million for the six months ended 30 June 2013, primarily due to a decrease in the Group's profit before tax to RMB177.3 million for the six months ended 30 June 2013 from RMB218.1 million for the corresponding period in 2012.

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, decreased by RMB31.9 million, or 20.0%, from RMB160.1 million for the corresponding period in 2012 to RMB128.2 million for the six months ended 30 June 2013. Net profit margin of the Group decreased to 15.4% from 17.7% for the relevant periods, primarily due to changes in the structure of products sold which had led to a drop in gross profit margin.

Liquidity and capital resources

Cash position

The operations of the Group are capital intensive, and its liquidity requirements arise principally from the need 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 RMB251.9 million, or 45.1%, from RMB558.8 million as at 31 December 2012 to RMB307.0 million as at 30 June 2013, primarily due to an increase in security deposits resulted from an increase in borrowings and greater efficiency on the capital use by the Group through better management, ie, different saving terms based on capital use demand, including time deposits.

The Group had net cash inflow from operating activities of RMB165.8 million, net cash outflow from investing activities of RMB283.2 million and net cash outflow from financing activities of RMB134.1 million for the six months ended 30 June 2013.

Management Discussion and Analysis

Bank borrowings and gearing ratio

The Group had total bank borrowings of RMB214.7 million as at 30 June 2013, as compared to RMB104.3 million as at 31 December 2012. As at 30 June 2013, the weighted average effective interest rate of the Group's bank borrowings was 3.6%, and 45.7% of the Group's bank borrowings were denominated in RMB, while 43.2% were denominated in USD and 11.1% were denominated in HKD.

As at 30 June 2013, bank borrowings of RMB10.0 million were secured by land use rights and property, plant and equipment of the Group with net book values of RMB3.9 million and RMB5.8 million, respectively, and bank borrowings of RMB128.4 million were secured by bank deposits of RMB133.5 million of the Group. As at 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 at 30 June 2013, the gearing ratio of the Group was 10.6%, compared to 5.0% as at 31 December 2012. The increase during the first half of 2013 was primarily due to an increase in the Group's bank borrowings, which in turn increased its total liabilities during this period.

Working capital

	As at 30 June 2013 RMB'000	As at 31 December 2012 RMB'000
Trade and other receivables	275,775	212,244
Trade and other payables	156,258	161,965
Inventories	372,407	431,437
Trade receivables turnover days ⁽¹⁾	100	111
Trade payables turnover days ⁽²⁾	46	58
Inventories turnover days ⁽³⁾	225	239

Management Discussion and Analysis

Notes:

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

The Group's trade and other receivables represent primarily balances due from third-party retailers, entrusted loan to a third party and other receivables from third parties. The Group's trade and other receivables increased by RMB63.5 million to RMB275.8 million as at 30 June 2013 from RMB212.2 million as at 31 December 2012, primarily due to (i) the seasonal effect on sales of the Group (first half of the year, covering Spring festival, spring tea and flower tea season is usually the peak season for wholesale, which resulted in the balance of trade receivables as at 30 June being more than the balance of trade receivables as at 31 December), (ii) entrusted loan extended to a third party with an amount of RMB30.0 million.

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 RMB156.3 million as at 30 June 2013 from RMB162.0 million as at 31 December 2012, primarily due to (i) a decrease in employee benefit payables of RMB3.8 million, and (ii) a decrease in other taxes payable of RMB3.1 million, as a result of the decrease in value added tax payable as at 30 June 2013, compared with that as at 31 December 2012.

The Group's inventories comprise raw materials (including packaging materials), work-in-progress and finished goods. The Group's inventories decreased from RMB431.4 million as at 31 December 2012 to RMB372.4 million as at 30 June 2013, because of a decrease in purchase volume.

As at 30 June 2013, the Group has sufficient working capital and financial resources to support its regular operation.

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 at 30 June 2013, 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 HKD. The opinion of the directors of the Company (the "Directors") is that the Group does not have significant foreign currency risk exposure.

Any future depreciation of RMB could adversely 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.

Contingent liabilities

The Group had no material contingent liabilities as at 30 June 2013.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2013, the Group had a total of 5,387 employees, with 5,383 employees based in the PRC and 4 employees based in Hong Kong. For the six months ended 30 June 2013, the labour cost of the Group was RMB138.0 million.

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

The Group also provides continuous learning and training programs to its employees to enhance their skills and knowledge, so as to maintain their competitiveness and improve customer service. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or any material labour dispute during the six month period ended 30 June 2013.

The Company adopted a share option scheme on 17 December 2010. During the six months ended 30 June 2013, the Company granted options to subscribe for an aggregate of 8,353,000 shares on 19 March 2013 to certain Directors, employees and independent third party distributors 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 of directors of the Company (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 of the Company (the "Prospectus") dated 14 September 2011), but without taking into consideration the issue of any Shares that may be issued under the Over-allotment Option (as defined in the Prospectus). The number of options that may be granted pursuant to the terms of the Share Option Scheme shall not exceed 10% of the issued Shares immediately after the completion of the Global Offering. Unless otherwise approved by the shareholders of the Company in general meeting, the number of Shares that may be granted to a Participant under the options shall not exceed 1% within any 12-month period other than those granted to the substantial shareholders (as defined in the Rules Governing the Listing of Securities 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 March 2013, the Company has granted share options to subscribe 8,353,000 Shares in conformity with the Share Option Scheme to certain Directors, employees and independent third party distributors of the Group. 128,000 share options have lapsed due to the resignation of the employees and none of the share options were exercised by the grantees, or cancelled by the Company during the six months ended 30 June 2013. The share options granted will be exercisable during a 10 year option period commencing from the date of grant subject to a vesting schedule and conditional upon fulfillment of certain prescribed performance targets during the year of such grant and the following two financial years. 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 right 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 during the period	Exercise price per Share HK\$	Closing price immediately before grant of options HK\$	Number of options as at 1 January 2013	Number of options exercised/ cancelled/ lapsed during the period	Number of options as at 30 June 2013	Approximate percentage of shareholding upon the exercise of the options	Exercisable period
Lee Rie- Ho	Executive Director and substantial shareholder	12 January 2012	-	5.60	5.60	708,000	-	708,000		12 January 2012 to 11 January 2022
		19 March 2013	708,000	4.28	4.20	-	-	708,000		19 March 2013 to 18 March 2023
			708,000			708,000	-	1,416,000	0.12%	
Lee Chia Ling	Executive Director and substantial shareholder	6 January 2012	-	5.41	5.37	354,000	-	354,000		6 January 2012 to 5 January 2022
		19 March 2013	354,000	4.28	4.20	-	-	354,000		19 March 2013 to 18 March 2023
			354,000			354,000	-	708,000	0.06%	

Other Information

Grantee	Position of the grantee	Date of grant of options	Number of options granted during the period	Exercise price per Share HK\$	Closing price immediately before grant of options HK\$	Number of options as at 1 January 2013	Number of options exercised/ cancelled/ lapsed during the period	Number of options as at 30 June 2013	Approximate percentage of shareholding upon the exercise of the options	Exercisable period
Lee Shih-Wei	Executive Director	6 January 2012	–	5.41	5.37	354,000	–	354,000	0.06%	6 January 2012 to 5 January 2022
		19 March 2013	354,000	4.28	4.20	–	–	354,000		19 March 2013 to 18 March 2023
			354,000			354,000	–	708,000		
Lee Kuo-Lin	Executive Director	6 January 2012	–	5.41	5.37	354,000	–	354,000	0.06%	6 January 2012 to 5 January 2022
		19 March 2013	354,000	4.28	4.20	–	–	354,000		19 March 2013 to 18 March 2023
			354,000			354,000	–	708,000		
Tseng Ming-Sung	Non-executive Director	12 January 2012	–	5.60	5.60	354,000	–	354,000	0.05%	12 January 2012 to 11 January 2022
		19 March 2013	245,000	4.28	4.20	–	–	245,000		19 March 2013 to 18 March 2023
			245,000			354,000	–	599,000		
Lo Wah Wai	Independent non-executive Director	6 January 2012	–	5.41	5.37	354,000	–	354,000	0.05%	6 January 2012 to 5 January 2022
		19 March 2013	245,000	4.28	4.20	–	–	245,000		19 March 2013 to 18 March 2023
			245,000			354,000	–	599,000		
Lee Kwan Hung	Independent non-executive Director	6 January 2012	–	5.41	5.37	354,000	–	354,000	0.05%	6 January 2012 to 5 January 2022
		19 March 2013	245,000	4.28	4.20	–	–	245,000		19 March 2013 to 18 March 2023
			245,000			354,000	–	599,000		
Fan Ren Da, Anthony	Independent non-executive Director	6 January 2012	–	5.41	5.37	354,000	–	354,000	0.05%	6 January 2012 to 5 January 2022
		19 March 2013	245,000	4.28	4.20	–	–	245,000		19 March 2013 to 18 March 2023
			245,000			354,000	–	599,000		

Other Information

Grantee	Position of the grantee	Date of grant of options	Number of options granted during the period	Exercise price per Share HK\$	Closing price immediately before grant of options HK\$	Number of options as at 1 January 2013	Number of options exercised/ cancelled/ lapsed during the period	Number of options as at 30 June 2013	Approximate percentage of shareholding upon the exercise of the options	Exercisable period
Employees		6 January 2012	-	5.41	5.37	4,596,000	(128,000)	4,468,000		6 January 2012 to 5 January 2022
		12 January 2012	-	5.60	5.60	245,000	-	245,000		12 January 2012 to 11 January 2022
		19 March 2013	5,234,000	4.28	4.20	-	-	5,234,000		19 March 2013 to 18 March 2023
			5,234,000			4,841,000	(128,000)	9,947,000	0.81%	
Independent third party distributors		6 January 2012	-	5.41	5.37	311,000	-	311,000		6 January 2012 to 5 January 2022
		19 March 2013	369,000	4.28	4.20	-	-	369,000		19 March 2013 to 18 March 2023
			369,000			311,000	-	680,000	0.06%	
Total			8,353,000			8,338,000	(128,000)	16,563,000	1.35%	

INTERIM DIVIDEND

At the Board meeting held on 26 August 2013, it was resolved that an interim dividend of HKD0.07 (equivalent to RMB0.056) per Share (2012 interim dividend: HKD0.08 (equivalent to RMB0.065) per Share) be paid on or around 30 September 2013 to the shareholders of the Company whose names appear on the Company's register of members on 18 September 2013. The total amount of the dividend to be paid is approximately 50% of the consolidated after tax net profit of the Group for the six months ended 30 June 2013, which is similar to the basis of dividend paid for the same period last year.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend, the register of members of the Company will be closed from 16 September 2013 to 18 September 2013, 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 13 September 2013.

Other Information

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

As at 30 June 2013, 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	1,416,000 (L) ⁽⁴⁾	0.12%
Mr. Lee Shih-Wei ⁽²⁾	Personal Interest/individual	5,427,000 (L) ⁽⁴⁾	0.44%
Mr. Lee Chia Ling ⁽³⁾	Settlor of The KCL Trust	377,520,000 (L) ⁽⁴⁾	30.76%
	Personal Interest/individual	708,000 (L) ⁽⁴⁾	0.06%
Mr. Lee Kuo-Lin ⁽³⁾	Beneficiary of The KCL Trust	377,520,000 (L) ⁽⁴⁾	30.76%
	Personal interest/individual	708,000 (L) ⁽⁴⁾	0.06%
Mr. Tseng Ming-Sung ⁽²⁾	Personal Interest/individual	5,318,000 (L) ⁽⁴⁾	0.43%

Other Information

Name of Director	Nature of interest	Number of securities	Approximate percentage of shareholding
Mr. Lo Wah Wai ⁽²⁾	Personal Interest/individual	599,000 (L) ⁽⁴⁾	0.05%
Mr. Lee Kwan Hung ⁽²⁾	Personal Interest/individual	599,000 (L) ⁽⁴⁾	0.05%
Mr. Fan Ren Da, Anthony ⁽²⁾	Personal Interest/individual	599,000 (L) ⁽⁴⁾	0.05%

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 and another 708,000 share options were granted to Mr. Lee Rie-Ho with the exercise price per Share of HK\$4.28 on 19 March 2013.*
- (2) *354,000 share options were granted to each of Mr. Lee Shih-Wei, Mr. Lo Wah Wai, Mr. Lee Kwan Hung and Mr. Fan Ren Da, Anthony with the exercise price per Share of HK\$5.41 on 6 January 2012. 354,000 share options were granted to Mr. Tseng Ming-Sung with the exercise price per Share of HK\$5.60 on 12 January 2012. 354,000 share options were granted to Mr. Lee Shih-Wei with the exercise price per Share of HK\$4.28 on 19 March 2013. 245,000 share options were granted to each of Mr. Tseng Ming-Sung, Mr. Lo Wah Wai, Mr. Lee Kwan Hung and Mr. Fan Ren Da, Anthony with the exercise price per Share of HK\$4.28 on 19 March 2013.*

Other Information

- (3) *The entire issued share capital of Trackson Investments Limited is held by Tiger Nature Holdings Limited ("Tiger Nature") which was originally held by Credit Suisse Trust Limited and was transferred to be held by UBS TC (Jersey) Ltd. in June 2013 (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 Credit Suisse Trust Limited as trustee on 12 April 2011. The beneficiaries of The KCL Trust include family members of Mr. Lee Chia Ling. Mr. Lee Chia Ling and Mr. Lee Kuo-Lin are deemed to be interested in 377,520,000 Shares held by The KCL Trust, Tiger Nature and Trackson Investments Limited pursuant to Part XV of the SFO. Ms. Zhou Nan Nan is the spouse of Mr. Lee Chia Ling and is deemed to be interested in all the Shares of Mr. Lee Chia Ling by virtue of the SFO. 354,000 share options were granted to each of Mr. Lee Chia Ling and Mr. Lee Kuo-Lin with the exercise price per Share of HK\$5.41 on 6 January 2012 and another 354,000 share options were granted to Mr. Lee Chia Ling and Mr. Lee Kuo-Lin with the exercise price per Share of HK\$4.28 on 19 March 2013.*
- (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 2013, 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	190,176,000 (L) ⁽⁵⁾	15.50%
UBS TC (Jersey) Ltd. ^{(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	378,228,000 (L) ⁽⁵⁾	30.82%
General Atlantic Singapore Fund Pte. Ltd. ⁽⁴⁾	Registered owner	120,530,830 (L) ⁽⁵⁾	9.82%
General Atlantic Singapore Fund Interholdco Ltd. ⁽⁴⁾	Interest in a controlled Corporation	120,530,830 (L) ⁽⁵⁾	9.82%
General Atlantic Partners (Bermuda) II, L.P. ⁽⁴⁾	Interest in a controlled Corporation	120,530,830 (L) ⁽⁵⁾	9.82%
General Atlantic Partners (Bermuda) III, L.P. ⁽⁴⁾	Interest in a controlled Corporation	120,530,830 (L) ⁽⁵⁾	9.82%
General Atlantic GenPar (Bermuda), L.P. ⁽⁴⁾	Interest in a controlled Corporation	120,530,830 (L) ⁽⁵⁾	9.82%
GAP (Bermuda) Limited ⁽⁴⁾	Interest in a controlled corporation	120,530,830 (L) ⁽⁵⁾	9.82%

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 and another 708,000 share options were granted to Mr. Lee Rie-Ho with the exercise price per Share of HK\$4.28 on 19 March 2013.*
- (2) *The entire issued share capital of Trackson Investments Limited is held by Tiger Nature which was originally held by Credit Suisse Trust Limited and was transferred to be held by UBS TC (Jersey) Ltd. in June 2013 (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 Credit Suisse Trust Limited as trustee on 12 April 2011. The beneficiaries of The KCL Trust include family members of Mr. Lee Chia Ling. Mr. Lee Chia Ling and Mr. Lee Kuo-Lin are deemed to be interested in 377,520,000 Shares held by The KCL Trust, Tiger Nature and Trackson Investments Limited pursuant to Part XV of the SFO. Ms. Zhou Nan Nan is the spouse of Mr. Lee Chia Ling and is deemed to be interested in all the Shares of Mr. Lee Chia Ling by virtue of the SFO. 354,000 share options were granted to each of Mr. Lee Chia Ling and Mr. Lee Kuo-Lin with the exercise price per Share of HK\$5.41 on 6 January 2012 and another 354,000 share options were granted to Mr. Lee Chia Ling and Mr. Lee Kuo-Lin with the exercise price per Share of HK\$4.28 on 19 March 2013.*
- (3) *UBS TC (Jersey) Ltd. is the trustee of The KCL Trust, it is deemed to be interested in 377,520,000 Shares held by The KCL Trust.*
- (4) *General Atlantic Singapore Fund Pte. Ltd. is managed and controlled by its board of directors. The sole shareholder of General Atlantic Singapore Fund Pte. Ltd. is General Atlantic Singapore Fund Interholdco Ltd. ("GA Interholdco"). The single largest shareholder of GA Interholdco is General Atlantic Partners (Bermuda) II, L.P. ("GAP II LP") and one of the minority shareholders of GA Interholdco is General Atlantic Partners (Bermuda) III, L.P. ("GAP III LP"). The general partner of each of GAP II LP and GAP III 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 II LP, GAP III 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.*

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 2013, the Board is of the view that the Company has complied with Corporate Governance Code (the "CG Code") and there has been no deviation from the code provisions as set forth under the CG Code for the six months ended 30 June 2013.

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 2013.

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

Save as disclosed in the 2012 annual report of the Company, Mr. Lee Kwan Hung is also an independent non-executive director of Shenzhen High-Tech Holdings Limited (a company listed on the main board of the Stock Exchange), whose name has been changed to Landsea Green Properties Co., Ltd.

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 2012 annual report of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption of any listed securities of the Company by the Company or any of its subsidiaries during the six months ended 30 June 2013.

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 2013.

Other Information

AUDIT COMMITTEE

The Company has an audit committee (the "Audit Committee") which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises four members, including three 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. The unaudited interim results and the interim report of the Group for the six months ended 30 June 2013 have been reviewed by the Audit Committee. The condensed consolidated interim financial statements of the Group for the six months ended 30 June 2013 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.

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, 26 August 2013

Condensed Consolidated Balance Sheet

As at 30 June 2013

	Note	As at 30 June 2013 Unaudited RMB'000	As at 31 December 2012 Audited RMB'000
ASSETS			
Non-current assets			
Leasehold land and land use rights	7	125,094	90,065
Investment properties	7	4,600	4,743
Property, plant and equipment	7	530,119	494,243
Intangible assets	7	1,802	1,780
Investment in a joint venture		3,714	4,341
Deferred income tax assets		33,198	37,756
Prepayments – non-current portion	8	81,629	95,897
		780,156	728,825
Current assets			
Inventories	9	372,407	431,437
Trade and other receivables	8	275,775	212,244
Prepayments	8	107,206	86,123
Restricted cash	10	133,475	27,500
Time deposits	10	259,900	89,400
Cash and cash equivalents	10	306,977	558,841
		1,455,740	1,405,545
Total assets		2,235,896	2,134,370

Condensed Consolidated Balance Sheet (continued)

As at 30 June 2013

	Note	As at 30 June 2013 Unaudited RMB'000	As at 31 December 2012 Audited RMB'000
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	11	100,816	100,816
Share premium	11	541,024	678,625
Other reserves	12	407,010	406,784
Retained earnings		770,503	642,353
Total equity		1,819,353	1,828,578
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		14,861	11,963
Current liabilities			
Trade and other payables	14	156,258	161,965
Dividends payable		1,589	1,642
Current income tax liabilities		18,741	22,445
Borrowings	15	214,736	104,283
Other liabilities	16	10,358	3,494
		401,682	293,829
Total liabilities		416,543	305,792
Total equity and liabilities		2,235,896	2,134,370
Net current assets		1,054,058	1,111,716
Total assets less current liabilities		1,834,214	1,840,541

The notes on pages 32 to 66 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013

		Six months ended 30 June	
		2013	2012
		Unaudited	Unaudited
	Note	RMB'000	RMB'000
Revenue	6	832,135	905,189
Cost of sales		(321,924)	(312,728)
Gross profit		510,211	592,461
Distribution costs		(245,245)	(271,139)
Administrative expenses		(95,514)	(110,559)
Other income	17	4,370	10,269
Other gains/(losses) – net	18	730	(3,757)
Operating profit		174,552	217,275
Finance income		5,373	5,604
Finance costs		(3,375)	(5,081)
Finance income – net		1,998	523
Share of profit of a joint venture		707	337
Profit before income tax		177,257	218,135
Income tax expense	20	(49,107)	(57,988)
Profit for the period, all attributable to the owners of the Company		128,150	160,147
Other comprehensive income for the period		–	–
Total comprehensive income for the period, all attributable to the owners of the Company		128,150	160,147
Earnings per share for profit attributable to the owners of the Company			
– Basic earnings per share	21	RMB 0.10	RMB 0.13
– Diluted earnings per share	21	RMB 0.10	RMB 0.13

The notes on pages 32 to 66 are an integral part of these condensed consolidated interim financial statements.

		Six months ended 30 June	
		2013	2012
		Unaudited	Unaudited
		RMB'000	RMB'000
Dividends	22	68,320	79,464

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

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 2013	100,816	678,625	406,784	642,353	1,828,578
Total comprehensive income for the six months ended 30 June 2013	-	-	-	128,150	128,150
Share option scheme - value of services from directors, employees and independent third party distributors	12	-	226	-	226
Dividends	-	(137,601)	-	-	(137,601)
Balance at 30 June 2013	100,816	541,024	407,010	770,503	1,819,353
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	-	(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 66 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	Note	Six months ended 30 June	
		2013 Unaudited RMB'000	2012 Unaudited RMB'000
Cash flows from operating activities			
Cash generated from operations		236,368	172,456
Interest paid		(2,691)	(5,081)
Income tax paid		(67,892)	(71,146)
Net cash inflow from operating activities		165,785	96,229
Cash flows from investing activities			
Purchase of land use rights	7	(36,706)	(7,881)
Purchase of property, plant and equipment	7	(50,640)	(220,340)
Purchase of intangible assets	7	(409)	–
Investments in time deposits with maturity more than 3 months	10	(170,500)	(44,400)
Entrusted loan granted to a third party	8	(30,000)	–
Proceeds from disposal of property, plant and equipment		355	16
Interest received		3,382	5,152
Dividends received from a joint venture		1,334	1,127
Decrease in amounts due from related parties		–	381
Net cash outflow from investing activities		(283,184)	(265,945)
Cash flows from financing activities			
Proceeds from borrowings		191,323	20,000
Repayments of borrowings		(80,870)	(234,300)
Dividends paid to the owners of the Company	22	(137,654)	(278,056)
Changes in restricted cash pledged for borrowings		(105,975)	6,980
Decrease in amounts due to related parties	24	(970)	(1,941)
Net cash outflow from financing activities		(134,146)	(487,317)
Net decrease in cash and cash equivalents		(251,545)	(657,033)
Effect of foreign exchange rate changes		(319)	127
Cash and cash equivalents at beginning of the period		558,841	1,119,929
Cash and cash equivalents at end of the period	10	306,977	463,023

The notes on pages 32 to 66 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 2013 (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 on 26 September 2011.

These condensed consolidated interim financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These condensed consolidated interim financial statements set out on page 27 to 66 have been approved for issue by the Company’s board of directors (the “Board”) on 26 August 2013.

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 8,353,000 shares on 19 March 2013 to certain directors, employees and independent third party distributors of the Group. These options vest in tranches over a period of up to 3 years. Further details are given in Note 13.

In March and June 2013, the Group renegotiated its existing loan facility to provide funding for the working capital and other general corporate purpose. Further details are given in Note 15.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013 (unaudited)

1 GENERAL INFORMATION *(continued)*

Key events (continued)

On 18 June 2013, Fujian Tian Fu Sales Co., Ltd. ("Fujian Tenfu") signed a tripartite asset management contract with Qilu Securities Co., Ltd. and Hua Xia Bank Co., Ltd.. Further details are given in Note 8 and Note 25.

On 17 July 2013, the Group proposed the acquisition of Zhejiang Tianfu Tea Industry Co., Ltd. ("Zhejiang Tenfu"), Xiamen Tianyu Commerce and Trading Co., Limited ("Tian Yu") and Xiamen Tianqia Catering Management Co., Limited ("Tian Qia"). Further details are given in Note 25.

Pursuant to the resolution of Fujian Tenfu's board of directors meeting, dated 10 June 2013, Fujian Tenfu is committed to establish a wholly-owned subsidiary, Chongqing Yubeiqu Tenfu Tea Co., Ltd. ("Chongqing Tenfu") in Chongqing. Further details are given in Note 25.

Pursuant to the shareholder resolution of Beijing Tenfu Tea Co., Ltd. ("Beijing Tenfu"), dated 21 June 2013, Beijing Tenfu increased its registered capital from United States Dollar ("USD") 2,500,000 (equivalent to RMB15,447,000) to USD5,000,000 (equivalent to RMB30,894,000). Further details are given in Note 25.

2 BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 30 June 2013 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 of the Company for the year ended 31 December 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013 (unaudited)

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 2012, as described in those annual financial statements.

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

The adoption of the new standards or amendments to standards that are effective for the first time for this interim period do not have any material impact on the Group's financial statements. The jointly controlled entity of the Group continues to be equity accounted for and is now called joint venture.

The following new/revised standards, interpretation 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 2013 and have not been early adopted by the Group:

		Effective for accounting period beginning on or after
HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting financial assets and financial liabilities	1 January 2014
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (revised 2011)	Investment entities	1 January 2014
HK (IFRIC) Interpretation 21	Levies	1 January 2014
HKAS 36 (Amendment)	Recoverable amount disclosures for non-financial assets	1 January 2014
HKFRS 9	Financial instruments	1 January 2015
HKFRS 7 and HKFRS 9 (Amendment)	Mandatory effective date and transition disclosures	1 January 2015

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013 (unaudited)

3 ACCOUNTING POLICIES *(continued)*

The Group will apply the new/revised standards, interpretation and amendments to standards described above when they become effective. The Group is in the process of making an assessment on the impact of these new/revised standards, interpretation and amendments to standards 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.

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 2012.

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 2012.

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 2013 (unaudited)

5 FINANCIAL RISK MANAGEMENT *(continued)*

5.2 Liquidity risk

Compared to 2012 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 and 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 services. These are not included within the reportable operating segments, as they are not presented separately in the reports provided to the Board.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013 (unaudited)

6 SEGMENT INFORMATION *(continued)*

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

The Board assesses the performance of the operating segments based on a measure of adjusted operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the condensed consolidated interim financial statements. The common administrative expenses, other gains or losses, other income, financing (including finance costs and interest income), share of results of a joint venture 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 time deposits, cash and cash equivalents and restricted cash held by subsidiaries in mainland China. They exclude investment properties, deferred income tax assets and prepaid tax, as well as time deposits, cash and cash equivalents and restricted cash held by the Company and overseas subsidiaries.

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

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013 (unaudited)

6 SEGMENT INFORMATION (continued)

Revenue

Turnover of the Group consists of the following revenues for the six months ended 30 June 2013 and 2012.

	Six months ended 30 June	
	2013	2012
	Unaudited	Unaudited
	RMB'000	RMB'000
Tea leaves	602,561	673,389
Tea ware	114,637	115,363
Tea snacks	98,066	99,908
Others	16,871	16,529
	832,135	905,189

The segment results for the six months ended 30 June 2013:

	Unaudited				
	Tea leaves	Tea snacks	Tea ware	All other segments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	602,561	98,066	114,637	16,871	832,135
Segment results	154,683	6,622	13,832	4,760	179,897
Common administrative expenses					(10,445)
Other income					4,370
Other gains – net					730
Finance income – net					1,998
Share of results of a joint venture					707
Profit before income tax					177,257
Income tax expense					(49,107)
Profit for the period					128,150

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013 (unaudited)

6 SEGMENT INFORMATION (continued)

Other segment items included in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2013:

	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	17,694	3,954	1,996	975	6,030	30,649
Depreciation of investment properties	-	-	-	-	143	143
Amortisation of leasehold land and land use rights	1,068	258	309	42	-	1,677
Losses on disposal of property, plant and equipment, net	21	8	7	-	-	36

The segment assets and liabilities as at 30 June 2013 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	1,224,024	229,946	259,867	35,146	486,913	2,235,896
Segment liabilities	105,343	9,539	21,378	528	279,755	416,543

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013 (unaudited)

6 SEGMENT INFORMATION (continued)

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

	Unaudited				Total RMB'000
	Tea leaves RMB'000	Tea snacks RMB'000	Tea ware RMB'000	All other segments 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 income					10,269
Other losses – net					(3,757)
Finance income – net					523
Share of results of a joint venture					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 2013 (unaudited)

6 SEGMENT INFORMATION (continued)

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

	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	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	Unallocated	
	RMB'000	RMB'000	RMB'000	segments	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 2013 (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 2013 (unaudited)				
Opening net book amount as at 1 January 2013	90,065	494,243	4,743	1,780
Additions	36,706	66,916	–	409
Disposals	–	(391)	–	–
Depreciation and amortisation	(1,677)	(30,649)	(143)	(387)
Closing net book amount as at 30 June 2013	125,094	530,119	4,600	1,802
Six months ended 30 June 2012 (unaudited)				
Opening net book amount 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 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 2013 (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 30 June 2013 Unaudited RMB'000	As at 31 December 2012 Audited RMB'000
Cost of land use rights	5,942	–
Net book value of land use rights	3,887	–
Pledged bank borrowings (Note 15)	10,000	–

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

	As at 30 June 2013 Unaudited RMB'000	As at 31 December 2012 Audited RMB'000
Cost of property, plant and equipment	15,771	–
Net book value of property, plant and equipment	5,758	–
Pledged bank borrowings (Note 15)	10,000	–

As at 30 June 2013, the fair value of the investment properties is RMB6,450,000 (31 December 2012: RMB6,350,000), with carrying amount of RMB4,600,000 (31 December 2012: RMB4,743,000). The fair value represents open market value determined at each balance sheet date by an external valuer.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013 (unaudited)

8 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

(i) Trade and other receivables

	As at 30 June 2013 Unaudited RMB'000	As at 31 December 2012 Audited RMB'000
Trade receivables due from third parties	225,045	191,948
Interest receivable	1,991	–
Entrusted loan (i)	30,000	–
Others	18,739	20,296
	50,730	20,296
	275,775	212,244

- (i) Pursuant to a tripartite asset management contract entered into among Fujian Tenfu (the “Depositor”), Qilu Securities Co., Ltd. (the “Custodian”) and Hua Xia Bank Co., Ltd. (the “Trustee”) dated 18 June 2013 (the “Asset Management Contract”), the Depositor can set aside a principal with minimum amount of RMB1,000,000 (the “Principal”) in the bank account under the name of the Custodian in the Trustee (the “Bank Account”) to purchase various highly liquid short-term investment products. The contract period is five years, during which the Depositor needs to pay custodian fee and trustee fee to the Custodian and the Trustee at 0.10% and 0.15% of the Principal, respectively.

On 24 June 2013, the Depositor set aside RMB30,000,000 in the Bank Account, which was lent as entrusted loan to Zhangzhou Technology College, a third party on 24 June 2013. The entrusted loan bears interest at a rate of 4.45% per annum for the period from 25 June 2013 to 25 June 2014.

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

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013 (unaudited)

8 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (continued)

(i) Trade and other receivables (continued)

The ageing analysis of the trade receivables is as follows:

	As at 30 June 2013 Unaudited RMB'000	As at 31 December 2012 Audited RMB'000
Up to 140 days	165,597	177,684
141 days to 6 months	49,818	9,437
6 months to 1 year	9,619	4,619
1 year to 2 years	11	208
	225,045	191,948

(ii) Prepayments

	As at 30 June 2013 Unaudited RMB'000	As at 31 December 2012 Audited RMB'000
Non-current		
Prepayments for property, plant and equipment	81,629	95,897
Current		
Prepayments for lease of property and lease deposits	58,587	60,852
Prepayment to a related party (Note 24(c))	11,716	–
Prepayments to third parties	11,107	18,543
Prepaid income tax	22,537	–
Value added tax recoverable	3,259	6,728
	107,206	86,123
	188,835	182,020

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013 (unaudited)

9 INVENTORIES

	As at 30 June 2013 Unaudited RMB'000	As at 31 December 2012 Audited RMB'000
Raw materials and packaging materials	78,712	92,352
Work in progress	98,629	104,057
Finished goods	195,066	235,028
	372,407	431,437

10 CASH AND CASH EQUIVALENTS, TIME DEPOSITS AND RESTRICTED CASH

	As at 30 June 2013 Unaudited RMB'000	As at 31 December 2012 Audited RMB'000
Cash at bank and on hand (a)	700,352	675,741
Less: Time deposits (b)	(259,900)	(89,400)
Restricted cash (c)	(133,475)	(27,500)
Cash and cash equivalents	306,977	558,841

- (a) The weighted average effective interest rate on cash placed with banks and deposits were 0.30% and 0.35% per annum for the six months ended 30 June 2013 and 2012.
- (b) As at 30 June 2013, the Group has time deposits of RMB259,900,000 (31 December 2012: RMB89,400,000) which will be matured during the period from December 2013 to June 2014.
- (c) As at 30 June 2013, the Group has fixed deposits of RMB133,475,000 (31 December 2012: RMB27,500,000) which are pledged as collateral for the Group's bank borrowings of RMB128,396,000 (31 December 2012: RMB24,283,000) (Note 15).

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013 (unaudited)

11 SHARE CAPITAL

	Unaudited				
	Number of	Number of			
	authorized	issued	Ordinary	Share	
	shares (thousands)	shares	shares RMB	premium RMB	Total RMB
At 1 January 2013	8,000,000	1,227,207,460	100,815,647	678,625,268	779,440,915
Dividends (i)	–	–	–	(137,600,828)	(137,600,828)
At 30 June 2013	8,000,000	1,227,207,460	100,815,647	541,024,440	641,840,087
Representing:					
– Interim dividend declared (i)				68,320,000	
– Others				472,704,440	
At 30 June 2013				541,024,440	
At 1 January 2012	8,000,000	1,227,207,460	100,815,647	1,036,145,418	1,136,961,065
Dividends (i)	–	–	–	(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:					
– Interim dividend declared (i)				79,464,000	
– Others				678,625,418	
At 30 June 2012				758,089,418	

- (i) 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 interim dividend declared are set out in Note 22.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013 (unaudited)

12 OTHER RESERVES

	Unaudited				
	Merger reserve	Capital reserve	Statutory reserves	Share-based	Total
				payment reserve	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2013	278,811	231	126,723	1,019	406,784
Share option scheme					
– value of services from directors, employees and independent third party distributors (Note 13)	–	–	–	226	226
At 30 June 2013	278,811	231	126,723	1,245	407,010
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 2013 (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, 1,307,000 shares and 8,353,000 shares on 6 January 2012, 12 January 2012 and 19 March 2013 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, 11 January 2013, 18 March 2014 respectively;
- (ii) up to 35% on or after 5 January 2014, 11 January 2014 and 18 March 2015 respectively;
- (iii) all the remaining options on or after 5 January 2015, 11 January 2015 and 18 March 2016 respectively.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013 (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 Hong Kong Dollar ("HKD") per share	Number of options (thousands)
As at 1 January 2013	5.44	8,338
Granted on 19 March 2013	4.28	8,353
Forfeited (Note (a))	5.41	(128)
As at 30 June 2013	4.86	16,563
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

- (a) Options were forfeited during the six months ended 30 June 2013 due to employees' resignation.

Share options outstanding at 30 June 2013 have the following expiry dates and exercise prices:

Expiry date	Exercise price in HKD per share	Number of options (thousands)
5 January 2022	5.41	6,903
11 January 2022	5.60	1,307
18 March 2023	4.28	8,353

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013 (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), HKD3,685,000 (equivalent to RMB2,999,000) and HKD16,249,000 (equivalent to RMB13,139,000) on 6 January 2012, 12 January 2012 and 19 March 2013 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	Granted on 19 March 2013
Exercise price	HKD5.41	HKD5.60	HKD4.28
Expected volatility	53.95%	53.93%	56.79%
Expected dividend yield	2.00%	2.00%	3.00%
Risk free rate	1.52%	1.49%	1.20%

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 2013 was approximately HKD283,000 (equivalent to RMB226,000), including an amount of HKD271,000 (equivalent to RMB216,000) for the directors and employees 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 HKD1,704,000 (equivalent to RMB1,391,000), including an amount of HKD1,640,000 (equivalent to RMB1,339,000) for the directors and employees of the Group.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013 (unaudited)

14 TRADE AND OTHER PAYABLES

	As at	As at
	30 June	31 December
	2013	2012
	Unaudited	Audited
	RMB'000	RMB'000
Trade payables – due to third parties	62,502	69,509
Trade payables – due to related parties (Note 24(c))	20,185	12,609
Other payables for property, plant and equipment	5,434	3,426
Other taxes payable	11,775	14,886
Employee benefit payables	14,846	18,597
Accrued operating expenses	13,273	17,303
Advances from customers	14,033	10,233
Amounts due to related parties (Note 24(c))	–	2,147
Others	14,210	13,255
	156,258	161,965

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

	As at	As at
	30 June	31 December
	2013	2012
	Unaudited	Audited
	RMB'000	RMB'000
Up to 6 months	77,862	78,596
6 months to 1 year	4,309	3,002
1 year to 2 years	493	507
Over 2 years	23	13
	82,687	82,118

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013 (unaudited)

15 BORROWINGS

	As at 30 June 2013 Unaudited RMB'000	As at 31 December 2012 Audited RMB'000
Short-term bank borrowings		
– Mortgaged bank borrowings (i)	138,396	24,283
– Unsecured bank borrowings (ii)	76,340	80,000
	214,736	104,283

(i) As at 30 June 2013, bank borrowings of RMB128,396,000 are secured by bank deposits of RMB133,475,000 (Note 10) of the Group, and bank borrowings of RMB10,000,000 are secured by the land use rights (Note 7) and property, plant and equipment (Note 7) of the Group.

As at 31 December 2012, bank borrowings of RMB24,283,000 are secured by bank deposits of RMB27,500,000 (Note 10) of the Group.

(ii) As at 30 June 2013, bank borrowings of RMB46,340,000 are guaranteed by Mr. Lee Rie-Ho, Mr. Lee Chia Ling and Mr. Lee Kuo-Lin (Note 24(d)), all of them are directors of the Company (31 December 2012: nil).

Interest expenses on bank borrowings for the six months ended 30 June 2013 amounted to a total of RMB2,691,000 (30 June 2012: RMB5,081,000).

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013 (unaudited)

15 BORROWINGS (continued)

The Group has the following undrawn borrowing facilities:

	As at	As at
	30 June	31 December
	2013	2012
	Unaudited	Audited
	RMB'000	RMB'000
Fixed rate:		
– expiring within one year (bank borrowings)	568,000	250,000

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

16 OTHER LIABILITIES

	As at	As at
	30 June	31 December
	2013	2012
	Unaudited	Audited
	RMB'000	RMB'000
Deferred revenue: customer loyalty programme	10,358	3,494

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

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013 (unaudited)

17 OTHER INCOME

	Six months ended 30 June	
	2013	2012
	Unaudited	Unaudited
	RMB'000	RMB'000
Government grants	2,577	8,578
Investment property rental income	1,353	1,347
Others	440	344
	4,370	10,269

18 OTHER GAINS/(LOSSES) – NET

	Six months ended 30 June	
	2013	2012
	Unaudited	Unaudited
	RMB'000	RMB'000
Losses on disposal of property, plant and equipment, net	(36)	(721)
Net foreign exchange gains/(losses)	766	(3,036)
	730	(3,757)

19 EXPENSES BY NATURE

	Six months ended 30 June	
	2013	2012
	Unaudited	Unaudited
	RMB'000	RMB'000
Amortisation of land use rights	1,677	290
Depreciation of investment properties	143	143
Depreciation of property, plant and equipment	30,649	27,260
Amortisation of intangible assets	387	480

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013 (unaudited)

20 INCOME TAX EXPENSE

	Six months ended 30 June	
	2013	2012
	Unaudited	Unaudited
	RMB'000	RMB'000
Current income tax		
– Hong Kong profits tax	10	176
– PRC corporate income tax	41,642	56,685
Deferred income tax	7,455	1,127
Income tax expense	49,107	57,988

(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 2013 and 2012, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the period.

(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 of exemption from CIT followed by 3 years of 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 2013 and 2012, the applicable income tax rate of Jiajiang Tenfu is 25% and 12.5% respectively.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013 (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 is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2013	2012
	Unaudited	Unaudited
Profit attributable to the owners of the Company (RMB'000)	128,150	160,147
Weighted average number of ordinary shares in issue	1,227,207,460	1,227,207,460
Basic earnings per share (RMB)	0.10	0.13

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013 (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 2013, 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

	Six months ended 30 June	
	2013	2012
	Unaudited	Unaudited
	RMB'000	RMB'000
Interim dividend declared	68,320	79,464

An interim dividend for 2013 of HKD7 cents (equivalent to RMB5.6 cents) per share was declared by the Board on 26 August 2013 using the share premium account. This interim dividend, amounting to HKD85,905,000 (equivalent to RMB68,320,000), has not been recognized 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 2013.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013 (unaudited)

22 DIVIDENDS (continued)

An interim dividend for 2012 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 RMB79,464,000), has been reflected as an appropriation of share premium for the year ended 31 December 2012.

The dividends paid in the six months ended 30 June 2013 and 2012 were RMB137,654,000 and RMB278,056,000 respectively.

23 CONTINGENCIES

The Group did not have contingent liabilities as at 30 June 2013 or 31 December 2012.

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 2013 and 2012, as well as the balances arising from related party transactions as at 30 June 2013 and 31 December 2012.

(a) Name and relationship with related parties

Name	Relationship
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

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013 (unaudited)

24 RELATED-PARTY TRANSACTIONS (continued)

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

Name	Relationship
Tenfu Group (SAMOA) Holdings Co., Limited ("SAMOA")	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
Kun Ming Tianfu Tea Industry Co., Ltd. ("Kunming Tenfu")	Subsidiary of SAMOA
Zhejiang Tenfu	Subsidiary of SAMOA
Guangxi Guigang Tea Industry Co., Ltd. ("Guigang Tenfu")	Subsidiary of SAMOA
Xiamen Tenfu Tea Industry Co., Ltd. ("Xiamen Tenfu Tea Industry")	Subsidiary of SAMOA
Xiamen Tenfu Industry Co., Ltd. ("Xiamen Tenfu Industry")	Subsidiary of SAMOA
Zhangzhou Tenfu Oil Limited ("Fujian Petrol")	Joint venture
Lu Yu Tea Artcraft Co., Ltd. ("Lu Yu")	Controlled by key management of the Group

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013 (unaudited)

24 RELATED-PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

(i) Purchases of goods and services

	Six months ended 30 June	
	2013	2012
	Unaudited	Unaudited
	RMB'000	RMB'000
Zhejiang Tenfu	39,904	6,234
Xiamen Tenfu Tea Industry	13,909	23,305
Lu Yu	8,466	14,863
Kunming Tenfu	7,255	2,441
Guigang Tenfu	6,119	–
Anxi Tenfu	3,635	2,455
Huaan Tenfu	3,043	7,800
	82,331	57,098

(ii) Processing fee expenses

	Six months ended 30 June	
	2013	2012
	Unaudited	Unaudited
	RMB'000	RMB'000
Anxi Tenfu	884	–
Guigang Tenfu	874	–
Zhejiang Tenfu	328	–
Kunming Tenfu	–	399
	2,086	399

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013 (unaudited)

24 RELATED-PARTY TRANSACTIONS (continued)

(b) Transactions with related parties (continued)

(iii) Rental expenses

	Six months ended 30 June	
	2013	2012
	Unaudited	Unaudited
	RMB'000	RMB'000
Xiamen Tenfu Industry	700	400
Mr. Lee Chia Ling	558	675
Mr. Lee Kuo-Lin	446	433
Mr. Lee Min-Zun	420	420
Ms. Chen Xiu-Duan	139	137
Ms. Zhou Nan Nan	114	174
Mr. Lee Shih-Wei	105	105
	2,482	2,344

(iv) Key management compensation

	Six months ended 30 June	
	2013	2012
	Unaudited	Unaudited
	RMB'000	RMB'000
Salaries, social security costs and other benefits	2,995	3,570
Share option expense	68	622
	3,063	4,192

(v) Dividends received from a joint venture

	Six months ended 30 June	
	2013	2012
	Unaudited	Unaudited
	RMB'000	RMB'000
Fujian Petrol	1,334	1,127

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013 (unaudited)

24 RELATED-PARTY TRANSACTIONS (continued)

(c) Balances with related parties

(i) Prepayment to a related party (Note 8(ii)):

	As at 30 June 2013 Unaudited RMB'000	As at 31 December 2012 Audited RMB'000
Trade related		
– Guigang Tenfu	11,716	–

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

	As at 30 June 2013 Unaudited RMB'000	As at 31 December 2012 Audited RMB'000
Trade related		
– Zhejiang Tenfu	11,471	827
– Anxi Tenfu	3,286	917
– Huaan Tenfu	2,873	7,360
– Lu Yu	1,325	520
– Kunming Tenfu	887	1,228
– Xiamen Tenfu Tea Industry	343	1,757
	20,185	12,609
Non-trade related		
– Xiamen Tenfu Industry	–	1,036
– Mr. Lee Kuo-Lin	–	829
– Mr. Lee Chia Ling	–	282
	–	2,147
	20,185	14,756

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013 (unaudited)

24 RELATED-PARTY TRANSACTIONS *(continued)*

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

(ii) *Due to related parties (Note 14): (continued)*

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.

(d) Borrowing guaranteed by related parties

Bank borrowings of RMB46,340,000 are guaranteed by Mr. Lee Rie-Ho, Mr. Lee Chia Ling and Mr. Lee Kuo-Lin as at 30 June 2013 (Note 15).

25 SUBSEQUENT EVENTS

(a) Proposed acquisition of Zhejiang Tenfu

On 17 July 2013, Tenfu (Hong Kong) Holding Co., Ltd. (“Tenfu HK”) an indirectly wholly owned subsidiary of the Company, and Ten Yuan (Singapore) Holdings Co. Pte. Ltd., (“Ten Yuan Singapore”), a related party, entered into an equity transfer agreement (the “Equity Transfer Agreement I”), pursuant to which Tenfu HK has conditionally agreed to purchase, and Ten Yuan Singapore has conditionally agreed to sell, the entire equity interest in Zhejiang Tenfu, at the purchase price of RMB39,128,821. Completion of the sale and purchase of the entire equity interest in Zhejiang Tenfu will be conditional upon certain conditions specified in the Equity Transfer Agreement I. If for any reasons that the conditions to the Equity Transfer Agreement I are not fulfilled or waived by 31 December 2013 or such other later date as Tenfu HK and Ten Yuan Singapore may otherwise agreed, the Equity Transfer Agreement I will terminate.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013 (unaudited)

25 SUBSEQUENT EVENTS *(continued)*

(b) Proposed acquisition of Tian Yu

On 17 July 2013, Fujian Tenfu and Ming Feng Holdings Co. Limited. (“Ming Feng”), a related party, entered into an equity transfer agreement (the “Equity Transfer Agreement II”), pursuant to which Fujian Tenfu has conditionally agreed to purchase, and Ming Feng has conditionally agreed to sell, the entire equity interest in Tian Yu, at the purchase price of RMB2,061,600. Completion of the sale and purchase of the entire equity interest in Tian Yu will be conditional upon certain conditions specified in the Equity Transfer Agreement II. If for any reasons that the conditions to the Equity Transfer Agreement II are not fulfilled or waived by 31 December 2013 or such other later date as Fujian Tenfu and Ming Feng may otherwise agreed, the Equity Transfer Agreement II will terminate.

(c) Proposed acquisition of Tian Qia

On 17 July 2013, Fujian Tenfu and Ten Yuan (Hong Kong) Holdings Co. Pte. Ltd., (“Ten Yuan HK”), a third party, entered into an equity transfer agreement (the “Equity Transfer Agreement III”), pursuant to which Fujian Tenfu has conditionally agree to purchase, and Ten Yuan HK has conditionally agreed to sell, the entire equity interest in Tian Qia, at the purchase price of RMB837,200. Completion of the sale and purchase of the entire equity interest in Tian Qia will be conditional upon certain conditions specified in the Equity Transfer Agreement III. If for any reasons that the conditions to the Equity Transfer Agreement III are not fulfilled or waived by 31 December 2013 or such other later date as Fujian Tenfu and Ten Yuan HK may otherwise agreed, the Equity Transfer Agreement III will terminate.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2013 (unaudited)

25 SUBSEQUENT EVENTS *(continued)*

(d) Establishment of Chongqing Tenfu

Pursuant to the resolution of Fujian Tenfu's board of directors meeting, dated 10 June 2013, Fujian Tenfu is committed to establish a wholly-owned subsidiary, Chongqing Tenfu in Chongqing, with registered capital of RMB1,000,000. As at the issue date of these condensed consolidated interim financial statements, the subsidiary has been established and the capital injection has been completed.

(e) Increase of the registered capital of Beijing Tenfu

Pursuant to the shareholder resolution of Beijing Tenfu, dated 21 June 2013, Beijing Tenfu increased the registered capital from USD2,500,000 (equivalent to RMB15,447,000) to USD5,000,000 (equivalent to RMB30,894,000), which had been approved by Ministry of Commerce of the PRC through Jing Shang (2013) No.460. As at the issue date of these condensed consolidated interim financial statements, the capital injection has not been completed.

(f) Entrusted loan to Guigang Tenfu

Under the Asset Management Contract (Note 8(i)), Fujian Tenfu, the Depositor further set aside RMB30,000,000 into the Bank Account, which was entrusted lent to Guigang Tenfu, a related party on 3 July 2013. The entrusted loan bears an interest of 4.45% per annum for a period from 3 July 2013 to 3 July 2014.