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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

IO Wah Wai

LEE Kwan Hung

LEE Chia Ling

# **Corporate Information**

### **REGISTERED OFFICE**

P.O. Box 2681

Cricket Square, Hutchins Drive

Grand Cayman KY1-1111

Cayman Islands

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

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Xinjing Commerce Centre

No. 25 Jiahe Road

Xiamen

the PRC

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Email: tenfu@tenfu.com

# PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room E, 22/F

**CNT Tower** 

338 Hennessy Road

Wanchai

Hong Kong

### **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

24 Shedden Road, P.O. Box 1586

Grand Cayman KY1-1110

Cayman Islands

## HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712-1716

17th Floor, Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

## PLACE OF LISTING

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

# **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

## **AUDITOR**

PricewaterhouseCoopers

Certified Public Accountants

22/F, Prince's Building

Central, Hong Kong

## **WEBSITE**

www.tenfu.com

#### **BUSINESS REVIEW AND OUTLOOK**

In the first half of 2014, the Company and its subsidiaries (collectively the "Group") achieved revenue of RMB883.2 million, up 6.1% from the corresponding period in 2013, and recorded profit for the period of RMB139.9 million, up 9.1% from the corresponding period in 2013. The increase in the Group's revenue for the period was attributable mainly to the expansion as well as optimization of sales network and development of new concepts for tea-related products.

In the first half of 2014, owing to the macroeconomic depression and austerity measures of the PRC government, the consumer market in the PRC continued its downward trend. Under this environment, the Group is still maintaining its market position, pursuing further development and adjusting its marketing strategies to protect and expand its market share.

- 1. **Leading brand position.** Ranking number one among 100 enterprises in relation to comprehensive strength in tea industry in the PRC in 2013, 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 2014 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 wait for the market re-bounce
- 2. **Adjusting and optimizing sales network.** The Group has continued adjusting retail outlets and retail points with a view to keeping and developing its most profitable sales network for its tea products in the PRC. As at 30 June 2014, the Group had a total of 1,343 self-owned and third-party owned retail outlets and retail points, compared with a total of 1,347 as at 31 December 2013.

## 3. Adjustment in tea product categories and development diversified product lines.

In the first half of 2014, the Group adjusted its tea product categories and developed a series of drinks and tea related products, focusing on the sale of middle-and-lower-ended but functional products instead of higher-ended products to meet Chinese consumers' need.

In addition, the successful initial public offering on the main board of the Stock Exchange on 26 September 2011 (the "Listing") 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 2014:

	Planned use of net	Net proceeds used as
	proceeds	at 30 June
	at Listing	2014
Expand and optimize network of self-owned	'	
retail outlets and retail points	40.0%	23.6%
Acquire store premises for self-owned retail outlets	25.0%	25.0%
Working capital and other general corporate		
purposes	10.0%	10.0%
Maintain and promote brands	15.0%	8.7%
Expand production capacity	10.0%	10.0%
Total	100.0%	77.3%

In the second half of 2014, despite the anticipated further slowdown in economic growth in the PRC, the Group plans to keep its market share, continue with its expansion, 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 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 continue to strengthen its business relationships with major department stores and hypermarkets by entering into further cooperation agreements to expand the circulation of its tea products. To capture more customers who prefer to buy their tea products on-line, the Group continues to monitor the opportunity to start internet sales after completion of acquisition of Xiamen Tianyu Commerce and Trading Co., Limited (廈門天鈺商貿有限公司) in September 2013. The Group will continue to monitor other opportunities for multi-channel sales and distribution network, which enables the Group to access a broad market audience and penetrate into different regions in the PRC, and continue to rapidly expand their sales.
- 2. **Continue to enhance brand reputation and consumer awareness.** The Group plans to maintain and promote its high level of brand awareness through targeted marketing and promotional activities. The Group will devote further efforts to promote its products and brands during major traditional Chinese 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.

- 3. Continue to expand tea-related products portfolio. The Group believes that a broad portfolio of products will help maintaining its leading brand awareness and keeping 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. Through the completion of acquisition of Xiamen Tianqia Catering Management Co., Limited (廈門天洽餐飲管理有限公司) in October 2013, the Group enters into the tea drink (including milk tea) industry with the trademark of "放牛斑". Xiamen Daily Plus Food Beverage Management Co., Ltd. (廈門天天佳盈餐飲管理有限公司), a joint venture company with Ten Ren Tea Co., Ltd. (天仁茶業股份有限公司) was establish in January 2014 to further develop the tea drink business with the trademark of "喫茶趣 TO GO". Through the establishment of Xiamen Daily Plus Food Beverage Management Co., Ltd., the Group will expand its market share in tea drink (including milk tea) industry by cooperation with Ten Ren Tea Co., Ltd. and leveraging experience of Ten Ren Tea Co., Ltd. in Taiwan and international markets.
- The Group has commenced the operation of the new production plant located in Zhangzhou, after the completion of its construction, and 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. After the completion of acquisition of Zhejiang Tianfu Tea Industry Co., Ltd. (浙江天福茶業有限公司) in September 2013, the Group will be able to have a production facility strategically located in Zhejiang, where is the production base of Longjing tea and close

Expand production capacity to achieve optimization in procurement costs.

to the retail outlets and retail points in Central and Northeast China, as well as to achieve

- 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 on its strong market position and sales network and the anticipated long-term growth in the PRC tea market.

4.

optimization in procurement costs.

### **FINANCIAL REVIEW**

#### Revenue

During the six months ended 30 June 2014, the Group was 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, Sichuan province and Zhejiang province, PRC. The Group's key products are tea leaves, tea snacks and tea ware, which it sells through a nationwide network of self-owned and third-party owned retail outlets and retail points.

During the six months ended 30 June 2014, the Group derived substantially all of its revenue from the sales of tea leaves, tea ware and tea snacks. The revenue of the Group increased by 6.1% from RMB832.1 million for the six months ended 30 June 2013 to RMB883.2 million for the six months ended 30 June 2014. The following table sets forth a breakdown of revenue by product category for the periods indicated:

Six months ended 30 June

	2014		2013		
	RMB'000	%	RMB'000	%	
Revenue contributed from:			,		
Sales of tea leaves	637,292	72.2	602,561	72.4	
Sales of tea ware	116,849	13.2	114,637	13.8	
Sales of tea snacks	100,803	11.4	98,066	11.8	
Others <sup>(1)</sup>	28,292	3.2	16,871	2.0	
Total	883,236	100.0	832,135	100.0	

## Note:

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

Revenue from sales of the Group's tea leaves increased by 5.8% from RMB602.6 million for the six months ended 30 June 2013 to RMB637.3 million for the six months ended 30 June 2014. Revenue from sales of the Group's tea ware increased by 1.9% from RMB114.6 million for the six months ended 30 June 2013 to RMB116.8 million for the six months ended 30 June 2014. Revenue from sales of the Group's tea snacks increased by 2.8% from RMB98.1 million for the six months ended 30 June 2013 to RMB100.8 million for the six months ended 30 June 2014. The increase in revenue across all three product categories were mainly due to acquisition occurred in 2013 and a series of nationwide tea-related exhibitions held.

## 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 4.5% from RMB321.9 million for the six months ended 30 June 2013 to RMB336.3 million for the six months ended 30 June 2014, primarily due to the increase in sales.

## Gross profit and gross profit margin

As a result of the foregoing factors, gross profit of the Group increased by 7.2% from RMB510.2 million for the six months ended 30 June 2013 to RMB547.0 million for the six months ended 30 June 2014, with gross profit margin increasing from 61.3% for the six months ended 30 June 2013 to 61.9% for the six months ended 30 June 2014.

## Distribution costs

The distribution costs of the Group increased by 6.3% from RMB245.2 million for the six months ended 30 June 2013 to RMB260.6 million for the six months ended 30 June 2014. The increase of distribution costs was primarily due to (i) an increase in expenditure on sales personnel to RMB78.5 million for the six months ended 30 June 2014 as compared to RMB67.9 million for the six months ended 30 June 2013 as a result of the increase of revenue, and (ii) the operating lease expenses increased to RMB77.2 million for the six months ended 30 June 2014 as compared to RMB72.8 million for the six months ended 30 June 2013.

## Administrative expenses

Administrative expenses for the Group increased by 10.8% from RMB95.5 million for the six months ended 30 June 2013 to RMB105.9 million for the six months ended 30 June 2014. The increase was primarily due to the increase in depreciation of property, plant and equipment as a result of the expansion in the Group's production capacity and the increase in tax charge and transportation expenses.

#### Other income

Other income of the Group increased by 43.8% from RMB4.4 million for the six months ended 30 June 2013 to RMB6.3 million for the six months ended 30 June 2014. The increase was primarily due to an increase in government subsidies.

## Other gains, net

Other gains of the Group were RMB1.2 million for the six months ended 30 June 2014, as compared to other gains of RMB0.7 million for the six months ended 30 June 2013, primarily due to an increase in net foreign exchange gains of RMB0.5 million.

#### Finance income

Finance income of the Group increased from RMB5.4 million for the six months ended 30 June 2013 to RMB8.2 million for the six months ended 30 June 2014, primarily due to the increase in interest income as a result of placing our funds as bank deposits.

#### Finance costs

Finance costs of the Group decreased slightly from RMB3.4 million for the six months ended 30 June 2013 to RMB3.3 million for the six months ended 30 June 2014 and finance costs for both periods were comparable.

# Share of profits of joint ventures

Share of profits of joint ventures of the Group was RMB0.4 million and RMB0.7 million for the six months ended 30 June 2014 and 2013, respectively.

## Income tax expense

Income tax expense of the Group increased by 9.1% from RMB49.1 million for the six months ended 30 June 2013 to RMB53.6 million for the six months ended 30 June 2014, primarily due to an increase in the Group's profit before income tax from RMB177.3 million for the six months ended 30 June 2013 to RMB193.5 million for the six months ended 30 June 2014.

## Profit for the period

As a result of the foregoing factors, profit of the Group, all of which was attributable to the owners of the Company, increased by RMB11.7 million, or 9.1%, from RMB128.2 million for the six months ended 30 June 2013 to RMB139.9 million for the six months ended 30 June 2014. Net profit margin of the Group increased from 15.4% for the six months ended 30 June 2013 to 15.8% for the six months ended 30 June 2014, primarily due to increase in gross profit and net finance income.

## 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 increased by RMB15.5 million, or 7.7%, from RMB202.3 million as at 31 December 2013 to RMB217.8 million as at 30 June 2014, primarily due to an increase in borrowings.

The Group had net cash inflow from operating activities of RMB152.3 million, net cash outflow from investing activities of RMB356.7 million and net cash inflow from financing activities of RMB219.8 million for the six months ended 30 June 2014.

# Bank borrowings and gearing ratio

The Group had total bank borrowings of RMB467.5 million as at 30 June 2014 compared to RMB121.5 million as at 31 December 2013. As at 30 June 2014, the weighted average effective interest rate of the Group's bank borrowings was 2.7%, and 6.4% of the Group's bank borrowings were denominated in RMB, while 68.1% were denominated in USD and 25.5% were denominated in HKD.

As at 30 June 2014, bank borrowings of RMB92.3 million were guaranteed by Mr. Lee Rie-Ho, Mr. Lee Chia Ling and Mr. Lee Kuo-Lin, all of whom are the directors of the Company and bank borrowings of RMB41.5 million were secured by bank deposits of RMB46.0 million of the Group. 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. Our Directors are of the view that the guarantee of bank borrowings of RMB92.3 million by Mr. Lee Rie-Ho, Mr. Lee Chia Ling and Mr. Lee Kuo-Lin, being a form of financial assistance (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) for the benefit of the Group, was on normal commercial terms where no security over the assets of the Group was granted in respect of such financial assistance provided by Mr. Lee Rie-Ho, Mr. Lee Chia Ling and Mr. Lee Kuo-Lin. Accordingly, such guarantee is exempt from all reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

The 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 2014, the gearing ratio of the Group was 19.7%, compared to 6% as at 31 December 2013. The increase during the first half of 2014 was primarily due to the increase of total debt from RMB121.5 million as at 31 December 2013 to RMB467.5 million as at 30 June 2014.

## Working capital

	As at	As at
	30 June	31 December
	2014	2013
	RMB'000	RMB'000
Trade and other receivables	234,435	239,893
Trade and other payables	198,534	271,692
Inventories	401,199	423,691
Trade receivables turnover days <sup>(1)</sup>	106	99
Trade payables turnover days <sup>(2)</sup>	68	64
Inventories turnover days <sup>(3)</sup>	221	222

#### 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. The Group's trade and other receivables decreased by RMB5.5 million from RMB239.9 million as at 31 December 2013 to RMB234.4 million as at 30 June 2014, primarily due to decrease of trade receivables from the third parties as a result of seasonally affected sales of the Group.

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 from RMB271.7 million as at 31 December 2013 to RMB198.5 million as at 30 June 2014, primarily due to (i) a decrease in other taxes payable, as a result of the decrease in value added tax payable as of 30 June 2014, compared with that as of 31 December 2013, and (ii) a decrease in trade payables due to third parties, as a result of seasonally affected purchases and faster payment to third parties.

The Group's inventories comprise raw materials (including packaging materials), work-in-progress and finished goods. The Group's inventories decreased from RMB423.7 million as at 31 December 2013 to RMB401.2 million as at 30 June 2014, because of a decrease in purchase volume.

As at 30 June 2014, the Group has sufficient working capital and financial resources to support its regular operation.

## 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 2014, 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 2014.

#### **EMPLOYEE AND REMUNERATION POLICY**

As at 30 June 2014, the Group had a total of 5,421 employees with 5,417 employees based in the PRC and 4 employees based in Hong Kong. For the six months ended 30 June 2014, the labour costs of the Group was RMB150.9 million.

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

The 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 2014.

The Company adopted a share option scheme on 17 December 2010. During the six months ended 30 June 2014, the Company did not grant any options to subscribe for shares of the Company.

## **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 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.

During the six months ended 30 June 2014, the Company did not grant any options to subscribe for Shares. 20,000 share options were 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 2014. The followings are details of the options granted pursuant to the Share Option Scheme but not yet exercised:

							Number of		Approximate	
			Number of		Closing	Number of	options	Number of	percentage of	
			options		price	options	exercised/	options	shareholding	
		Date of	granted	Exercise	immediately	as at	cancelled/	as at	upon the	
	Position of	grant of	during	price per	before grant	1 January	lapsed during	30 June	exercise of	Exercisable
Grantee	the grantee	options	the period	Share	of options	2014	the period	2014	the options	period
				HK\$	HK\$					
Lee Rie- Ho	Executive Director	12 January 2012	-	5.60	5.60	708,000	-	708,000		12 January 2012 to
	and substantial									11 January 2022
	shareholder									
		19 March 2013	-	4.28	4.20	708,000	-	708,000		19 March 2013 to
										18 March 2023
			-			1,416,000	-	1,416,000	0.12%	
Lee Chia Ling	Executive Director	6 January 2012	-	5.41	5.37	354,000	-	354,000		6 January 2012 to
	and substantial									5 January 2022
	shareholder									
		19 March 2013	-	4.28	4.20	354,000	-	354,000		19 March 2013 to
										18 March 2023
			-			708,000	-	708,000	0.06%	
Lee Shih-Wei	Executive Director	6 January 2012	-	5.41	5.37	354,000	-	354,000		6 January 2012 to
										5 January 2022
		19 March 2013	-	4.28	4.20	354,000	-	354,000		19 March 2013 to
										18 March 2023
			-			708,000	-	708,000	0.06%	

Grantee	Position of the grantee	Date of grant of options	Number of options granted during the period	Exercise price per Share HK\$	price immediately	Number of options as at 1 January 2014	Number of options exercised/ cancelled/ lapsed during the period	Number of options as at 30 June 2014	Approximate percentage of shareholding upon the exercise of the options	Exercisable period
Lee Kuo-Lin	Executive Director	6 January 2012	-	5.41	5.37	354,000	-	354,000		6 January 2012 to 5 January 2022
		19 March 2013	-	4.28	4.20	354,000	-	354,000		19 March 2013 to 18 March 2023
			-			708,000	-	708,000	0.06%	
Tseng Ming-Sung	Non-executive Director	12 January 2012	-	5.60	5.60	354,000	-	354,000		12 January 2012 to 11 January 2022
		19 March 2013	-	4.28	4.20	245,000	-	- 245,000		19 March 2013 to 18 March 2023
			-			599,000	-	599,000	0.05%	
Lo Wah Wai	Independent non-executive Director	6 January 2012	-	5.41	5.37	354,000	-	354,000		6 January 2012 to 5 January 2022
		19 March 2013	-	4.28	4.20	245,000	-	245,000		19 March 2013 to 18 March 2023
			-			599,000	-	599,000	0.05%	
Lee Kwan Hung	Independent non-executive Director	6 January 2012	-	5.41	5.37	354,000	-	354,000		6 January 2012 to 5 January 2022
		19 March 2013	-	4.28	4.20	245,000	-	245,000		19 March 2013 to 18 March 2023
			-			599,000	-	599,000	0.05%	

Grantee	Position of the grantee	Date of grant of options	Number of options granted during the period	Exercise price per Share HK\$	price immediately	Number of options as at 1 January 2014	Number of options exercised/ cancelled/ lapsed during the period	Number of options as at 30 June 2014	Approximate percentage of shareholding upon the exercise of the options	Exercisable period
Fan Ren Da Independent Anthony non-executive Director	non-executive	6 January 2012	-	5.41	5.37	354,000	-	354,000		6 January 2012 to 5 January 2022
		19 March 2013	-	4.28	4.20	245,000	-	245,000		19 March 2013 to 18 March 2023
			-			599,000	-	599,000	0.05%	
Employees		6 January 2012	-	5.41	5.37	4,440,000	(10,000)	4,430,000		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	-	4.28	4.20	5,201,000	000 (10,000) 5,191,0	5,191,000		19 March 2013 to 18 March 2023
			-			9,886,000	(20,000)	9,866,000	0.80%	
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	-	4.28	4.20	369,000	-	369,000		19 March 2013 to 18 March 2023
			-			680,000	-	680,000	0.06%	
Total			-			16,502,000	(20,000)	16,482,000	1.34%	

### **INTERIM DIVIDEND**

At the Board meeting held on 19 August 2014, it was resolved that an interim dividend of HKD0.07 (equivalent to RMB0.056) per Share (2013 interim dividend: HKD0.07 (equivalent to RMB0.056) per Share) be paid on or around 29 September 2014 to the shareholders of the Company whose names appear on the Company's register of members on 17 September 2014. 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 2014, 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 15 September 2014 to 17 September 2014, 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 12 September 2014.

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

As at 30 June 2014, 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 (4)	Approximate percentage of shareholding
Mr. Lee Rie-Ho <sup>(1)</sup>	Interest in a controlled Corporation	188,760,000 (L)	15.38%
	Personal Interest/individual	1,416,000 (L)	0.12%
Mr. Lee Shih-Wei <sup>(2)</sup>	Personal Interest/individual	5,427,000 (L)	0.44%
Mr. Lee Chia Ling <sup>(3)</sup>	Settlor of The KCL Trust	377,520,000 (L)	30.76%
	Personal Interest/individual	708,000 (L)	0.06%
Mr. Lee Kuo-Lin <sup>(3)</sup>	Beneficiary of The KCL Trust	377,520,000 (L)	30.76%
	Personal interest/individual	708,000 (L)	0.06%
Mr. Tseng Ming-Sung <sup>(2)</sup>	Personal Interest/individual	5,318,000 (L)	0.43%
Mr. Lo Wah Wai <sup>(2)</sup>	Personal Interest/individual	599,000 (L)	0.05%
Mr. Lee Kwan Hung <sup>(2)</sup>	Personal Interest/individual	599,000 (L)	0.05%
Mr. Fan Ren Da, Anthony <sup>(2)</sup>	Personal Interest/individual	599,000 (L)	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.
- (3) The entire issued share capital of Trackson Investments Limited is held by Tiger Nature Holdings Limited ("Tiger Nature") which is in turn ultimately held by UBS TC (Jersey) Ltd. (through two nominee companies) as the trustee of The KCL Trust. The KCL Trust is a discretionary trust established by Mr. Lee Chia Ling as settler 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 the Company.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 30 June 2014, to the best of the Directors' knowledge, the following persons (other than the Directors and chief executives of the Company) had or deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO:

			Approximate
	Capacity in which	Number of	percentage of
Name	interests are held	Shares (5)	shareholding
Discerning Group Limited <sup>(1)</sup>	Beneficial interest	188,760,000 (L)	15.38%
Ms. Lee Tsai Li-Li <sup>(1)</sup>	Interest in spouse	190,176,000 (L)	15.50%
UBS TC (Jersey) Ltd. (2) (3)	Trustee	377,520,000 (L)	30.76%
Trackson Investments Limited <sup>(2)</sup>	Registered owner	377,520,000 (L)	30.76%
Tiger Nature Holdings Limited <sup>(2)</sup>	Interest in a controlled Corporation	377,520,000 (L)	30.76%
The KCL Trust <sup>(2)</sup>	Interest in a controlled Corporation	377,520,000 (L)	30.76%
Mr. Lee John L <sup>(2)</sup>	Beneficiary of The KCL Trust	377,520,000 (L)	30.76%
Ms. Zhou Nan-Nan <sup>(2)</sup>	Interest in spouse	378,228,000 (L)	30.82%

			Approximate
	Capacity in which	Number of	percentage of
Name	interests are held	Shares (5)	shareholding
General Atlantic Singapore Fund Pte. Ltd. <sup>(4)</sup>	Registered owner	120,530,830 (L)	9.82%
General Atlantic Singapore Fund Interholdco Ltd. <sup>(4)</sup>	Interest in a controlled Corporation	120,530,830 (L)	9.82%
General Atlantic Partners (Bermuda) II, L.P. <sup>(4)</sup>	Interest in a controlled Corporation	120,530,830 (L)	9.82%
General Atlantic Partners (Bermuda) III, L.P. <sup>(4)</sup>	Interest in a controlled Corporation	120,530,830 (L)	9.82%
General Atlantic GenPar (Bermuda), L.P. <sup>(4)</sup>	Interest in a controlled Corporation	120,530,830 (L)	9.82%
GAP (Bermuda) Limited <sup>(4)</sup>	Interest in a controlled Corporation	120,530,830 (L)	9.82%
Spring Cheers Overseas Ltd.	Registered owner	95,861,273 (L)	7.81%

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 is in turn ultimately held by UBS TC (Jersey) Ltd. (through two nominee companies) as the trustee of The KCL Trust. The KCL Trust is a discretionary trust established by Mr. Lee Chia Ling as settler 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 2014, 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.

### 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 2014.

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

Save as disclosed in the 2013 annual report of the Company, Mr. Lee Kwan Hung joined Howse Williams Bowers, a law firm as a consultant on 7 July 2014, and Mr. Fan Ren Da, Anthony is also an independent non-executive director of LT Holdings Limited 勒泰控股有限公司 (a company listed on the main board of the Stock Exchange, stock code: 00112), whose name has been changed to LT Commercial Real Estate Limited 勒泰商業地產有限公司 on 24 June 2014.

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 2013 annual report of the Company.

## **PURCHASE, SALE AND 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 2014.

#### 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 2014.

#### **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 2014 have been reviewed by the Audit Committee. The condensed consolidated interim financial statements of the Group for the six months ended 30 June 2014 have also been reviewed by PricewaterhouseCoopers, the external auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 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.

For and on behalf of the Board

Tenfu (Cayman) Holdings Company Limited

Lee Rie-Ho

Chairman

Hong Kong, 19 August 2014

# **Condensed Consolidated Balance Sheet**

As at 30 June 2014

		As at	As at
		30 June	31 December
		2014	2013
		Unaudited	Audited
	Note	RMB'000	RMB'000
ASSETS	'		
Non-current assets			
Land use rights	7	170,310	138,504
Investment properties	7	4,313	4,456
Property, plant and equipment	7	606,708	587,591
Intangible assets	7	4,405	3,902
Investments in joint ventures		4,818	4,791
Deferred income tax assets		39,026	43,354
Prepayments – non-current portion	8	82,662	81,429
		912,242	864,027
Current assets			
Inventories	9	401,199	423,691
Trade and other receivables	8	234,435	239,893
Prepayments	8	91,929	85,531
Restricted cash	10	45,975	45,975
Time deposits	10	733,830	480,000
Cash and cash equivalents	10	217,786	202,277
		1,725,154	1,477,367
Total assets		2,637,396	2,341,394

# **Condensed Consolidated Balance Sheet (continued)**

As at 30 June 2014

		As at	As at
		30 June	31 December
		2014	2013
		Unaudited	Audited
49.11/1/20	Note	RMB'000	RMB'000
EQUITY			
Capital and reserves attributable to			
the owners of the Company			
Share capital	11	100,816	100,816
Share premium	11	345,840	472,704
Other reserves	12	437,395	437,069
Retained earnings		1,019,640	879,768
Total equity		1,903,691	1,890,357
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		17,695	17,453
Current liabilities			
Trade and other payables	14	198,534	271,692
Dividends payable		696	_
Current income tax liabilities		34,305	26,491
Borrowings	15	467,470	121,454
Other liabilities	16	15,005	13,947
		716,010	433,584
Total liabilities		733,705	451,037
Total equity and liabilities		2,637,396	2,341,394
Net current assets		1,009,144	1,043,783
Total assets less current liabilities		1,921,386	1,907,810

# **Condensed Consolidated Statement of Comprehensive Income**

For the six months ended 30 June 2014

		2014	2013
	<b>.</b>	Unaudited	Unaudited
	Note	RMB'000	RMB'000
Revenue	6	883,236	832,135
Cost of sales		(336,259)	(321,924)
Gross profit		546,977	510,211
Distribution costs		(260,578)	(245,245)
Administrative expenses		(105,856)	(95,514)
Other income	17	6,284	4,370
Other gains – net	18	1,199	730
Operating profit		188,026	174,552
Finance income		8,245	5,373
Finance costs		(3,252)	(3,375)
Finance income – net		4,993	1,998
Share of profits of joint ventures		435	707
Profit before income tax		193,454	177,257
Income tax expense	20	(53,582)	(49,107)
Profit for the period, all attributable to			
the owners of the Company		139,872	128,150
Other comprehensive income for the period		-	-
Total comprehensive income for the period,			
all attributable to the owners of the Company		139,872	128,150
Earnings per share for profit attributable to			
the owners of the Company			
<ul> <li>Basic earnings per share</li> </ul>	21	RMB0.11	RMB0.10
<ul> <li>Diluted earnings per share</li> </ul>	21	RMB0.11	RMB0.10

		Six months ended 30 June		
		2014	2013	
		Unaudited	Unaudited	
		RMB'000	RMB'000	
Dividends	22	68,320	68,320	

# **Condensed Consolidated Statement of Changes in Equity**

For the six months ended 30 June 2014

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		Attributable to the owners of the Company					
		Par value		Drawer			
		of ordinary	Share	Other	Retained	Total	
		shares	premium	reserves	earnings	equity	
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2014		100,816	472,704	437,069	879,768	1,890,357	
Total comprehensive income							
for the six months ended							
30 June 2014		-	-	-	139,872	139,872	
Share option scheme							
- value of services from							
directors, employees and							
independent third party							
distributors	12	-	-	326	-	326	
Dividends		-	(126,864)	-	-	(126,864)	
Balance at 30 June 2014		100,816	345,840	437,395	1,019,640	1,903,691	
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	

# **Condensed Consolidated Cash Flow Statement**

For the six months ended 30 June 2014

		Six months ended 30 June		
		<b>2014</b> 20		
		Unaudited	Unaudited	
VAY ATTIN LA	Note	RMB'000	RMB'000	
Cash flows from operating activities				
Cash generated from operations		196,767	236,368	
Interest paid		(3,252)	(2,691)	
Income tax paid		(41,198)	(67,892)	
Net cash inflow from operating activities		152,317	165,785	
Cash flows from investing activities				
Remaining payments for acquisition of businesses		(19,129)	_	
Investment in a joint venture		(966)	_	
Purchase of land use rights	7	(35,896)	(36,706)	
Purchase of property, plant and equipment	7	(55,314)	(50,640)	
Purchase of intangible assets	7	(1,018)	(409)	
Investments in time deposits with maturity				
more than 3 months	10	(253,830)	(170,500)	
Entrusted loan granted to a third party		_	(30,000)	
Proceeds from disposal of property,				
plant and equipment		598	355	
Interest received		7,455	3,382	
Dividends received from joint ventures		1,374	1,334	
Net cash outflow from investing activities		(356,726)	(283,184)	
Cash flows from financing activities				
Proceeds from borrowings		346,016	191,323	
Repayments of borrowings		_	(80,870)	
Dividends paid to the owners of the Company	22	(126,168)	(137,654)	
Changes in restricted cash pledged for borrowings		_	(105,975)	
Decrease in amounts due to related parties		_	(970)	
Net cash inflow/(outflow) from financing activities		219,848	(134,146)	
Net increase/(decrease) in cash and				
cash equivalents		15,439	(251,545)	
Effect of foreign exchange rate changes		70	(319)	
Cash and cash equivalents at beginning of the period		202,277	558,841	
Cash and cash equivalents at end of the period	10	217,786	306,977	

# **Notes to the Condensed Consolidated Interim Financial Statements**

For the six months ended 30 June 2014 (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 sales of tea leaves, tea snacks and tea ware offline and online, and catering management, beverage production and sales of pre-packaged food. The Group has manufacturing plants in Fujian Province, Sichuan Province and Zhejiang Province, the People's Republic of China (the "PRC") and sells mainly to customers located in the PRC.

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

The Company's ordinary shares 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 pages 29 to 68 have been approved for issue by the Company's board of directors (the "Board") on 19 August 2014.

These condensed consolidated interim financial statements have not been audited

#### Key events

Pursuant to the resolution of Fujian Tian Fu Sales Co., Ltd. ("Fujian Tenfu")'s board of directors meeting, dated 19 December 2013, Fujian Tenfu and Ten Ren Tea (Hong Kong) Limited, a third party, entered into an agreement dated 19 December 2013 to set up a joint venture, Xiamen Daily Plus Food Beverage Management Co., Ltd. ("Xiamen Daily Plus") in Xiamen, Fujian Province, to engage in catering management, beverage production and sales of pre-packaged food. Xiamen Daily Plus was established on 21 January 2014 with registered capital of United States Dollar ("USD") 2,100,000 (equivalent to RMB12,803,000). Fujian Tenfu holds 50% equity interests in Xiamen Daily Plus. As at the date of issuance of these condensed consolidated interim financial statements, USD157,500 has been injected to Xiamen Daily Plus.

# **Notes to the Condensed Consolidated Interim Financial Statements**

For the six months ended 30 June 2014 (unaudited)

## 1 GENERAL INFORMATION (continued)

Key events (continued)

In February, March and May 2014, 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.

## 2 BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 30 June 2014 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 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants.

#### 3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, 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 amendments to standards and interpretation that are effective for the first time for this interim period do not have any material impact on the Group's financial statements.

For the six months ended 30 June 2014 (unaudited)

### 3 ACCOUNTING POLICIES (continued)

The following new/revised standards and amendments to standards have been issued and are relevant to the Group's operations but they are not yet effective for the financial year beginning on 1 January 2014 and have not been early adopted by the Group:

Effective for
annual periods
beginning on or after

Annual improvements 2012	HKFRS 2 'Share-based Payment'	1 July 2014
	HKFRS 3 'Business Combinations'	
	HKFRS 8 'Operating Segments'	
	HKFRS 9 'Financial Instruments'	
	HKAS 16 'Property, Plant	
	and Equipment'	
	HKAS 24 'Related Party Disclosures'	
	HKAS 37 'Provisions, Contingent	
	Liabilities and Contingent Assets'	
	HKAS 38 'Intangible Assets'	
	HKAS 39 'Financial Instruments:	
	Recognition and Measurement'	
Annual improvements 2013	HKFRS 3 'Business Combinations'	1 July 2014
	HKFRS 13 'Fair Value Measurement'	
	HKAS 40 'Investment Property'	
HKFRS 19 (Amendments)	Defined benefit plans	1 July 2014
HKFRS 11 (Amendments)	Accounting for acquisitions of	1 January 2016
	interests in joint operations	
HKAS 16 and	Clarification of acceptable methods of	1 January 2016
HKAS 38 (Amendments)	depreciation and amortisation	
HKFRS 15	Revenue from Contracts	1 January 2017
	with Customers	
HKFRS 9	Financial Instruments	Not yet determined

For the six months ended 30 June 2014 (unaudited)

#### 3 ACCOUNTING POLICIES (continued)

The Group will apply the new/revised standards 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 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 expenses. 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 2013.

#### 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 2013.

There have been no changes in the risk management department since 2013 year end or in any risk management policies.

For the six months ended 30 June 2014 (unaudited)

#### 5 FINANCIAL RISK MANAGEMENT (continued)

#### 5.2 Liquidity risk

Compared to 2013 year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

#### 5.3 Fair value estimation

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

#### 6 REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. The Board has determined the operating segments based on these reports.

The Board considers the business from a product perspective. The Board assesses the performance of the operating segments based on a measure of segment profit or loss.

The reportable operating segments derive their revenue primarily from the classification, packaging of tea leaves, manufacture of tea snacks, and sales of tea leaves, tea snacks and tea ware.

Others include revenue from restaurant, hotel, tourist, management services and catering management, beverage production and sales of pre-packaged food. These are not included within the reportable operating segments, as they are not presented separately in the reports provided to the Board.

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

For the six months ended 30 June 2014 (unaudited)

#### 6 REVENUE AND SEGMENT INFORMATION (continued)

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

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

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

For the six months ended 30 June 2014 (unaudited)

### 6 REVENUE AND SEGMENT INFORMATION (continued)

#### Revenue

Turnover of the Group consists of the following revenues for the six months ended 30 June 2014 and 2013. All revenues are derived from external customers.

	Six months ended 30 June		
	2014	2013	
	Unaudited	Unaudited	
	RMB'000	RMB'000	
Sales of tea leaves	637,292	602.561	
Sales of tea ware	116,849	114,637	
Sales of tea snacks	100,803	98,066	
Others	28,292	16,871	
	883,236	832,135	

The segment results for the six months ended 30 June 2014:

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U	na	นส	ite	a

				All other	
	<b>Tea leaves</b> RMB'000	Tea snacks RMB'000	<b>Tea ware</b> RMB'000	segments RMB'000	<b>Total</b> RMB'000
Segment revenue	637,292	100,803	116,849	28,292	883,236
Segment results	158,939	9,692	20,332	2,423	191,386
Common administrative					
expenses					(10,843)
Other income					6,284
Other gains – net					1,199
Finance income – net					4,993
Share of results of					
joint ventures					435
Profit before income tax					193,454
Income tax expense					(53,582)
Profit for the period					139,872

For the six months ended 30 June 2014 (unaudited)

### 6 REVENUE AND SEGMENT INFORMATION (continued)

Other segment items included in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2014:

			Una	udited			
		All other					
	Tea leaves	Tea snacks	Tea ware	segments	Unallocated	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Depreciation of property,							
plant and equipment	20,834	4,289	2,221	986	5,124	33,454	
Depreciation of							
investment properties	-	-	-	-	143	143	
Amortisation of							
land use rights	3,005	510	552	23	-	4,090	
Losses on disposal of							
property, plant and							
equipment, net	21	4	4	-	-	29	

The segment assets and liabilities as at 30 June 2014 are as follows:

#### Unaudited

				All other		
	Tea leaves	Tea snacks	Tea ware	segments	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	1,514,567	267,513	306,128	63,844	485,344	2,637,396
Segment liabilities	146,288	11,966	20,316	5,624	549,511	733,705

For the six months ended 30 June 2014 (unaudited)

## 6 REVENUE AND SEGMENT INFORMATION (continued)

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

	Unaudited					
	All other					
	Tea leaves	Tea snacks	Tea ware	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	

For the six months ended 30 June 2014 (unaudited)

#### 6 REVENUE AND SEGMENT INFORMATION (continued)

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

			Unaudited			
				All other		
	Tea leaves RMB'000	Tea snacks RMB'000	Tea ware RMB'000	segments RMB'000	Unallocated RMB'000	Total 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						
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					
				All other			
	Tea leaves	Tea snacks	Tea ware	segments	Unallocated	Total	
	RMB'000	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	

For the six months ended 30 June 2014 (unaudited)

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

		Property,		
	Land	plant and	Investment	Intangible
	use rights	equipment	properties	assets
	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended 30 June				
2014 (unaudited)				
Opening net book amount				
as at 1 January 2014	138,504	587,591	4,456	3,902
Additions	35,896	53,198	-	1,018
Disposals	-	(627)	-	-
Depreciation and amortisation	(4,090)	(33,454)	(143)	(515)
Closing net book amount				
as at 30 June 2014	170,310	606,708	4,313	4,405
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

As at 30 June 2014, the fair value of the investment properties is RMB6,760,000 (31 December 2013: RMB6,570,000), with carrying amount of RMB4,313,000 (31 December 2013: RMB4,456,000). The fair value is determined at each balance sheet date by an external valuer.

For the six months ended 30 June 2014 (unaudited)

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

Fair value hierarchy

	Fair value measurements at						
	30 June 2014 using						
Description	Quoted prices in active markets for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000				
Investment properties	-	-	6,760				
	Fair value measurements at						
	31 December 2013 using						
	Quoted prices in						
	active markets for	Significant	Significant				
	identical assets	other observable	unobservable				
Description	(Level 1)	inputs (Level 2)	inputs (Level 3)				
	RMB'000	RMB'000	RMB'000				
Investment properties	_	_	6,570				

The valuation was based on income capitalisation approach (term and reversionary method) which use unobservable inputs (Level 3) at 30 June 2014 and 31 December 2013, respectively. These inputs at 30 June 2014 include:

Unobservable inputs	Value of unobservable inputs	Explanation for unobservable inputs
– Market rent	RMB40,368 per month	The market rent is estimated according to the comparable properties in close proximity. The higher the market rent, the higher the fair value of the properties.
– Yield	7.5%	The yield is estimated according to the market evidence, valuer's experience and knowledge of market conditions. The range of adopted yield is from 5.5% to 7.5% according to different cities. The higher the yield, the lower the fair value of the properties.

For the six months ended 30 June 2014 (unaudited)

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

#### Impairment tests for goodwill

The intangible assets as at 30 June 2014 and 31 December 2013 include goodwill of RMB1,740,000 which arose from the acquisition of Xiamen Tianqia Catering Management Co., Limited during the year 2013.

Management reviews the business performance based on type of business. Goodwill is monitored by the management at the operating segment level. In the year ended 31 December 2013 and the six months ended 30 June 2014, the business of catering management, beverage production and sales of pre-packaged food did not qualify as a reportable operating segment.

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

Key assumptions used for value-in-use calculations for the six months ended 30 June 2014 and the year 2013 are as follows:

- Gross margin	15%
– Long term growth rate	3%

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

For the six months ended 30 June 2014 (unaudited)

#### 8 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

#### (i) Trade and other receivables

	As at	As at
	30 June	31 December
	2014	2013
	Unaudited	Audited
<u> </u>	RMB'000	RMB'000
Trade receivables due from third parties	217,305	232,438
Interest receivable on time deposits	6,110	4,571
Others	11,020	2,884
	17,130	7,455
	234,435	239,893

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

The ageing analysis of the trade receivables based on invoice date is as follows:

	As at	As at
	30 June	31 December
	2014	2013
	Unaudited	Audited
	RMB'000	RMB'000
Up to 140 days	206,188	219,574
141 days to 6 months	8,292	9,987
6 months to 1 year	1,455	2,614
1 year to 2 years	1,370	263
	217,305	232,438

For the six months ended 30 June 2014 (unaudited)

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

## (ii) Prepayments and deposits

	As at	As at
	30 June	31 December
	2014	2013
	Unaudited	Audited
	RMB'000	RMB'000
Non-current		
Prepayments for property, plant and		
equipment	82,662	81,429
Current		
Prepayments for lease of property and		
lease deposits	69,407	61,165
Prepayments for raw materials and		
packaging materials	19,192	13,901
Prepaid taxes	3,030	10,465
Prepayment to a related party (Note 24 (c))	300	_
	91,929	85,531
	174,591	166,960

#### 9 INVENTORIES

	As at	As at
	30 June	31 December
	2014	2013
	Unaudited	Audited
	RMB'000	RMB'000
Raw materials and packaging materials	113,945	96,085
Work in progress	93,220	93,093
Finished goods	194,034	234,513
	401,199	423,691

For the six months ended 30 June 2014 (unaudited)

# 10 CASH AND CASH EQUIVALENTS, TIME DEPOSITS AND RESTRICTED CASH

	As at	As at
	30 June	31 December
	2014	2013
	Unaudited	Audited
	RMB'000	RMB'000
Cash at bank and on hand (a)	997,591	728,252
Less: Time deposits (b)	(733,830)	(480,000)
Restricted cash (c)	(45,975)	(45,975)
Cash and cash equivalents	217,786	202,277

- (a) The weighted average effective interest rate on cash placed with banks and deposits was 0.30% per annum for the six months ended 30 June 2014 and 2013.
- (b) As at 30 June 2014, the Group has time deposits of RMB480,935,578 (31 December 2013: RMB480,000,000) which will be matured during the period from December 2014 to June 2015.
- (c) As at 30 June 2014, the Group has fixed deposits of RMB45,975,000 (31 December 2013: RMB45,975,000) which is pledged as collateral for the Group's bank borrowings of RMB41,531,400 (31 December 2013: RMB45,727,000) (Note 15).

For the six months ended 30 June 2014 (unaudited)

#### 11 SHARE CAPITAL AND PREMIUM

	Amend	725	Unaudited		
Á	Number of authorized shares (thousands)	Number of issued shares	Ordinary shares RMB	Share premium RMB	<b>Total</b> RMB
At 1 January 2014 Dividends (i)	8,000,000	1,227,207,460 -	100,815,647	472,704,193 (126,863,822)	573,519,840 (126,863,822)
At 30 June 2014	8,000,000	1,227,207,460	100,815,647	345,840,371	446,656,018
Representing: - Interim dividend declared (i) - Others  At 30 June 2014				68,320,000 277,520,371 345,840,371	
At 1 January 2013 Dividends (i) At 30 June 2013	8,000,000 - 8,000,000	1,227,207,460 - 1,227,207,460	100,815,647 - 100,815,647	678,625,268 (137,600,828) 541,024,440	779,440,915 (137,600,828) 641,840,087
Representing: - Interim dividend declared (i) - Others  At 30 June 2013				68,320,000 472,704,440 541,024,440	

<sup>(</sup>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.

For the six months ended 30 June 2014 (unaudited)

### 12 OTHER RESERVES

			Unaudited		
				Share-based	
	Merger	Capital	Statutory	payment	
	reserve	reserve	reserves	reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	278,811	231	156,441	1,586	437,069
Share option scheme					
- value of services from					
directors, employees					
and independent third party					
distributors (Note 13)	-	-	-	326	326
At 30 June 2014	278,811	231	156,441	1,912	437,395
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

For the six months ended 30 June 2014 (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.

For the six months ended 30 June 2014 (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")	Number of options
	per share	(thousands)
As at 1 January 2014	4.86	16,502
Forfeited (Note (a))	4.28	(20)
As at 30 June 2014	4.86	16,482
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

<sup>(</sup>a) Options were forfeited during the six months ended 30 June 2014 and 2013 due to employees' resignation.

Share options outstanding at 30 June 2014 have the following expiry dates and exercise prices:

	Exercise	Number of
	price in HKD	options
Expiry date	per share	(thousands)
5 January 2022	5.41	6,865
11 January 2022	5.60	1,307
18 March 2023	4.28	8,310

For the six months ended 30 June 2014 (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	Granted on	Granted on
	6 January	12 January	19 March
	2012	2012	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 2014 was approximately HKD411,000 (equivalent to RMB326,000), including an amount of HKD364,000 (equivalent to RMB289,000) 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 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.

For the six months ended 30 June 2014 (unaudited)

#### 14 TRADE AND OTHER PAYABLES

	As at	As at
	30 June	31 December
	2014	2013
	Unaudited	Audited
	RMB'000	RMB'000
Trade payables – due to third parties	84,069	129,457
Trade payables – due to related parties (Note 24 (c))	22,841	18,323
Other payables for property, plant and equipment	4,562	5,445
Other taxes payable	7,951	17,299
Employee benefit payables	20,415	22,965
Accrued operating expenses	19,363	18,821
Advances from customers	21,264	23,424
Amount due to a related party (Note 24 (c))	-	29
Other payables for business combinations	_	19,129
Others	18,069	16,800
	198,534	271,692

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
	2014	2013
	Unaudited	Audited
	RMB'000	RMB'000
Up to 6 months	89,448	138,757
6 months to 1 year	14,936	8,643
1 year to 2 years	1,928	161
Over 2 years	598	219
	106,910	147,780

For the six months ended 30 June 2014 (unaudited)

#### 15 BORROWINGS

	As at	As at
	30 June	31 December
	2014	2013
	Unaudited	Audited
	RMB'000	RMB'000
Short-term bank borrowings		
- Unsecured bank borrowings (i)	425,939	75,727
<ul><li>Secured bank borrowings (ii)</li></ul>	41,531	45,727
	467,470	121,454

- (i) As at 30 June 2014, bank borrowings of RMB92,292,000 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.
  - As at 31 December 2013, bank borrowings of RMB45,727,000 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.
- (ii) As at 30 June 2014, bank borrowings of RMB41,531,400 are secured by bank deposits of RMB45,975,000 (Note 10) of the Group.
  - As at 31 December 2013, bank borrowings of RMB45,727,000 are secured by bank deposits of RMB45,975,000 (Note 10) of the Group.

Interest expenses on bank borrowings for the six months ended 30 June 2014 amounted to a total of RMB3,252,000 (30 June 2013: RMB2,691,000).

For the six months ended 30 June 2014 (unaudited)

#### 15 BORROWINGS (continued)

The Group has the following undrawn borrowing facilities:

	As at	As at
	30 June	31 December
	2014	2013
	Unaudited	Audited
<u> </u>	RMB'000	RMB'000
Fixed rate:		
- expiring within one year (bank borrowings)	350,000	350,000
Floating rate:		
- expiring within one year (bank borrowings)	201,750	_
	551,750	350,000

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
	2014	2013
	Unaudited	Audited
	RMB'000	RMB'000
Deferred revenue: customer loyalty programme	15,005	13,947

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.

For the six months ended 30 June 2014 (unaudited)

#### 17 OTHER INCOME

	Six months ended 30 June	
	2014	2013
	Unaudited	Unaudited
	RMB'000	RMB'000
Government grants	4,113	2,577
Income from investment properties	645	1,353
Others	1,526	440
	6,284	4,370

### 18 OTHER GAINS - NET

	Six months ended 30 June		
	2014	<b>2014</b> 2013	
	Unaudited	Unaudited	
	RMB'000	RMB'000	
Losses on disposal of property,			
plant and equipment, net	(29)	(36)	
Net foreign exchange gains	1,228	766	
	1,199	730	

For the six months ended 30 June 2014 (unaudited)

#### 19 EXPENSES BY NATURE

	Six months ended 30 June	
	2014	2013
	Unaudited	Unaudited
	RMB'000	RMB'000
Amortisation of land use rights	4,090	1,677
Depreciation of investment properties	143	143
Depreciation of property, plant and equipment	33,454	30,649
Amortisation of intangible assets	515	387

#### 20 INCOME TAX EXPENSE

	Six months ended 30 June	
	<b>2014</b> 2013	
	Unaudited	Unaudited
	RMB'000	RMB'000
Current income tax		
– Hong Kong profits tax	2	10
– PRC corporate income tax	46,510	41,642
Deferred income tax	7,070	7,455
Income tax expense	53,582	49,107

### (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 2014 and 2013, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the period.

For the six months ended 30 June 2014 (unaudited)

#### **20 INCOME TAX EXPENSE** (continued)

#### (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 "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 CIT Law. Under the relevant regulations of the 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 2014, the applicable income tax rate of Jiajiang Tenfu is 25% (30 June 2013: 25%).

### (iv) PRC withholding income tax

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

For the six months ended 30 June 2014 (unaudited)

#### 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	
	2014	2013
	Unaudited	Unaudited
Profit attributable to the owners of		
the Company (RMB'000)	139,872	128,150
Weighted average number of ordinary		
shares in issue	1,227,207,460	1,227,207,460
Basic earnings per share (RMB)	0.11	0.10

#### (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 2014, 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.

For the six months ended 30 June 2014 (unaudited)

#### 22 DIVIDENDS

	Six months en	ided 30 June
	2014	2013
	Unaudited	Unaudited
	RMB'000	RMB'000
Interim dividend declared	68,320	68,320

An interim dividend for 2014 of HKD7 cents (equivalent to RMB5.6 cents) per share was declared by the Board on 19 August 2014 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 2014.

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 been reflected as an appropriation of share premium for the year ended 31 December 2013.

The dividends paid in the six months ended 30 June 2014 and 2013 were RMB126,168,000 and RMB137,654,000 respectively.

#### 23 CONTINGENCIES

The Group did not have contingent liabilities as at 30 June 2014 or 31 December 2013.

#### 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 2014 and 2013, as well as the balances arising from related party transactions as at 30 June 2014 and 31 December 2013.

For the six months ended 30 June 2014 (unaudited)

## 24 RELATED-PARTY TRANSACTIONS (continued)

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

Company 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
Mr. Tsai Shan Jen	Brother of Mr. Lee Chia Ling
Ming-Feng (Singapore)	Jointly controlled by key management of the Group
Holdings Pte. Ltd.	
Tenfu Group (SAMOA)	Controlled by key management of the Group
Holdings Co., Limited ("SAMOA")	
Anxi Tianfu Tea Industry Co., Ltd.	Subsidiary of SAMOA
("Anxi Tenfu")	
Huaan Tianfu Tea Industry Co., Ltd.	Subsidiary of SAMOA
("Huaan Tenfu")	
Kun Ming Tianfu Tea Industry Co., Ltd.	Subsidiary of SAMOA
("Kunming Tenfu")	
Zhejiang Tianfu Tea Industry Co., Ltd.	Subsidiary of SAMOA
("Zhejiang Tenfu") (i)	
Guangxi Guigang Tea Industry Co., Ltd.	Subsidiary of SAMOA
("Guigang Tenfu")	

For the six months ended 30 June 2014 (unaudited)

#### 24 RELATED-PARTY TRANSACTIONS (continued)

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

Company name	Relationship
Xiamen Tenmax Commodity Trading	Subsidiary of SAMOA
Co., Ltd. ("Xiamen Tenmax")	
(formerly known as Xiamen Tenfu Tea	
Industry Co., Ltd.) (ii)	
Xiamen Tenfu Trading Co., Ltd.	Subsidiary of SAMOA
("Xiamen Tenfu Trading")	
(formerly known as Xiamen Tenfu	
Industry Co., Ltd) (iii)	
Uncle Lee's Tea Inc. ("Uncle Lee's Tea")	Subsidiary of SAMOA
Ten Yuan Singapore Holdings Co., Ltd	Subsidiary of SAMOA
("Ten Yuan Singapore")	
Zhangzhou Tenfu Oil Limited	Joint venture
("Fujian Petrol")	
Lu Yu Tea Artcraft Co., Ltd. ("Lu Yu")	Controlled by key management of the Group
Ming Feng Holdings Co., Limited	Controlled by Mr. Tsai Shan Jen

- (i) On 26 September 2013, Ten Yuan Singapore transferred its entire equity interests in Zhejiang Tenfu to Tenfu (Hong Kong) Holdings Co., Limited. Therefore, Zhejiang Tenfu ceased to be a related party of the Group from the acquisition date.
- (ii) On 19 August 2013, Xiamen Tenfu Tea Industry Co., Ltd. was renamed as Xiamen Tenmax Commodity Trading Co., Ltd.
- (iii) On 27 December 2013, Xiamen Tenfu Industry Co., Ltd. was renamed as Xiamen Tenfu Trading Co., Ltd.

For the six months ended 30 June 2014 (unaudited)

## 24 RELATED-PARTY TRANSACTIONS (continued)

## (b) Transactions with related parties

### (i) Purchases of goods and services

Six months en		ided 30 June	
	2014	2013	
	Unaudited	Unaudited	
	RMB'000	RMB'000	
Guigang Tenfu	19,028	6,119	
Kunming Tenfu	9,529	7,255	
Anxi Tenfu	8,945	3,635	
Lu Yu	8,638	8,466	
Xiamen Tenmax	1,353	13,909	
Huaan Tenfu	452	3,043	
Zhejiang Tenfu	-	39,904	
	47,945	82,331	

### (ii) Processing fee expenses

	Six months ended 30 June	
	2014	2013
	Unaudited	Unaudited
N. 224	RMB'000	RMB'000
Kunming Tenfu	879	_
Anxi Tenfu	794	884
Huaan Tenfu	114	_
Guigang Tenfu	_	874
Zhejiang Tenfu	-	328
	1,787	2,086

For the six months ended 30 June 2014 (unaudited)

## 24 RELATED-PARTY TRANSACTIONS (continued)

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

### (iii) Rental expenses

	Six months ended 30 June	
	2014	2013
	Unaudited	Unaudited
	RMB'000	RMB'000
Xiamen Tenfu Trading	610	700
Mr. Lee Chia Ling	600	558
Mr. Lee Kuo-Lin	450	446
Mr. Lee Min-Zun	480	420
Ms. Chen Xiu-Duan	139	139
Ms. Zhou Nan-Nan	114	114
Mr. Lee Shih-Wei	105	105
Xiamen Tenmax	75	_
	2,573	2,482

#### (iv) Key management compensation

	Six months ended 30 June	
	2014	2013
	Unaudited	Unaudited
	RMB'000	RMB'000
Salaries, social security costs and		
other benefits	2,782	2,995
Share option expense	150	68
	2,932	3,063

For the six months ended 30 June 2014 (unaudited)

## 24 RELATED-PARTY TRANSACTIONS (continued)

- (b) Transactions with related parties (continued)
  - (v) Dividends received from a joint venture

	Six months e	Six months ended 30 June	
	2014	2013	
	Unaudited	Unaudited	
	RMB'000	RMB'000	
Fujian Petrol	1,374	1,334	

- (c) Balances with related parties
  - (i) Prepayment to a related party (Note 8(ii)):

	As at	As at
	30 June	31 December
	2014	2013
	Unaudited	Audited
	RMB'000	RMB'000
Non-trade related		
– Xiamen Tenmax	300	

For the six months ended 30 June 2014 (unaudited)

#### 24 RELATED-PARTY TRANSACTIONS (continued)

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

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

	As at	As at
	30 June	31 December
	2014	2013
	Unaudited	Audited
	RMB'000	RMB'000
Trade related		
– Anxi Tenfu	11,524	5,622
– Guigang Tenfu	2,429	5,590
– Huaan Tenfu	2,540	4,468
– Kunming Tenfu	3,905	2,109
– Xiamen Tenmax	68	534
– Lu Yu	2,375	_
	22,841	18,323
Non-trade related		
– Xiamen Tenfu Trading	-	29
	22,841	18,352

The prepayment to a related party arises from rental transactions. The prepayment is unsecured and bears no interest. There is no provision made against the prepayment to a related party.

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

## (d) Borrowings guaranteed by related parties

As at 30 June 2014, bank borrowings of RMB92,292,000 (31 December 2013: RMB45,727,000) are guaranteed by Mr. Lee Rie-Ho, Mr. Lee Chia Ling and Mr. Lee Kuo-Lin (Note 15).