



**天福(開曼)控股有限公司**  
**Tenfu (Cayman) Holdings Company Limited**

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6868

**Interim**  
**Report 2015**



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# Corporate Information

## DIRECTORS

### Executive Directors

LEE Rie-Ho (*Chairman*)

LEE Shih-Wei (*Vice Chairman*)

LEE Chia Ling (*Chief Executive Officer*)

LEE Kuo-Lin (*Chief Operating Officer*)

### Non-executive Directors

TSENG Ming-Sung

WEI Ke

### Independent Non-executive Directors

LO Wah Wai

LEE Kwan Hung

FAN Ren Da, Anthony

## BOARD COMMITTEES

### Audit Committee

LO Wah Wai (*Chairman*)

TSENG Ming-Sung

FAN Ren Da, Anthony

LEE Kwan Hung

### Nomination Committee

LEE Kwan Hung (*Chairman*)

LEE Kuo-Lin

FAN Ren Da, Anthony

LO Wah Wai

### Remuneration Committee

FAN Ren Da, Anthony (*Chairman*)

LEE Rie-Ho

LO Wah Wai

LEE Kwan Hung

LEE Chia Ling

### **REGISTERED OFFICE**

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

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

2901 Building C  
Xinjing Commerce Center  
No. 25 Jiahe Road  
Xiamen  
the PRC  
Tel: +86-592-3389334  
Fax: +86-592-3389086  
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](http://www.tenfu.com)

## BUSINESS REVIEW AND OUTLOOK

In the first half of 2015, the Group achieved revenue of RMB786.3 million, down 11.0% from the corresponding period in 2014, and recorded profit for the period of RMB99.9 million, down 28.5% from the corresponding period in 2014. The decrease in the Group's revenue for the period was attributable mainly to the macro economic slowdown in China.

In the first half of 2015, 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.

- 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 2015 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.
- Optimizing sales network.** The Group has continued adjusting retail outlets and retail points with a view to optimizing the reach of its sales network for its tea products in the PRC. As at 30 June 2015, the Group had a total of 1,371 self-owned and third-party owned retail outlets and retail points, down a net of 3 retail stores and retail points from a total of 1,374 as at 31 December 2014.



## Management Discussion and Analysis

3. **Adjustment in each tea product category and development diversified product lines.** In the first half of 2015, the Group adjusted its tea product categories, focusing on the sale of middle-and lower-ended but functional products instead of higher-ended products to meet Chinese consumers' need.
4. **Strengthened costs control.** The Group has strengthened its costs control on all items in accordance with prevailing economic environment and market conditions, and as a result, distribution costs and administrative expenses decreased as compared to the corresponding period in 2014.

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 2015:

	<b>Planned use of net proceeds at Listing</b>	<b>Net proceeds used as at 30 June 2015</b>
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%	9.4%
Expand production capacity	10.0%	10.0%
Total	100.0%	78.0%

## Management Discussion and Analysis

In the second half of 2015, 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 superior 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. A joint venture agreement was entered into between Tenfu (Hong Kong) Holdings Company Limited ("**Tenfu HK**"), a subsidiary of the Company and Rise General Trading LLC ("**Rise**"), an independent third party, on 17 June 2015 for entering into a joint venture to develop and register a joint venture company (the "**Joint Venture Company**") to undertake such activities as warehousing, blending, packaging, and trading the new brand of tea, to serve the Middle East. The authorized and issued share capital of the Joint Venture Company will be registered as AED 5,000,000. The actual amount invested to the Joint Venture Company is to be United States Dollar ("**USD**") 5,300,000 by Tenfu HK and Rise. Rise and Tenfu HK will own 51% and 49% of the registered capital and investment of the Joint Venture Company, respectively. The development of global tea market will enhance the Group's market position and enlarge the Group's market share. 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.



## Management Discussion and Analysis

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 it maintain its leading brand awareness and keep pace with constantly changing consumer preferences and trends. To this end, the Group plans to develop and introduce new concepts for tea-related products and expand its product portfolio. 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 (Hong Kong) Limited (天仁茶業股份有限公司) was established 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 market.
4. **Expand production capacity to achieve optimisation in procurement costs.** 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 浙江天福茶業有限公司 (Zhejiang Tianfu Tea Industry Co., Ltd.) 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 to the retail outlets and retail points in Central and Northeast China, as well as to achieve optimization in procurement costs.

## Management Discussion and Analysis

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

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

### FINANCIAL REVIEW

#### Revenue

During the six months ended 30 June 2015, 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 and Sichuan province, the PRC. The Group's key products are tea leaves, tea snacks and tea ware, which it sells through a nationwide network of self-owned and third-party owned retail outlets and retail points.

During the six months ended 30 June 2015, the Group derived substantially all of its revenue from the sales of tea leaves, tea ware and tea snacks. The revenue of the Group decreased by 11.0% from RMB883.2 million for the six months ended 30 June 2014 to RMB786.3 million for the six months ended 30 June 2015. The following table sets forth a breakdown of revenue by product category for the periods indicated:

	Six months ended 30 June			
	2015		2014	
	RMB'000	%	RMB'000	%
Revenue contributed from:				
Sales of tea leaves	540,911	68.8	637,292	72.2
Sales of tea snacks	107,690	13.7	100,803	11.4
Sales of tea ware	106,445	13.5	116,849	13.2
Others <sup>(1)</sup>	31,230	4.0	28,292	3.2
Total	786,276	100.0	883,236	100.0

# Management Discussion and Analysis

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**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 decreased by 15.1% from RMB637.3 million for the six months ended 30 June 2014 to RMB540.9 million for the six months ended 30 June 2015. Revenue from sales of the Group’s tea snacks increased by 6.8% from RMB100.8 million for the six months ended 30 June 2014 to RMB107.7 million for the six months ended 30 June 2015. Revenue from sales of the Group’s tea ware decreased by 8.9% from RMB116.8 million for the six months ended 30 June 2014 to RMB106.4 million for the six months ended 30 June 2015. The revenue decrease from sales of the Group’s tea leaves and tea ware were primarily due to the macro economic slowdown in China. The revenue increase from sales of the Group’s tea snacks was primarily due to the variety of tea snacks.

## Cost of sales

Cost of sales of the Group primarily comprises costs of inventories (mainly including costs of raw materials) and labour costs. Cost of sales of the Group decreased by 11.5% from RMB336.3 million for the six months ended 30 June 2014 to RMB297.6 million for the six months ended 30 June 2015, primarily due to the decrease of revenue.

## Gross profit and gross profit margin

As a result of the foregoing factors, gross profit of the Group decreased by 10.7% from RMB547.0 million for the six months ended 30 June 2014 to RMB488.7 million for the six months ended 30 June 2015, with gross profit margin increasing from 61.9% for the six months ended 30 June 2014 to 62.2% for the six months ended 30 June 2015.

## Distribution costs

The distribution costs of the Group decreased by 2.9% from RMB260.6 million for the six months ended 30 June 2014 to RMB253.1 million for the six months ended 30 June 2015. The decrease of distribution costs was primarily due to a strengthened control on staff costs of the Group through tightened human resource management.

# Management Discussion and Analysis

## Administrative expenses

Administrative expenses of the Group decreased by 2.9% from RMB105.9 million for the six months ended 30 June 2014 to RMB102.8 million for the six months ended 30 June 2015. The decrease was primarily due to further cost control on labour by effective use of human resources and further cost control on utilities, pre-opening costs and office expenses.

## Other income

Other income of the Group decreased by 15.4% from RMB6.3 million for the six months ended 30 June 2014 to RMB5.3 million for the six months ended 30 June 2015. The decrease was primarily due to the decrease in PRC local government grants from RMB4.1 million for the six months ended 30 June 2014 to RMB3.1 million for the six month ended 30 June 2015.

## Other losses and gains, net

Other losses of the Group was RMB0.3 million for the six months ended 30 June 2015, as compared to other gains of RMB1.2 million for the six months ended 30 June 2014, primarily due to losses of RMB0.3 million on disposal of property, plants and equipment and net losses of RMB0.04 million on foreign exchange for the six months ended 30 June 2015, respectively, compared with losses of RMB0.03 million on disposal of property, plants and equipment and net gains of RMB1.2 million on foreign exchange for the corresponding period in 2014.

## Finance income

Finance income of the Group increased from RMB8.2 million for the six months ended 30 June 2014 to RMB14.2 million for the six months ended 30 June 2015, 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 increased by 133.0% from RMB3.3 million for the six months ended 30 June 2014 to RMB7.6 million for the six months ended 30 June 2015, primarily due to an increase in Group's bank borrowings from RMB599.7 million as at 31 December 2014 to RMB661.1 million as at 30 June 2015.

# Management Discussion and Analysis

## Share of profits less losses of joint ventures

Share of profits less losses of joint ventures of the Group was RMB0.7 million and RMB0.4 million for the six months ended 30 June 2015 and 2014, respectively.

## Income tax expense

Income tax expense of the Group decreased by 15.9% from RMB53.6 million for the six months ended 30 June 2014 to RMB45.1 million for the six months ended 30 June 2015, primarily due to a decrease in the Group's profit before income tax from RMB193.5 million for the six months ended 30 June 2014 to RMB145.0 million for the six months ended 30 June 2015.

## Profit for the period

As a result of the foregoing factors, profit of the Group, all of which was attributable to the owners of the Company, decreased by RMB40.0 million, or 28.5%, from RMB139.9 million for the six months ended 30 June 2014 to RMB99.9 million for the six months ended 30 June 2015. Net profit margin of the Group decreased from 15.8% for the six months ended 30 June 2014 to 12.7% for the six months ended 30 June 2015, primarily due to decrease in revenue.

## 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 RMB173.0 million, or 74.6%, from RMB231.9 million as at 31 December 2014 to RMB404.9 million as at 30 June 2015, primarily due to an increase in borrowings.

The Group had net cash inflow from operating activities of RMB180.7 million, net cash inflow from investing activities of RMB27.4 million and net cash outflow from financing activities of RMB35.0 million for the six months ended 30 June 2015.

## Management Discussion and Analysis

### *Bank borrowings and gearing ratio*

The Group had total bank borrowings of RMB661.1 million as at 30 June 2015 compared to RMB599.7 million as at 31 December 2014. As at 30 June 2015, the weighted average effective interest rates of the Group's long-term and short-term bank borrowings were 2.8% and 2.0%, respectively, and 57.1% of the Group's bank borrowings were denominated in USD and 42.9% were denominated in HKD.

As at 30 June 2015, short-term bank borrowings of RMB51.3 million were secured by bank deposits of RMB53.6 million of the Group. As at 30 June 2014, short-term 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 (the "**Directors**") and short-term bank borrowings of RMB41.5 million were secured by bank deposits of RMB46.0 million of the Group.

As at 30 June 2015, bank borrowings of RMB487.6 million are guaranteed by Mr. Lee Rie-Ho, Mr. Lee Chia Ling and Mr. Lee Kuo-Lin, either separately or jointly. Our Directors are of the view that the guarantee of bank borrowings of RMB487.6 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 Listing Rule) 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 2015, the gearing ratio of the Group was 25.5%, compared to 23.0% as at 31 December 2014. The increase during the first half of 2015 was primarily due to an increase in borrowings.



## Management Discussion and Analysis

### Working capital

	<b>As at 30 June 2015 RMB'000</b>	As at 31 December 2014 RMB'000
Trade and other receivables	213,687	240,662
Trade and other payables	206,961	211,453
Inventories	437,062	422,758
Trade receivables turnover days <sup>(1)</sup>	97	106
Trade payables turnover days <sup>(2)</sup>	64	68
Inventories turnover days <sup>(3)</sup>	260	239

#### 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 RMB27.0 million from RMB240.7 million as at 31 December 2014 to RMB213.7 million as at 30 June 2015, primarily due to the settlement of trade receivables due from third parties.

## Management Discussion and Analysis

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 RMB211.5 million as at 31 December 2014 to RMB207.0 million as at 30 June 2015, primarily due to (i) a decrease in employee benefit payables due to the decrease of the number of employees, and (ii) a decrease in other taxes payable, as a result of the decrease in value added tax payable as at 30 June 2015, compared with that as at 31 December 2014.

The Group's inventories comprise raw materials (including packaging materials), work-in-progress and finished goods. The Group's inventories increased from RMB422.8 million as at 31 December 2014 to RMB437.1 million as at 30 June 2015, because of an increase in purchases and decrease in sales.

As at 30 June 2015, the Group has sufficient working capital and financial resources to support its regular operations.

### Foreign exchange risk

The Group's normal operating activities are principally conducted in RMB, since all of its operating subsidiaries are based in the PRC. As at 30 June 2015, 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 Directors are of the view 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 2015.

# Management Discussion and Analysis

## EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2015, the Group had a total of 5,179 employees with 5,173 employees based in the PRC and 6 employees based in Hong Kong. For the six months ended 30 June 2015, the labour costs of the Group was RMB142.8 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 services. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or any material labour dispute during the six-months ended 30 June 2015.

The Company adopted a share option scheme on 17 December 2010. During the six months ended 30 June 2015, 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 Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**")), or the total number of Shares that may be granted under the options to the independent non-executive Directors or any of their respective connected persons shall not exceed 0.1% of the Shares in issue of the Company from time to time. There is no minimum period that the options must be held before they become exercisable, and the options granted shall be exercised within the period decided by the Board, however no options shall be exercised 10 years after they have been granted. The exercise price of the option shall be the higher of (a) the closing price of the Shares on the daily quotation sheet of the Stock Exchange on the date of grant; (b) the average closing price of the Shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) nominal value of the Share. Each grantee shall pay a consideration of HK\$1.00 at the time the option is granted. The Share Option Scheme shall take effect from the date it is adopted and shall remain effective within a period of 10 years from that date.

## Other Information

During the six months ended 30 June 2015, the Company did not grant any options to subscribe for Shares. 8,133,000 and 35,000 share options were lapsed due to unfulfilment of vesting conditions, i.e., unrealisation of performance targets set out for the three years ended on 31 December 2014 and the resignation of the employees, respectively, and none of the share options were exercised by the grantees, or cancelled by the Company during the six months ended 30 June 2015. The followings are details of the options granted pursuant to the Share Option Scheme but not yet exercised:

Grantee	Position of the grantee	Date of grant of options	Number of options granted during the period		Closing price immediately before grant of options	Number of options as at 1 January 2015	Number of options exercised/ cancelled/ lapsed during the period	Number of options as at 30 June 2015	Approximate percentage of shareholding upon the exercise of the options	Exercisable period
			Exercise price per Share	HK\$						
Lee Rie- Ho	Executive Director and substantial shareholder	12 January 2012	-	5.60	5.60	708,000	(708,000)	0	12 January 2012 to 11 January 2022	
		19 March 2013	-	4.28	4.20	708,000	-	708,000		19 March 2013 to 18 March 2023
			-			1,416,000	(708,000)	708,000	0.06%	
Lee Chia Ling	Executive Director and substantial shareholder	6 January 2012	-	5.41	5.37	354,000	(354,000)	0	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	(354,000)	354,000	0.03%	
Lee Shih-Wei	Executive Director	6 January 2012	-	5.41	5.37	354,000	(354,000)	0	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	(354,000)	354,000	0.03%	

## Other Information

Grantee	Position of the grantee	Date of grant of options	Number of options granted during the period		Closing price immediately before grant of options HK\$	Number of options as at 1 January 2015	Number of options exercised/ cancelled/ lapsed during the period	Number of options as at 30 June 2015	Approximate percentage of shareholding upon the exercise of the options	Exercisable period
			Exercise price per Share HK\$							
Lee Kuo-Lin	Executive Director	6 January 2012	-	5.41	5.37	354,000	(354,000)	0	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	(354,000)	354,000		
Tseng Ming-Sung	Non-executive Director	12 January 2012	-	5.60	5.60	354,000	(354,000)	0	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	(354,000)	245,000		
Lo Wah Wai	Independent non-executive Director	6 January 2012	-	5.41	5.37	354,000	(354,000)	0	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	(354,000)	245,000		
Lee Kwan Hung	Independent non-executive Director	6 January 2012	-	5.41	5.37	354,000	(354,000)	0	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	(354,000)	245,000		



## Other Information

Grantee	Position of the grantee	Date of grant of options	Number of options granted during the period	Exercise price per Share HK\$	Closing price immediately before grant of options HK\$	Number of options as at 1 January 2015	Number of options exercised/ cancelled/ lapsed during the period	Number of options as at 30 June 2015	Approximate percentage of shareholding upon the exercise of the options	Exercisable period
Fan Ren Da, Anthony	Independent non-executive	6 January 2012	-	5.41	5.37	354,000	(354,000)	0		6 January 2012 to 5 January 2022
	Director	19 March 2013	-	4.28	4.20	245,000	-	245,000		19 March 2013 to 18 March 2023
			-			599,000	(354,000)	245,000	0.02%	
Employees		6 January 2012	-	5.41	5.37	4,391,000	(4,391,000)	0		6 January 2012 to 5 January 2022
		12 January 2012	-	5.60	5.60	245,000	(245,000)	0		12 January 2012 to 11 January 2022
		19 March 2013	-	4.28	4.20	5,143,000	(35,000)	5,108,000		19 March 2013 to 18 March 2023
			-			9,779,000	(4,671,000)	5,108,000	0.42%	
Independent third party distributors		6 January 2012	-	5.41	5.37	311,000	(311,000)	0		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	(311,000)	369,000	0.03%	
Total			-			16,395,000	(8,168,000)	8,227,000	0.67%	

### **INTERIM DIVIDEND**

At the Board meeting held on 20 August 2015, it was resolved that an interim dividend of HKD0.05 (equivalent to RMB0.041) per Share (2014 interim dividend: HKD0.07 (equivalent to RMB0.056) per Share) be paid on or around 29 September 2015 to the shareholders of the Company whose names appear on the Company's register of members on 17 September 2015. 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 2015, 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 2015 to 17 September 2015, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the interim dividend, all transfers of Shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 14 September 2015.

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

As at 30 June 2015, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including 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:

## Other Information

### (i) Interest in the Company

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Number of Shares<sup>(4)</sup></b>	<b>Approximate percentage of shareholding</b>
Mr. Lee Rie-Ho <sup>(1)</sup>	Interest in a controlled Corporation	188,760,000 (L)	15.38%
	Personal interest/individual	708,000 (L)	0.06%
Mr. Lee Shih-Wei <sup>(2)</sup>	Personal interest/individual	5,073,000 (L)	0.41%
Mr. Lee Chia Ling <sup>(3)</sup>	Settlor of The KCL Trust	377,520,000 (L)	30.76%
	Personal interest/individual	354,000 (L)	0.03%
Mr. Lee Kuo-Lin <sup>(3)</sup>	Beneficiary of The KCL Trust	377,520,000 (L)	30.76%
	Personal interest/individual	354,000 (L)	0.03%
Mr. Tseng Ming-Sung <sup>(2)</sup>	Personal interest/individual	4,964,000 (L)	0.40%
Mr. Lo Wah Wai <sup>(2)</sup>	Personal interest/individual	245,000 (L)	0.02%
Mr. Lee Kwan Hung <sup>(2)</sup>	Personal interest/individual	245,000 (L)	0.02%
Mr. Fan Ren Da, Anthony <sup>(2)</sup>	Personal interest/individual	245,000 (L)	0.02%

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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, which lapsed in March 2015 due to unfulfilment of vesting conditions, i.e., unrealisation of performance targets set out for the three years ended on 31 December 2014 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, which lapsed in March 2015 due to unfulfilment of vesting conditions, i.e., unrealisation of performance targets set out for the three years ended on 31 December 2014. 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, which lapsed in March 2015 due to unfulfilment of vesting conditions, i.e., unrealisation of performance targets set out for the three years ended on 31 December 2014. 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 settlor 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, which lapsed in March 2015 due to unfulfilment of vesting conditions, i.e., unrealisation of performance targets set out for the three years ended on 31 December 2014, 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 Shares.*

## Other Information

### (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/OR SHORT POSITIONS

As at 30 June 2015, 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:

<b>Name</b>	<b>Capacity in which interests are held</b>	<b>Number of Shares<sup>(5)</sup></b>	<b>Approximate percentage of shareholding</b>
Discerning Group Limited <sup>(1)</sup>	Registered owner	188,760,000 (L)	15.38%
Ms. Lee Tsai Li-Li <sup>(1)</sup>	Interest as a spouse	189,468,000 (L)	15.44%
UBS TC (Jersey) Ltd. <sup>(2)(3)</sup>	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 as a spouse	377,874,000 (L)	30.79%

## Other Information

<b>Name</b>	<b>Capacity in which interests are held</b>	<b>Number of Shares<sup>(5)</sup></b>	<b>Approximate percentage of shareholding</b>
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, which lapsed in March 2015 due to unfulfilment of vesting conditions, i.e., unrealisation of performance targets set out for the three years ended on 31 December 2014 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.*



## Other Information

- (2) *The entire issued share capital of Trackson Investments Limited is held by Tiger Nature which is in turn ultimately held by UBS TC (Jersey) Ltd. (through two nominee companies) as the trustee of The KCL Trust. The KCL Trust is a discretionary trust established by Mr. Lee Chia Ling as settlor on 12 April 2011. The beneficiaries of The KCL Trust include family members of Mr. Lee Chia Ling. Mr. Lee Chia Ling 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, which lapsed in March 2015 due to unfulfilment of vesting conditions, i.e., unrealisation of performance targets set out for the three years ended on 31 December 2014 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 held by General Atlantic Singapore Fund Pte. Ltd., GA Interholdco, GAP II LP, GAP III LP, GA GenPar and GAP (Bermuda) Limited were stated herein by referring to their disclosures of interests on the website of the Stock Exchange.*
- (5) *The letter "L" denotes long position in such Shares.*

### **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 2015, the Board is of the view that the Company has complied with Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules 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 2015.

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

With effect from 17 February 2015, Mr. Lee Kwan Hung has been appointed as an independent non-executive director of Red Star Macalline Group Corporation Ltd., the shares of which have been listed on the Stock Exchange since 26 June 2015.

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 2014 annual report of the Company.

### **PURCHASE, SALE OR REDEMPTION OF SHARES**

There was no purchase, sale or redemption of any listed securities of the Company by the Company or any of its subsidiaries during the six months ended 30 June 2015.

### **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 2015.

## Other Information

### **AUDIT COMMITTEE**

The Company has an audit committee (the “**Audit Committee**”) which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Audit Committee comprises four members, including three independent non-executive Directors and one non-executive Director, namely Mr. Lo Wah Wai, Mr, Fan Ren Da, Anthony, Mr. Lee Kwan Hung and Mr. Tseng Ming-Sung. The Audit Committee and the Company’s management have reviewed the accounting principles and practices adopted by the Group, and discussed internal control and financial reporting matters. The unaudited interim results and the interim report of the Group for the six months ended 30 June 2015 have been reviewed by the Audit Committee. The condensed consolidated interim financial statements of the Group for the six months ended 30 June 2015 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

**Lee Rie-Ho**

*Chairman*

Hong Kong, 20 August 2015

# Condensed Consolidated Balance Sheet

As at 30 June 2015

		<b>As at 30 June 2015 Unaudited RMB'000</b>	As at 31 December 2014 Audited RMB'000
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Land use rights	7	263,801	240,885
Investment properties	7	4,026	4,169
Property, plant and equipment	7	648,024	636,674
Intangible assets	7	5,136	5,290
Investments in joint ventures		5,650	6,469
Deferred income tax assets		31,917	41,165
Prepayments - non-current portion	8	36,003	79,094
Long-term time deposits	10	337,750	135,000
		1,332,307	1,148,746
<b>Current assets</b>			
Inventories	9	437,062	422,758
Trade and other receivables	8	213,687	240,662
Prepayments	8	85,428	94,853
Restricted cash	10	53,626	98,810
Time deposits	10	337,719	606,853
Cash and cash equivalents	10	404,919	231,925
		1,532,441	1,695,861
<b>Total assets</b>		<b>2,864,748</b>	<b>2,844,607</b>

## Condensed Consolidated Balance Sheet (continued)

As at 30 June 2015

		<b>As at 30 June 2015 Unaudited RMB'000</b>	As at 31 December 2014 Audited RMB'000
<b>EQUITY</b>			
<b>Capital and reserves attributable to the owners of the Company</b>			
Share capital: normal value	11	100,816	100,816
Share premium	11	142,527	277,520
Other reserves	12	463,659	463,659
Retained earnings		1,221,732	1,121,790
<b>Total equity</b>		1,928,734	1,963,785
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	15	122,272	122,380
Deferred income tax liabilities		21,942	20,445
		144,214	142,825
<b>Current liabilities</b>			
Trade and other payables	14	206,961	211,453
Dividends payable	22	1,386	–
Current income tax liabilities		23,714	33,056
Borrowings	15	538,867	477,345
Other liabilities	16	20,872	16,143
		791,800	737,997
<b>Total liabilities</b>		936,014	880,822
<b>Total equity and liabilities</b>		2,864,748	2,844,607
<b>Net current assets</b>		740,641	957,864
<b>Total assets less current liabilities</b>		2,072,948	2,106,610

The notes on pages 34 to 64 are an integral part of these condensed consolidated interim financial statements.

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
	Note	Unaudited RMB'000	Unaudited RMB'000
Revenue	6	786,276	883,236
Cost of sales		(297,572)	(336,259)
<b>Gross profit</b>		488,704	546,977
Distribution costs		(253,125)	(260,578)
Administrative expenses		(102,837)	(105,856)
Other income	17	5,317	6,284
Other (losses)/gains – net	18	(329)	1,199
<b>Operating profit</b>		137,730	188,026
Finance income		14,200	8,245
Finance costs		(7,577)	(3,252)
Finance income – net		6,623	4,993
Share of profits less losses of joint ventures		676	435
<b>Profit before income tax</b>		145,029	193,454
Income tax expense	20	(45,087)	(53,582)
<b>Profit for the period, all attributable to the owners of the Company</b>		99,942	139,872
Other comprehensive income for the period		–	–
<b>Total comprehensive income for the period, all attributable to the owners of the Company</b>		99,942	139,872
<b>Earnings per share for profit attributable to the owners of the Company</b>			
– Basic earnings per share	21	RMB 0.08	RMB 0.11
– Diluted earnings per share	21	RMB 0.08	RMB 0.11

The notes on pages 34 to 64 are an integral part of these condensed consolidated interim financial statements.

		Six months ended 30 June	
		2015	2014
	Note	Unaudited RMB'000	Unaudited RMB'000
Dividends	22	50,316	68,320



## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

Unaudited

		Attributable to the owners of the Company				
		Par value of ordinary shares	Share premium	Other reserves	Retained earnings	Total equity
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2015</b>		100,816	277,520	463,659	1,121,790	1,963,785
Profit and total comprehensive income for the six months ended 30 June 2015		–	–	–	99,942	99,942
Final dividend for 2014	22	–	(134,993)	–	–	(134,993)
<b>Balance at 30 June 2015</b>		100,816	142,527	463,659	1,221,732	1,928,734
<b>Balance at 1 January 2014</b>		100,816	472,704	437,069	879,768	1,890,357
Profit and 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
Final dividend for 2013	22	–	(126,864)	–	–	(126,864)
<b>Balance at 30 June 2014</b>		100,816	345,840	437,395	1,019,640	1,903,691

The notes on pages 34 to 64 are an integral part of these condensed consolidated interim financial statements.

# Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2015

	Note	Six months ended 30 June	
		2015 Unaudited RMB'000	2014 Unaudited RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from operations		231,924	196,767
Interest paid		(7,490)	(3,252)
Income tax paid		(43,684)	(41,198)
Net cash inflow from operating activities		180,750	152,317
<b>Cash flows from investing activities</b>			
Remaining payments for acquisition of businesses		–	(19,129)
Investment in a joint venture		–	(966)
Purchase of land use rights	7	(42,641)	(35,896)
Purchase of property, plant and equipment	7	(16,691)	(55,314)
Purchase of intangible assets	7	(470)	(1,018)
Changes in investments in time deposits with maturity more than 3 months	10	66,384	(253,830)
Proceeds from disposal of property, plant and equipment		1,244	598
Interest received		18,091	7,455
Dividends received from joint ventures		1,495	1,374
Net cash inflow/(outflow) from investing activities		27,412	(356,726)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		367,085	346,016
Repayments of borrowings		(305,563)	–
Dividends paid to the owners of the Company	22	(133,607)	(126,168)
Changes in restricted cash pledged for borrowings		45,184	–
Decrease in amounts due to related parties		(8,093)	–
Net cash (outflow)/inflow from financing activities		(34,994)	219,848
<b>Net increase in cash and cash equivalents</b>			
Effect of foreign exchange rate changes		(174)	70
Cash and cash equivalents at beginning of the period		231,925	202,277
<b>Cash and cash equivalents at end of the period</b>	10	404,919	217,786

The notes on pages 34 to 64 are an integral part of these condensed consolidated interim financial statements.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2015 (unaudited)

## 1 GENERAL INFORMATION

Tenfu (Cayman) Holdings Company Limited (the “Company”) and its subsidiaries (together, the “Group”) are engaged in the classification, packaging and sales of tea leaves, manufacture and sales of tea snacks, and sales of tea ware, 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 64 have been approved for issue by the Company’s board of directors (the “Board”) on 20 August 2015.

These condensed consolidated interim financial statements have not been audited.

### Key events

In March, April and May 2015, the Group renegotiated its existing loan facility to provide funding for the working capital and other general corporate purpose. Further details are given in Note 15.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2015 (unaudited)

## 2 BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 30 June 2015 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 2014, 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 2014, 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 of HKFRSs that are effective for the first time for this interim period do not have any material impact on the Group.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2015 (unaudited)

## 3 ACCOUNTING POLICIES (continued)

The following new standards and amendments of HKFRSs 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 2015 and have not been early adopted by the Group:

		<b>Effective for annual periods beginning on or after</b>
Annual improvements 2014	HKFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' HKFRS 7 'Financial Instruments: Disclosures' HKAS 19 'Employee Benefits' HKAS 34 'Interim Financial Reporting'	1 July 2016
HKFRS 10 and HKAS 28 (Amendments)	Regarding sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
HKAS 27 (Amendments)	Regarding equity method in separate financial statements	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
HKFRS 9	Financial Instruments	1 January 2018

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

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2015 (unaudited)

## 4 ESTIMATES

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and 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 2014.

## 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 cash flow interest rate 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 for the year ended 31 December 2014.

There have been no changes in the risk management department since 2014 year end or in any risk management policies.

### 5.2 Liquidity risk

Compared to 2014 year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2015 (unaudited)

## 5 FINANCIAL RISK MANAGEMENT *(continued)*

### 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 and sales of tea leaves, manufacture and sales of tea snacks, and sales of tea ware.

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



# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2015 (unaudited)

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

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

The Board assesses the performance of the operating segments based on a measure of adjusted operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the condensed consolidated interim financial statements. The common administrative expenses, other gains or losses, other income, financing (including finance costs and interest income), share of results of 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, current income tax liabilities, dividends payable and other payables due to related parties and directors' and senior management's emoluments payable.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2015 (unaudited)

## 6 REVENUE AND SEGMENT INFORMATION (continued)

### Revenue

Turnover of the Group consists of the following revenues for the six months ended 30 June 2015 and 2014. All revenues are derived from external customers.

	Six months ended 30 June	
	2015 Unaudited RMB'000	2014 Unaudited RMB'000
Sales of tea leaves	540,911	637,292
Sales of tea snacks	107,690	100,803
Sales of tea ware	106,445	116,849
Others	31,230	28,292
	786,276	883,236

The segment results for the six months ended 30 June 2015:

	Unaudited				Total RMB'000
	Tea leaves RMB'000	Tea snacks RMB'000	Tea ware RMB'000	All other segments RMB'000	
Segment revenue	540,911	107,690	106,445	31,230	786,276
Segment results	114,042	8,336	17,410	4,262	144,050
Unallocated administrative expenses					(11,308)
Other income					5,317
Other losses – net					(329)
Finance income – net					6,623
Share of profits less losses of joint ventures					676
Profit before income tax					145,029
Income tax expense					(45,087)
Profit for the period					99,942

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2015 (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 2015:

	Unaudited					
	Tea leaves	Tea snacks	Tea ware	All other		Total
				segments	Unallocated	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation of property, plant and equipment	20,976	4,834	2,235	1,061	5,235	34,341
Depreciation of investment properties	–	–	–	–	143	143
Amortisation of land use rights	3,385	663	562	483	–	5,093
Amortisation of intangible assets	300	56	45	12	211	624
Losses on disposal of property, plant and equipment, net	230	37	24	–	–	291

The segment assets and liabilities as at 30 June 2015 are as follows:

	Unaudited					
	Tea leaves	Tea snacks	Tea ware	All other		Total
				segments	Unallocated	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	1,747,906	361,355	341,181	88,560	325,746	2,864,748
Segment liabilities	196,006	19,899	28,313	6,678	685,118	936,014

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2015 (unaudited)

### 6 REVENUE AND SEGMENT INFORMATION (continued)

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

	Unaudited				Total RMB'000
	Tea leaves RMB'000	Tea snacks RMB'000	Tea ware RMB'000	All other segments 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
Unallocated					
administrative					
expenses					(10,843)
Other income					6,284
Other gains – net					1,199
Finance income – net					4,993
Share of profit of					
a joint venture					435
Profit before income tax					193,454
Income tax expense					(53,582)
Profit for the period					139,872

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2015 (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:

	Unaudited					
	Tea leaves	Tea snacks	Tea ware	All other 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
Amortisation of intangible assets	222	43	33	12	205	515
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					
	Tea leaves	Tea snacks	Tea ware	All other 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

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2015 (unaudited)

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

	Land use rights RMB'000	Property, plant and equipment RMB'000	Investment properties RMB'000	Intangible assets RMB'000
<b>Six months ended 30 June 2015 (unaudited)</b>				
<b>Opening net book amount as at</b>				
<b>1 January 2015</b>	240,885	636,674	4,169	5,290
Additions	28,009	47,226	–	470
Disposals	–	(1,535)	–	–
Depreciation and amortisation	(5,093)	(34,341)	(143)	(624)
<b>Closing net book amount as at 30 June 2015</b>	263,801	648,024	4,026	5,136
<b>Six months ended 30 June 2014 (unaudited)</b>				
<b>Opening net book amount as at</b>				
<b>1 January 2014</b>	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)
<b>Closing net book amount as at 30 June 2014</b>	170,310	606,708	4,313	4,405

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2015 (unaudited)

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

As at 30 June 2015, the fair value of the investment properties is RMB7,240,000 (31 December 2014: RMB6,970,000), with carrying amount of RMB4,027,000 (31 December 2014: RMB4,169,000). The fair value is determined at each balance sheet date by an external valuer.

#### Fair value hierarchy

Description	Fair value measurements at		
	Quoted prices in	Significant	Significant
	active markets for	other observable	unobservable
	identical assets	inputs (Level 2)	inputs (Level 3)
	(Level 1)		
	RMB'000	RMB'000	RMB'000
30 June 2015	–	–	7,240
31 December 2014	–	–	6,970

The valuation was based on income capitalisation approach (term and reversionary method) which use unobservable inputs (Level 3) at 30 June 2015 and 31 December 2014, respectively. These inputs at 30 June 2015 include:

Unobservable inputs	Value of unobservable	
	inputs	Explanation for unobservable inputs
Market rent	RMB46,016 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 6.0% to 7.5% according to different cities. The higher the yield, the lower the fair value of the properties.



# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2015 (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 2015 and 31 December 2014 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 2014 and the six months ended 30 June 2015, 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 2015 and the year 2014 are as follows:

– Gross margin	15%
– Long term growth rate	3%
– Discount rate	20%

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.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2015 (unaudited)

## 8 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

### (i) Trade and other receivables

	<b>As at 30 June 2015 Unaudited RMB'000</b>	As at 31 December 2014 Audited RMB'000
Trade receivables due from third parties	199,593	219,439
Interest receivable on time deposits	8,198	12,269
Others	5,896	8,954
	14,094	21,223
Total of trade and other receivables	213,687	240,662

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:

	<b>As at 30 June 2015 Unaudited RMB'000</b>	As at 31 December 2014 Audited RMB'000
Up to 140 days	197,704	217,528
141 days to 6 months	1,314	1,336
6 months to 1 year	575	570
1 year to 2 years	–	5
	199,593	219,439

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2015 (unaudited)

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

#### (ii) Prepayments

	<b>As at 30 June 2015 Unaudited RMB'000</b>	As at 31 December 2014 Audited RMB'000
<b>Non-current</b>		
Prepayments for property, plant and equipment	36,003	79,094
<b>Current</b>		
Prepayments for lease of property and lease deposits	63,608	61,834
Prepayments for raw materials and packaging materials	6,440	6,854
Prepaid taxes	13,160	19,415
Prepayments for advertisement	1,875	6,750
Prepayments to a related party (Note 23(b))	345	–
	85,428	94,853
	121,431	173,947

### 9 INVENTORIES

	<b>As at 30 June 2015 Unaudited RMB'000</b>	As at 31 December 2014 Audited RMB'000
Raw materials and packaging materials	125,262	120,394
Work in progress	113,184	96,811
Finished goods	198,616	205,553
	437,062	422,758

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2015 (unaudited)

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

	<b>As at 30 June 2015 Unaudited RMB'000</b>	As at 31 December 2014 Audited RMB'000
Cash at bank and on hand (i)	1,134,014	1,072,588
Less: Time deposits (ii)	(337,719)	(606,853)
Long-term time deposits (ii)	(337,750)	(135,000)
Restricted cash (iii)	(53,626)	(98,810)
Cash and cash equivalents	404,919	231,925

- (i) The weighted average effective interest rate on cash placed with banks and deposits for the six months ended 30 June 2015 was 0.35% per annum (Six months ended 30 June 2014: 0.30% per annum).
- (ii) As at 30 June 2015, the Group has time deposits of RMB337,719,000 (31 December 2014: RMB606,853,000) which will be matured within one year.
- As at 30 June 2015, the Group has long-term time deposits of RMB337,750,000 which will be matured from July 2016 to May 2018 (31 December 2014: RMB135,000,000 maturing in year 2016).
- (iii) As at 30 June 2015, the Group has time deposits of RMB53,626,000 (31 December 2014: RMB98,810,000) which is pledged as collateral for the Group's short-term bank borrowings of RMB51,267,000 (31 December 2014: RMB97,196,000) (Note 15).

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2015 (unaudited)

## 11 SHARE CAPITAL AND PREMIUM

	Unaudited				
	Number of authorised shares (thousands)	Number of issued shares (thousands)	Ordinary shares (nominal value) RMB'000	Share premium RMB'000	Total RMB'000
<b>At 1 January 2015</b>	8,000,000	1,227,207	100,816	277,520	378,336
Final dividend for 2014 (i)	-	-	-	(134,993)	(134,993)
<b>At 30 June 2015</b>	8,000,000	1,227,207	100,816	142,527	243,343
<b>Representing:</b>					
- Interim dividend declared (i)				50,316	
- Others				92,211	
<b>At 30 June 2015</b>				142,527	
<b>At 1 January 2014</b>	8,000,000	1,227,207	100,816	472,704	573,520
Final dividend for 2013 (i)	-	-	-	(126,864)	(126,864)
<b>At 30 June 2014</b>	8,000,000	1,227,207	100,816	345,840	446,656
<b>Representing:</b>					
- Interim dividend declared (i)				68,320	
- Others				277,520	
<b>At 30 June 2014</b>				345,840	

- (i) Pursuant to Section 34 of the Cayman Companies Law (2003 Revision) and the Articles of Association of the Company, share premium of the Company is available for distribution to shareholders subject to a solvency test on the Company and the provision of the Articles of Association of the Company. Details of the interim dividend declared are set out in Note 22.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2015 (unaudited)

## 12 OTHER RESERVES

	Unaudited				
	Merger reserve	Capital reserve	Statutory reserves	Share-based payment reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 January 2015 and 30 June 2015</b>	278,811	231	184,617	–	463,659
<b>At 1 January 2014</b>	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
<b>At 30 June 2014</b>	278,811	231	156,441	1,912	437,395

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2015 (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 to be vested 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 "Performance Conditions"). The employees should remain in the Group's employment and the independent third party distributors should keep their businesses with the Group until those Performance Conditions are satisfied.

- (i) up to 35% on or after 5 January 2013, 11 January 2013, 18 March 2014 respectively;
- (ii) up to 35% on or after 5 January 2014, 11 January 2014 and 18 March 2015 respectively;
- (iii) all the remaining options on or after 5 January 2015, 11 January 2015 and 18 March 2016 respectively.



## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2015 (unaudited)

### 13 SHARE-BASED PAYMENTS (continued)

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

	<b>Average exercise price in Hong Kong Dollar (“HKD”) per share</b>	<b>Number of options (thousands)</b>
As at 1 January 2015	4.86	16,395
Lapsed (Note (a))	5.44	(8,133)
Forfeited (Note (b))	5.28	(35)
As at 30 June 2015	4.28	8,227
As at 1 January 2014	4.86	16,502
Forfeited (Note (b))	4.28	(20)
As at 30 June 2014	4.86	16,482

- (a) During the six months ended 30 June 2015, the share options granted on 6 January 2012 and 12 January 2012 were lapsed due to the expiry of the 3 years vesting period.
- (b) Options were forfeited during the six months ended 30 June 2015 and 2014 due to employees' resignation.

Share options outstanding at 30 June 2015 have the following expiry date and exercise price:

<b>Expiry date</b>	<b>Exercise price in HKD per share</b>	<b>Number of options (thousands)</b>
18 March 2023	4.28	8,227

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2015 (unaudited)

### 13 SHARE-BASED PAYMENTS (continued)

The total fair value, which was determined by using Binomial option price model, of the options granted on 19 March 2013 under the Share Option Scheme as at the grant date are approximately HKD16,249,000 (equivalent to RMB13,139,000). The following assumptions were adopted to calculate the fair value of the options on the grant date:

	<b>Granted on 19 March 2013</b>
Exercise price	HKD4.28
Expected volatility	56.79%
Expected dividend yield	3.00%
Risk free rate	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.

During the six months ended 30 June 2015, no share option expense was charged to the condensed consolidated statement of comprehensive income.

During the six months ended 30 June 2014, the share option expense charged to the condensed consolidated statement of comprehensive income 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.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2015 (unaudited)

## 14 TRADE AND OTHER PAYABLES

	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2015</b>	2014
	<b>Unaudited</b>	Audited
	<b>RMB'000</b>	RMB'000
Trade payables – due to third parties	73,037	84,039
Trade payables – due to related parties (Note 23(b))	45,131	8,414
Other payables for property, plant and equipment	2,666	3,424
Other taxes payable	5,519	10,773
Employee benefit payables	17,029	23,926
Advances from customers	33,857	17,648
Amount due to a related party (Note 23(b))	–	8,093
Other payables for assets acquisition (i)	–	23,450
Others	29,722	31,686
	<b>206,961</b>	<b>211,453</b>

- (i) Pursuant to an assets acquisition agreement entered into between Fujian Tian Fu Sales Co., Ltd. (“Fujian Tenfu”), an indirectly wholly-owned subsidiary of the Company, and Tenfu Group (Samoa) Holdings Company Limited (“SAMOA”), a related party, dated 13 October 2014. SAMOA transferred its entire equity interests in Xiamen Tenfu Trading Co., Ltd. (“Xiamen Tenfu”) to Fujian Tenfu at a consideration of RMB23,450,000. Xiamen Tenfu’s only major assets are two retail properties that are leased to the Group. Accordingly the acquisition was regarded as an acquisition of assets. The transaction was completed on 26 December 2014 which is regarded as the assets acquisition date. The value of the acquired land use rights and property, plant and equipment amounted to RMB14,632,000, and RMB11,995,000, respectively.

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2015 (unaudited)

### 14 TRADE AND OTHER PAYABLES (continued)

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

	<b>As at 30 June 2015 Unaudited RMB'000</b>	As at 31 December 2014 Audited RMB'000
Up to 6 months	109,426	84,906
6 months to 1 year	7,253	5,569
1 year to 2 years	1,489	1,974
Over 2 years	–	4
	<b>118,168</b>	<b>92,453</b>

### 15 BORROWINGS

	<b>As at 30 June 2015 Unaudited RMB'000</b>	As at 31 December 2014 Audited RMB'000
Long-term bank borrowings		
– Unsecured	122,272	122,380
Short-term bank borrowings		
– Unsecured (i)	487,600	360,149
– Secured (ii)	51,267	117,196
	<b>538,867</b>	<b>477,345</b>
Total borrowings	<b>661,139</b>	<b>599,725</b>

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2015 (unaudited)

## 15 BORROWINGS (continued)

(i) As at 30 June 2015, short-term bank borrowings of RMB487,600,000 (2014: RMB98,284,000) are guaranteed by Mr. Lee Rie-Ho, Mr. Lee Chia Ling and Mr. Lee Kuo-Lin (Note 23(c)), all of them are directors of the Company, either separately or jointly.

(ii) As at 30 June 2015, short-term bank borrowings of RMB51,267,000 are secured by the pledge of bank deposits of RMB53,626,000 (Note 10) of the Group.

As at 31 December 2014, short-term bank borrowings of RMB97,196,000 are secured by the pledge of bank deposits of RMB98,810,000 (Note 10) of the Group, and short-term bank borrowings of RMB20,000,000 are secured by the pledge of the land use rights and property, plant and equipment of the Group.

Interest expenses on bank borrowings for the six months ended 30 June 2015 amounted to a total of RMB7,577,000 (Six months ended 30 June 2014: RMB3,252,000).

The Group has the following undrawn borrowing facilities:

	<b>As at 30 June 2015 Unaudited RMB'000</b>	As at 31 December 2014 Audited RMB'000
Fixed rate:		
– expiring within one year (bank borrowings)	177,728	85,835
Floating rate:		
– expiring within one year (bank borrowings)	20,165	–
	197,893	85,835

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

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2015 (unaudited)

### 16 OTHER LIABILITIES

	<b>As at 30 June 2015 Unaudited RMB'000</b>	As at 31 December 2014 Audited RMB'000
Deferred revenue: customer loyalty programme	20,872	16,143

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.

### 17 OTHER INCOME

	Six months ended 30 June	
	<b>2015 Unaudited RMB'000</b>	2014 Unaudited RMB'000
Government grants	3,116	4,113
Income from investment properties	785	645
Others	1,416	1,526
	5,317	6,284

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2015 (unaudited)

### 18 OTHER (LOSSES)/GAINS – NET

	Six months ended 30 June	
	2015	2014
	Unaudited	Unaudited
	RMB'000	RMB'000
Losses on disposal of property, plant and equipment, net	(291)	(29)
Net foreign exchange (losses)/gains	(38)	1,228
	(329)	1,199

### 19 DEPRECIATION AND AMORTISATION EXPENSES

	Six months ended 30 June	
	2015	2014
	Unaudited	Unaudited
	RMB'000	RMB'000
Amortisation of land use rights	5,093	4,090
Depreciation of investment properties	143	143
Depreciation of property, plant and equipment	34,341	33,454
Amortisation of intangible assets	624	515



# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2015 (unaudited)

## 20 INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	Unaudited	Unaudited
	RMB'000	RMB'000
Current income tax		
– Hong Kong profits tax	–	2
– PRC corporate income tax	32,342	46,510
Deferred income tax	12,745	7,070
Income tax expense	45,087	53,582

### (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 2015 and 2014, Hong Kong profits tax has been provided for subsidiaries incorporated in Hong Kong at the rate of 16.5% on the estimated assessable profit for the period.

### (iii) PRC corporate income tax (“CIT”)

For the six months ended 30 June 2015 and 2014, CIT is provided at the rate of 25% on the assessable income of entities within the Group incorporated in mainland China.

### (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.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2015 (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	
	2015 Unaudited	2014 Unaudited
Profit attributable to the owners of the Company (RMB'000)	99,942	139,872
Weighted average number of ordinary shares in issue	1,227,207,460	1,227,207,460
Basic earnings per share (RMB)	0.08	0.11

### (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 2015 and 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.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2015 (unaudited)

## 22 DIVIDENDS

	Six months ended 30 June	
	2015	2014
	Unaudited	Unaudited
	RMB'000	RMB'000
Interim dividend declared	50,316	68,320

An interim dividend for 2015 of HKD5 cents (equivalent to RMB4.1 cents) (2014: HKD7 cents (equivalent to RMB5.6 cents)) per share was declared by the Board on 20 August 2015 using the share premium account. This interim dividend, amounting to HKD61,360,000 (equivalent to RMB50,316,000) (2014: HKD85,905,000 (equivalent to RMB68,320,000)), has not been recognised as liability in these condensed consolidated interim financial statements. It will be reflected as an appropriation of share premium for the year ending 31 December 2015. Similarly, the interim dividend for 2014 declared by the Board on 19 August 2014 was reflected as an appropriation of share premium for the year ended 31 December 2014 after 30 June 2014.

The final dividend for 2014 of HKD171,809,000 (equivalent to RMB134,993,000) and for 2013 of HKD159,537,000 (equivalent to RMB126,864,000) had been reflected as an appropriation of share premium for the six months ended 30 June 2015 and 2014 respectively after obtaining the approval from the shareholders at the Company's annual general meeting held on 13 May 2015 and 15 May 2014 respectively.

The dividends paid in the six months ended 30 June 2015 were RMB133,607,000 (2014: RMB126,168,000).

The dividends payable of RMB1,386,000 as at 30 June 2015 represented the remaining unpaid final dividend for 2014.

# Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2015 (unaudited)

## 23 RELATED-PARTY TRANSACTIONS

The Group is controlled by Mr. Lee Rie-Ho, Mr. Lee Shih-Wei, Mr. Lee Chia Ling (“Controlling Shareholders”). The entities owned by the key management, their affiliates and the Group’s joint ventures are regarded as related parties.

SAMOA is wholly owned by Mr. Lee Chia Ling. Certain subsidiaries of SAMOA were acquired by the Group in 2013 and 2014. Therefore, these subsidiaries of SAMOA ceased to be related parties of the Group from the acquisition date.

### (a) Transactions with related parties

The following transactions are carried out by the Group with related parties:

	Six months ended 30 June	
	<b>2015</b>	2014
	<b>Unaudited</b>	Unaudited
	<b>RMB'000</b>	RMB'000
(i) Purchases of goods and services		
– Subsidiaries of SAMOA	70,390	39,307
– A company controlled by the Controlling Shareholders	5,430	8,638
	75,820	47,945
(ii) Processing fee expenses		
– Subsidiaries of SAMOA	980	1,787
(iii) Rental expenses		
– The Controlling Shareholders and their affiliates	1,621	1,888
– Subsidiaries of SAMOA	150	685
– A company controlled by an affiliate of the Controlling Shareholders	116	–
	1,887	2,573
(iv) Key management compensation	2,313	2,932
(v) Dividends received from a joint venture	1,495	1,374

## Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2015 (unaudited)

### 23 RELATED-PARTY TRANSACTIONS (continued)

#### (b) Balances with related parties

The Group has the following balances with its related parties as at 30 June 2015 and 31 December 2014:

	<b>As at 30 June 2015 Unaudited RMB'000</b>	As at 31 December 2014 Audited RMB'000
(i) Prepayments to a related party (Note 8(ii)):		
– A subsidiary of SAMOA	345	–
(ii) Due to related parties (Note 14):		
Trade related		
– Subsidiaries of SAMOA	45,131	8,414
Non-trade related		
– An affiliate of the Controlling Shareholders	–	8,093

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

#### (c) Borrowings guaranteed by related parties

As at 30 June 2015, the Group's bank borrowings of RMB487,600,000 (31 December 2014: RMB98,284,000) are guaranteed by Mr. Lee Rie-Ho, Mr. Lee Chia Ling and Mr. Lee Kuo-Lin, either separately or jointly (Note 15).

### 24 SUBSEQUENT EVENT

Under the purchase agreement entered into between the Company and SAMOA on 11 December 2013, the Group agreed to purchase tea leaves from SAMOA with an annual cap of RMB70,000,000, RMB77,000,000, and RMB84,700,000 for the three years ending on 31 December 2014, 2015 and 2016 respectively. The Board has resolved to increase both of the annual caps for the two years ending on 31 December 2015 and 2016 to RMB132,000,000, and a supplemental agreement was entered into between the Company and SAMOA on 20 August 2015 in this regard which is subject to independent shareholders' approval.