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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6868)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

Financial Highlights

- Revenue for the six months ended 30 June 2017 was approximately RMB779.8 million, increased by 5.2% as compared with approximately RMB740.9 million for the corresponding period in 2016;
- The gross profit of the Group increased by 4.8% from RMB454.2 million for the six months ended 30 June 2016 to RMB475.9 million for the six months ended 30 June 2017;
- Gross profit margin of 61.0% for the six months ended 30 June 2017 was approximately same as gross profit margin of 61.3% for the six months ended 30 June 2016;
- Profit for the six months ended 30 June 2017 increased from RMB82.1 million for the corresponding period in 2016 to RMB115.3 million;
- Basic earnings per share for the six months ended 30 June 2017 amounted to RMB0.09; and
- The Board resolved to pay an interim dividend of HKD0.05 (equivalent to RMB0.043) per share.

The board of directors (the "**Board**") of Tenfu (Cayman) Holdings Company Limited (the "**Company**" or "**Tenfu**", together with its subsidiaries, the "**Group**") is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 30 June 2017, together with the comparative figures for the corresponding period in the year 2016 as below.

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June **2017** **Unaudited** *RMB'000*	2016 Unaudited *RMB'000*
Revenue	*5*	**779,784**	740,945
Cost of sales		**(303,898)**	(286,701)
Gross profit		**475,886**	454,244
Distribution costs		**(222,584)**	(233,538)
Administrative expenses		**(106,239)**	(106,186)
Other income	*6*	**6,422**	3,925
Other losses – net	*7*	**(150)**	(3,536)
Operating profit		**153,335**	114,909
Finance income		**6,129**	9,484
Finance costs		**(5,790)**	(5,234)
Finance income – net		**339**	4,250
Share of profits less losses of investments accounted for using the equity method		**556**	(1,439)
Profit before income tax		**154,230**	117,720
Income tax expense	*8*	**(38,952)**	(35,619)
Profit for the period, all attributable to the owners of the Company		**115,278**	82,101
Other comprehensive income for the period		**–**	–
Total comprehensive income for the period, all attributable to the owners of the Company		**115,278**	82,101
Earnings per share for profit attributable to the owners of the Company			
– Basic earnings per share	*9*	**RMB0.09**	RMB0.07
– Diluted earnings per share	*9*	**RMB0.09**	RMB0.07

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**As at 30 June 2017 Unaudited** ***RMB'000***	As at 31 December 2016 Audited *RMB'000*
ASSETS			
Non-current assets			
Land use rights		**268,901**	268,732
Investment properties		**3,452**	3,595
Property, plant and equipment		**720,480**	716,452
Intangible assets		**3,341**	3,788
Investments accounted for using the equity method		**4,902**	9,214
Deferred income tax assets		**33,273**	36,234
Prepayments – non-current portion	*11(b)*	**35,972**	44,631
Long-term time deposits		**1,000**	68,500
		1,071,321	1,151,146
Current assets			
Inventories		**482,993**	446,060
Trade and other receivables	*11(a)*	**216,162**	243,615
Prepayments	*11(b)*	**82,081**	82,342
Restricted cash		**34,000**	34,000
Time deposits		**398,968**	178,657
Cash and cash equivalents		**340,174**	270,441
		1,554,378	1,255,115
Total assets		**2,625,699**	2,406,261

	Note	As at 30 June 2017 Unaudited *RMB'000*	As at 31 December 2016 Audited *RMB'000*
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital: nominal value	*12*	**100,816**	100,816
Share premium	*12*	**–**	–
Other reserves	*13*	**499,759**	499,759
Retained earnings		**1,425,884**	1,386,314
Total equity		**2,026,459**	1,986,889
LIABILITIES			
Non-current liabilities			
Borrowings	*16*	**7,868**	8,236
Deferred income on government grants		**25,487**	21,435
Deferred income tax liabilities		**15,921**	22,092
		49,276	51,763
Current liabilities			
Trade and other payables	*15*	**233,432**	217,054
Current income tax liabilities		**36,929**	38,479
Borrowings	*16*	**261,973**	94,145
Other liabilities	*17*	**17,630**	17,931
		549,964	367,609
Total liabilities		**599,240**	419,372
Total equity and liabilities		**2,625,699**	2,406,261

NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION

The Group is engaged in the classification, packaging and sales of tea leaves, manufacture and sales of tea snacks, 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 began to list on the main board of The Stock Exchange of Hong Kong Limited on 26 September 2011 (the "Listing").

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the board of directors (the "Board") of the Company on 15 August 2017.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This financial information is extracted from the full set of condensed consolidated interim financial information for the six months ended 30 June 2017 of the Company which has 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 information should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2016, 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 2016, 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.

The following new standards, amendments and interpretations 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 2017 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 2 (Amendment)	Share-based Payment	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HKAS 40 (Amendment)	Investment Property	1 January 2018
HKFRS 16	Leases	1 January 2019
HK (IFRIC) 23	Uncertainty over Income Tax Treatment	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Regarding sale or contribution of assets between an investor and its associate or joint venture	Deferred and to be determined

The Group will apply the new standards, amendments and interpretations 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, except for the new financial reporting standard HKFRS16 "Leases" (effective for annual periods beginning on or after 1 January 2019) which the Group is not yet in a position to conclude.

4 ESTIMATES

The preparation of condensed consolidated interim financial information 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 this condensed consolidated interim financial information, 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 2016.

5 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 restaurants, hotels, tourists, management services and catering management, beverage production and sales of pre-packaged food. These are not included within the reportable operating segments as they are not presented separately in the reports provided to the Board.

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

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 information. The common administrative expenses, other gains or losses, other income, financing (including finance costs and interest income), share of results of investments accounted for using equity method 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.

Revenue

Revenue of the Group consists of the following revenues for the six months ended 30 June 2017 and 2016. All revenues are derived from external customers.

	Six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Sales of tea leaves	**539,966**	521,342
Sales of tea snacks	**110,697**	104,907
Sales of tea ware	**89,111**	79,435
Others	**40,010**	35,261
	779,784	740,945

The segment results for the six months ended 30 June 2017:

			Unaudited		
	Tea leaves	**Tea snacks**	**Tea ware**	**All other segments**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Segment revenue	**539,966**	**110,697**	**89,111**	**40,010**	**779,784**
Segment results	**129,312**	**11,653**	**18,619**	**(65)**	**159,519**
Unallocated administrative expenses					**(12,456)**
Other income					**6,422**
Other losses – net					**(150)**
Finance income – net					**339**
Share of profits less losses of investments accounted for using the equity method					**556**
Profit before income tax					**154,230**
Income tax expense					**(38,952)**
Profit for the period					**115,278**

Other segment items included in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2017:

	Unaudited					
	Tea leaves *RMB'000*	**Tea snacks** *RMB'000*	**Tea ware** *RMB'000*	**All other segments** *RMB'000*	**Unallocated** *RMB'000*	**Total** *RMB'000*
Depreciation of property, plant and equipment	**19,360**	**5,215**	**1,445**	**3,510**	**4,452**	**33,982**
Depreciation of investment properties	**–**	**–**	**–**	**–**	**143**	**143**
Amortisation of land use rights	**4,324**	**994**	**736**	**600**	**–**	**6,654**
Amortisation of intangible assets	**221**	**41**	**26**	**12**	**152**	**452**
Losses on disposal of property, plant and equipment, net	**99**	**49**	**11**	**39**	**–**	**198**

The segment assets and liabilities as at 30 June 2017 are as follows:

	Unaudited					
	Tea leaves *RMB'000*	**Tea snacks** *RMB'000*	**Tea ware** *RMB'000*	**All other segments** *RMB'000*	**Unallocated** *RMB'000*	**Total** *RMB'000*
Segment assets	**1,690,495**	**308,259**	**270,952**	**149,484**	**206,509**	**2,625,699**
Segment liabilities	**191,529**	**37,038**	**17,365**	**14,232**	**339,076**	**599,240**

The segment results for the six months ended 30 June 2016:

	Unaudited				
	Tea leaves *RMB'000*	Tea snacks *RMB'000*	Tea ware *RMB'000*	All other segments *RMB'000*	Total *RMB'000*
Segment revenue	521,342	104,907	79,435	35,261	740,945
Segment results	104,181	7,615	12,956	(601)	124,151
Unallocated administrative expenses					(9,631)
Other income					3,925
Other losses – net					(3,536)
Finance income – net					4,250
Share of profits less losses of investments accounted for using the equity method					(1,439)
Profit before income tax					117,720
Income tax expense					(35,619)
Profit for the period					82,101

Other segment items included in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2016:

	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	18,206	4,922	1,189	2,322	4,412	31,051
Depreciation of investment properties	–	–	–	–	143	143
Amortisation of land use rights	4,274	951	725	583	–	6,533
Amortisation of intangible assets	275	56	34	15	179	559
Losses on disposal of property, plant and equipment, net	767	475	91	1,530	–	2,863

The segment assets and liabilities as at 31 December 2016 are as follows:

	Audited					
	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	1,501,201	302,149	252,066	130,583	220,262	2,406,261
Segment liabilities	177,018	28,207	14,880	12,326	186,941	419,372

6 OTHER INCOME

	Six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Government grants	**4,659**	2,205
Income from investment properties	**743**	850
Amortisation of deferred income	**348**	251
Others	**672**	619
	6,422	3,925

7 OTHER LOSSES – NET

	Six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Losses on disposal of property, plant and equipment, net	**(198)**	(2,863)
Net foreign exchange gains/(losses)	**48**	(673)
	(150)	(3,536)

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Current income tax		
– PRC corporate income tax	**36,688**	27,295
Deferred income tax	**2,264**	8,324
Income tax expense	**38,952**	35,619

(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 2017 and 2016, Hong Kong profits tax has not been provided for subsidiaries incorporated in Hong Kong as these subsidiaries did not have estimated assessable profit for the period.

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

For the six months ended 30 June 2017 and 2016, CIT is provided at the rate of 25% on the assessable income of entities within the Group incorporated in mainland China.

9 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	
	2017	2016
	Unaudited	Unaudited
Profit attributable to the owners of the Company (RMB'000)	**115,278**	82,101
Weighted average number of ordinary shares in issue ('000)	**1,227,207**	1,227,207
Basic earnings per share (RMB)	**0.09**	0.07

(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 2017 and 2016, 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.

10 DIVIDENDS

	Six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Interim dividend declared	**52,770**	41,725

An interim dividend for 2017 of Hong Kong Dollar ("HKD") 5 cents (equivalent to RMB4.3 cents) (2016: HKD4 cents (equivalent to RMB3.4 cents)) per share was declared by the Board on 15 August 2017 using RMB52,770,000 of the retained earnings (2016: using RMB30,575,000 of the share premium account and RMB11,150,000 of the retained earnings). This interim dividend, amounting to HKD61,360,000 (equivalent to RMB52,770,000) (2016: HKD49,088,000 (equivalent to RMB41,725,000)), has not been recognised as liability in this condensed consolidated interim financial information. It will be reflected as an appropriation of share premium and retained earnings for the year ending 31 December 2017. Similarly, the interim dividend for 2016 declared by the Board on 16 August 2016 was reflected as an appropriation of share premium for the year ended 31 December 2016 after 30 June 2016.

The final dividend for 2016 of HKD88,973,000 (equivalent to RMB75,708,000) and for 2015 of HKD67,496,000 (equivalent to RMB61,636,000) had been reflected as an appropriation of share premium and retained earnings for the six months ended 30 June 2017 and 2016 respectively after obtaining the approval from the shareholders at the Company's annual general meeting held on 17 May 2017 and 12 May 2016 respectively.

The dividends paid in the six months ended 30 June 2017 were RMB75,708,000 (2016: RMB61,636,000).

11 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

(a) Trade and other receivables

	As at 30 June 2017 Unaudited ***RMB'000***	As at 31 December 2016 Audited *RMB'000*
Trade receivables due from third parties	**199,183**	227,464
Interest receivable on time deposits	**12,965**	10,495
Others	**4,014**	5,656
	16,979	16,151
Total of trade and other receivables	**216,162**	243,615

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

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

	As at 30 June 2017 Unaudited ***RMB'000***	As at 31 December 2016 Audited *RMB'000*
Up to 140 days	**198,087**	225,574
141 days to 6 months	**692**	926
6 months to 1 year	**320**	623
1 year to 2 years	**84**	341
	199,183	227,464

(b) **Prepayments**

	As at 30 June 2017 Unaudited *RMB'000*	As at 31 December 2016 Audited *RMB'000*
Non-current		
Prepayments for property, plant and equipment *(Note 16)*	**18,952**	27,611
Prepayments for land use rights	**15,650**	15,650
Prepayments for intangible assets	**1,370**	1,370
	35,972	44,631
Current		
Prepayments for lease of property and lease deposits	**56,270**	56,456
Prepayments for raw materials and packaging materials	**14,712**	11,778
Prepaid taxes	**11,007**	11,845
Prepayments to related parties	**92**	2,263
	82,081	82,342
	118,053	126,973

12 SHARE CAPITAL AND PREMIUM

	Number of authorised shares *(thousands)*	Number of issued shares *(thousands)*	Unaudited Ordinary shares (nominal value) *RMB'000*	Share premium *RMB'000*	Total *RMB'000*
At 1 January 2017 and 30 June 2017	**8,000,000**	**1,227,207**	**100,816**	**–**	**100,816**
At 1 January 2016	8,000,000	1,227,207	100,816	92,211	193,027
Final dividend for 2015 (i)	–	–	–	(61,636)	(61,636)
At 30 June 2016	8,000,000	1,227,207	100,816	30,575	131,391
Representing:					
– Portion of interim dividend declared using the share premium account (i)				30,575	

(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.

An interim dividend for 2016 amounting to RMB41,725,000 was declared by the Board on 16 August 2016, using RMB30,575,000 of the share premium account and RMB11,150,000 of the retained earnings. Details of the interim dividend declared are set out in Note 10.

13 OTHER RESERVES

	Unaudited				
	Merger reserve *RMB'000*	Capital reserve *RMB'000*	Statutory reserves *RMB'000*	Share-based payment reserve *RMB'000*	Total *RMB'000*
At 1 January 2017 and 30 June 2017	**278,811**	**231**	**220,717**	**–**	**499,759**
At 1 January 2016 and 30 June 2016	278,811	231	208,386	–	487,428

14 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.

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

	Average exercise price in HKD per share	Number of options *(thousands)*
As at 1 January 2017 and 30 June 2017	**–**	**–**
As at 1 January 2016	4.28	8,201
Lapsed *(Note (a))*	4.28	(8,191)
Forfeited *(Note (b))*	4.28	(10)
As at 30 June 2016	4.28	–

(a) During the six months ended 30 June 2016, the share options granted on 19 March 2013 were lapsed due to the expiry of the 3 years vesting period.

(b) Options were forfeited during the six months ended 30 June 2016 due to employees' resignation.

There are no outstanding share options as at 30 June 2017. None of the share options granted on 6 January 2012, 12 January 2012 and 19 March 2013 have been vested due to not achieving the Performance Conditions.

During the six months ended 30 June 2017 and 2016, no share option expense was charged to the condensed consolidated statement of comprehensive income.

15 TRADE AND OTHER PAYABLES

	As at 30 June 2017 Unaudited ***RMB'000***	As at 31 December 2016 Audited *RMB'000*
Trade payables – due to third parties	**79,511**	66,552
Trade payables – due to related parties	**27,355**	21,445
Total trade payables	**106,866**	87,997
Payables for property, plant and equipment	**2,466**	1,675
Other taxes payable	**16,315**	23,988
Employee benefit payables	**15,652**	22,333
Advances from customers	**49,418**	41,968
Others	**42,715**	39,093
	233,432	217,054

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

	As at 30 June 2017 Unaudited ***RMB'000***	As at 31 December 2016 Audited *RMB'000*
Up to 6 months	**97,572**	77,645
6 months to 1 year	**6,749**	7,432
1 year to 2 years	**2,077**	2,096
Over 2 years	**468**	824
	106,866	87,997

16 BORROWINGS

	As at 30 June 2017 Unaudited *RMB'000*	As at 31 December 2016 Audited *RMB'000*
Long-term bank borrowing		
– Secured (i)	**8,596**	8,946
Less: Current Portion	**(728)**	(710)
	7,868	8,236
Short-term bank borrowings		
– Unsecured (ii)	**204,600**	43,435
– Secured (iii)	**56,645**	50,000
Add: Current portion of long-term bank borrowing	**728**	710
	261,973	94,145
Total borrowings	**269,841**	102,381

(i) During the year ended 31 December 2016, a subsidiary Fujian Tian Fu Sales Co., Ltd. ("Fujian Tenfu") entered into an agreement with China Construction Bank Xiamen Branch for a long-term bank borrowing of RMB8,946,000 in connection with purchase of a store premise under construction and for which a prepayment of RMB17,355,000 for the full purchase price was made. The borrowing which is secured by the pledge of the store premise under construction bears interest at the rates quoted by People's Bank of China from time to time and requires monthly instalment of repayment up to November 2026. As at 30 June 2017, Fujian Tenfu repaid RMB350,000 and the remaining balance is RMB8,596,000.

(ii) As at 30 June 2017, short-term bank borrowings of RMB31,245,000 (31 December 2016: RMB33,435,000) of the Group are guaranteed by Mr. Lee Rie-Ho, Mr. Lee Chia Ling and Mr. Lee Kuo-Lin, all of them are directors of the Company, either separately or jointly.

(iii) As at 30 June 2017, short-term bank borrowings of RMB56,645,100 (31 December 2016: RMB50,000,000) of the Group are secured by the pledge of the land use rights and property, plant and equipment of the Group.

17 OTHER LIABILITIES

	As at 30 June 2017 Unaudited *RMB'000*	As at 31 December 2016 Audited *RMB'000*
Deferred revenue: customer loyalty programme	**17,630**	17,931

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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

In the first half of 2017, the Group achieved revenue of RMB779.8 million, up 5.2% from the corresponding period in 2016, and recorded profit for the period of RMB115.3 million, up 40.4% from the corresponding period in 2016. The increase in the Group's revenue for the period was attributable mainly to macro economic recovery.

In the first half of 2017, the macro economy recovered in the PRC and the consumer market got to upward 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, and achieved good performance in results.

1. **Leading brand position.** Being ranked first among 2015 China's Top 100 tea industry enterprises in terms of comprehensive strength, the "Tenfu" (天福) brand has one of the highest levels of brand awareness amongst tea product consumers in the PRC. With its high level of brand awareness and more than 25 years of presence in the market, as well as its diversified product range, the Group believes that it is in a good position to continue to occupy a large market share of branded traditional Chinese tea leaves and wait for the market re-bounce.

2. **Adjusting and optimizing sales network.** The Group has continued adjusting retail outlets and retail points with a view to optimising the reach of its sales network for its tea products in the PRC. As at 30 June 2017, the Group had a total of 1,162 self-owned and third-party owned retail outlets and retail points, down a net of 46 retail stores and retail points from a total of 1,208 as at 31 December 2016.

3. **Adjustment in each tea product category and development of diversified product lines.** In the first half of 2017, 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 fronts in response to the prevailing economic environment and market conditions, and as a result, distribution costs and administrative expenses decreased as compared to the corresponding period in 2016.

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 2017:

	Planned use of net proceeds at Listing	**Net proceeds used as at 30 June 2017**
Expand and optimize network of self-owned retail outlets and retail points	40.0%	24.8%
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%	79.2%

In the second half of 2017, with the recovery of the macro economy in the PRC, the Group plans to keep its market share, continue with its expansion, optimise its network of self-owned retail outlets and retail points. In particular, the Group plans to:

1. **Continue to adjust and optimise its retail sales network.** The Group will further adjust retail outlets and retail points, including both self-owned and third-party owned retail outlets and retail points, according to the economic development of the PRC. As part of this goal, the Group plans to establish new retail outlets on high-traffic streets in the central business districts of selected cities, as well as retail points in popular shopping malls. In addition, the Group plans to continue to strengthen its business relationships with major department stores and hypermarkets by entering into further cooperation agreements to expand the circulation of its tea products. To capture more customers who prefer to buy their tea products on-line, the Group continues to promote internet sales through its subsidiary, namely, Xiamen Tianyu Commerce and Trading Co., Limited (廈門天鈺商貿有限公司). The Group will continue to monitor other opportunities for multi-channel sales and distribution network, which enables the Group to access a broad market audience and penetrate into different regions in the PRC, and continue to rapidly expand their sales.

2. **Continue to enhance brand reputation and consumer awareness.** The Group plans to maintain and promote its high level of brand awareness through targeted marketing and promotional activities. The Group will devote further efforts to promote its products and brands during major traditional Chinese festivals, and continue opening tea cultural flagship stores in order to maintain and promote the well-known "Tenfu" (天福) brand. The Group also plans to continue the promotion of an enhanced rewards program for its customers in order to encourage repeating business and increase customer loyalty.

3. **Continue to develop new concepts for tea-related products.** The Group believes that a broad portfolio of products will help it maintain its leading brand awareness and keep pace with constantly changing consumer preferences and trends. To this end, the Group plans to develop and introduce new concepts for tea-related products and expand its product portfolio. Xiamen Tianqia Catering Management Co., Limited (廈門天洽餐飲管理有限公司), a subsidiary of the Group, offers the tea drink (including milk tea) 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), further developed the tea drink business with the trademark of "喫茶趣TO GO". The Group will further monitor the opportunity and expand its market share in other tea products once available.

4. **Expand production capacity through the increase of the number of processing facilities.** The Group plans to cater for future growth and anticipated increases in the demand for tea and tea-related products by expanding production capacity when suitable acquisition opportunities arise or suitable construction sites can be acquired. The Group has production facilities strategically located in different parts of China, which would achieve optimisation in procurement costs.

5. **Quality control.** The Group considers product quality control 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. In October 2015, the Group got the qualification certification for its egg roll and candy production line and related auxiliary areas, reaching the consolidated standards for prerequisite and food safety programs of American Institute of Baking.

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 2017, the Group was engaged in the sales and marketing of a comprehensive range of tea products and the development of product concepts, tastes and packaging designs. The Group has manufacturing plants in Fujian province, Sichuan province and Zhejiang province, 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. The Group also operates the sales of tea drink (including milk tea) with the trademark of "放牛斑" and "喫茶趣TO GO".

During the six months ended 30 June 2017, the Group derived substantially all of its revenue from the sales of tea leaves, tea ware and tea snacks. The revenue of the Group increased by 5.2% from RMB740.9 million for the six months ended 30 June 2016 to RMB779.8 million for the six months ended 30 June 2017. The following table sets forth a breakdown of revenue by product category for the periods indicated:

	Six months ended 30 June			
	2017		2016	
	RMB'000	***%***	*RMB'000*	*%*
Revenue contributed from:				
Sales of tea leaves	**539,966**	**69.2**	521,342	70.4
Sales of tea snacks	**110,697**	**14.2**	104,907	14.2
Sales of tea ware	**89,111**	**11.4**	79,435	10.7
Others[1]	**40,010**	**5.2**	35,261	4.7
Total	**779,784**	**100.0**	740,945	100.0

Note:

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

Revenue from sales of the Group's tea leaves increased by 3.6% from RMB521.3 million for the six months ended 30 June 2016 to RMB540.0 million for the six months ended 30 June 2017. Revenue from sales of the Group's tea snacks increased by 5.5% from RMB104.9 million for the six months ended 30 June 2016 to RMB110.7 million for the six months ended 30 June 2017. Revenue from sales of the Group's tea ware increased by 12.2% from RMB79.4 million for the six months ended 30 June 2016 to RMB89.1 million for the six months ended 30 June 2017. The increase in revenue across all three product categories were mainly due to macro economic recovery in the PRC.

As of 30 June 2017, the Group had approximately 400 self-owned retail outlets and 200 wholesalers throughout Mainland China accounted for approximately 63% and 32% of the total revenue respectively, compared with approximately 400 self-owned retail outlets and 200 wholesalers as of 31 December 2016.

Cost of sales

Cost of sales of the Group primarily comprises costs of inventory (mainly including costs of raw materials) and labour costs. Cost of sales of the Group increased by 6.0% from RMB286.7 million for the six months ended 30 June 2016 to RMB303.9 million for the six months ended 30 June 2017, primarily due to increase of revenue.

Gross profit and gross profit margin

As a result of the foregoing factors, gross profit of the Group increased by 4.8% from RMB454.2 million for the six months ended 30 June 2016 to RMB475.9 million for the six months ended 30 June 2017, with gross profit margin of 61.0% for the six months ended 30 June 2017, which was comparable with that of 61.3% for the six months ended 30 June 2016.

Distribution costs

The distribution costs of the Group decreased by 4.7% from RMB233.5 million for the six months ended 30 June 2016 to RMB222.6 million for the six months ended 30 June 2017. The decrease of distribution costs was primarily due to a decrease of rental and free trial expenses as a result of the decrease of retail stores.

Administrative expenses

Administrative expenses for the Group was RMB106.2 million for the six months ended 30 June 2017, which was approximately same as that of RMB106.2 million for the six months ended 30 June 2016.

Other income

Other income of the Group increased by 63.6% from RMB3.9 million for the six months ended 30 June 2016 to RMB6.4 million for the six months ended 30 June 2017. The increase was primarily due to the increase in PRC government grants which were recognized as income immediately.

Other losses – net

Other losses of the Group was RMB0.2 million for the six months ended 30 June 2017, as compared to other losses of RMB3.5 million for the six months ended 30 June 2016, primarily due to the decrease in losses from the disposal of property, plant and equipment.

Finance income

Finance income of the Group decreased from RMB9.5 million for the six months ended 30 June 2016 to RMB6.1 million for the six months ended 30 June 2017, primarily due to lesser funds placed as bank deposits.

Finance costs

Finance costs of the Group increased by 10.6% from RMB5.2 million for the six months ended 30 June 2016 to RMB5.8 million for the six months ended 30 June 2017, primarily due to an increase in interest expenses on bank borrowings, reflecting an increase in the Group's bank borrowings from RMB102.4 million as at 31 December 2016 to RMB269.8 million as at 30 June 2017.

Share of profits less losses of investments accounted for using the equity method

Share of profits less losses of investments accounted for using the equity method of the Group was a net gain amounting to RMB0.6 million and a net loss amounting to RMB1.4 million for the six months ended 30 June 2017 and 2016, respectively.

Income tax expense

Income tax expense of the Group increased by 9.4% from RMB35.6 million for the six months ended 30 June 2016 to RMB39.0 million for the six months ended 30 June 2017, primarily due to an increase in the Group's profit before tax from RMB117.7 million for the six months ended 30 June 2016 to RMB154.2 million for the six months ended 30 June 2017.

Profit for the period

As a result of the foregoing factors and primarily due to increase in revenue and decrease in expenses, profit of the Group, all of which was attributable to the owners of the Company, increased by RMB33.2 million, or 40.4%, from RMB82.1 million for the six months ended 30 June 2016 to RMB115.3 million for the six months ended 30 June 2017. Net profit margin of the Group increased from 11.1% for the six months ended 30 June 2016 to 14.8% for the six months ended 30 June 2017.

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 RMB69.7 million, or 25.8%, from RMB270.4 million as at 31 December 2016 to RMB340.2 million as at 30 June 2017, primarily due to proceeds from bank borrowings.

The Group had net cash inflow from operating activities of RMB156.7 million, net cash outflow from investing activities of RMB180.4 million and net cash inflow from financing activities of RMB91.6 million for the six months ended 30 June 2017.

Bank borrowings and gearing ratio

The Group had total bank borrowings of RMB269.8 million as at 30 June 2017 compared to RMB102.4 million as at 31 December 2016. As at 30 June 2017, the weighted average effective interest rate of the Group's bank borrowings was 4.1%, and 88.4% of the Group's bank borrowings were denominated in RMB, while 11.6% were denominated in HKD.

During the year ended 31 December 2016, a subsidiary Fujian Tian Fu Sales Co., Ltd. ("**Fujian Tenfu**"), entered into an agreement with China Construction Bank Xiamen Branch for a long-term bank borrowing of RMB8.9 million in connection with purchase of a store premise under construction, and for which a prepayment of RMB17.4 million for the full purchase price was made. The borrowing which is secured by the pledge of the store premise under construction bears interest at the rates quoted by People's Bank of China from time to time and requires monthly instalment of repayment up to November 2026. As at 30 June 2017, Fujian Tenfu repaid RMB350,000 and the remaining balance is RMB8.6 million. As at 30 June 2017, short-term bank borrowings of RMB31.2 million of the Group are guaranteed by Mr. Lee Rie-Ho, Mr. Lee Chia Ling and Mr. Lee Kuo-Lin, all of them are directors of the Company ("**Directors**"), either separately or jointly, and short-term bank borrowings of RMB56.6 million of the Group are secured by the pledge of the land use rights and property, plant and equipment of the Group. As at 31 December 2016, short-term bank borrowings of RMB50.0 million of the Group are secured by the pledge of land use rights and property, plant and equipment of the Group. As at 31 December 2016, short-term bank borrowings of RMB33.4 million of the Group are guaranteed by Mr. Lee Rie-Ho, Mr. Lee Chia Ling and Mr. Lee Kuo-Lin, all of them are directors of the Company, either separately or jointly.

The Directors are of the view that the guarantee of bank borrowings of RMB31.2 million as at 30 June 2017 by Mr. Lee Rie-Ho, Mr. Lee Chia Ling and Mr. Lee Kuo-Lin, being a form of financial assistance (as defined in the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**")) 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 2017, the gearing ratio of the Group was 10%, compared to 5% as at 31 December 2016. The increase during the first half of 2017 was primarily due to increase of bank borrowings.

Working capital

	As at 30 June 2017 *RMB'000*	As at 31 December 2016 *RMB'000*
Trade and other receivables	**216,162**	243,615
Trade and other payables	**233,432**	217,054
Inventories	**482,993**	446,060
Trade receivables turnover days[(1)]	**103**	123
Trade payables turnover days[(2)]	**58**	60
Inventories turnover days[(3)]	**275**	287

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 RMB27.5 million from RMB243.6 million as at 31 December 2016 to RMB216.2 million as at 30 June 2017, primarily due to the settlement of trade receivables due from third parties.

The Group's trade and other payables principally comprise payables to its raw material suppliers, employee benefit payables, other taxes payable, accrued operating expenses and advances from customers. The Group's trade and other payables increase from RMB217.1 million as at 31 December 2016 to RMB233.4 million as at 30 June 2017, primarily due to an increase of trade related amounts due to third parties and related parties.

The Group's inventories comprise raw materials (including packaging materials), work-in-progress and finished goods. The Group's inventories increased from RMB446.1 million as at 31 December 2016 to RMB483.0 million as at 30 June 2017, primarily reflecting an increase in purchase volume.

As at 30 June 2017, 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 2017, 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 and RMB will continue to stabilise after going through a downward adjustment in 2016.

Any future depreciation of RMB could adversely affect the value of any dividends the Group pays to its shareholders. There are limited hedging instruments available in the PRC to reduce our exposure to exchange rate fluctuations between the RMB and other currencies. 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 2017.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2017, the Group had a total of 4,561 employees with 4,557 employees based in the PRC and 4 employees based in Hong Kong. For the six months ended 30 June 2017, the labour cost of the Group was RMB144.4 million.

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

The Group also provides continuous learning and training programs to its employees to enhance their skills and knowledge, so as to maintain their competitiveness and improve customer service. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or any material labour dispute during the six months ended 30 June 2017.

The Company adopted a share option scheme on 17 December 2010. During the six months ended 30 June 2017, the Company did not grant any options to subscribe for shares of the Company and the Company has no outstanding share option as at 30 June 2017.

OTHER INFORMATION

Purchase, Sales or Redemption of Shares

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Corporate Governance

The Company is committed to the establishment of stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company strives to maintain a high standard of corporate governance. For the six months ended 30 June 2017, the Company has complied with the code provisions included in the 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 for the six months ended 30 June 2017.

Model Code for Securities Transactions by Directors

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as the code for dealings in securities transactions by the Directors. Specific enquiries have been made with all Directors and they have confirmed their compliance with the required standard set out in the Model Code throughout the six months ended 30 June 2017.

Interim Dividend

At the Board meeting held on 15 August 2017, it was resolved that an interim dividend of HKD0.05 (equivalent to RMB0.043) per share (2016 interim dividend: HKD0.04 (equivalent to RMB0.034) per share) be paid on or around 28 September 2017 to the shareholders (the "**Shareholders**") of the Company whose names appear on the Company's register of members on 15 September 2017. 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 2017, 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 13 September 2017 to 15 September 2017, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the interim dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 12 September 2017.

Review of Accounts

The audit committee of the Company (the "**Audit Committee**") comprises the three independent non-executive Directors and one non-executive Director. The Audit Committee and the Company's management have reviewed the accounting principles and practices adopted by the Group, and discussed risk management, internal control and financial reporting matters including review of the unaudited interim results of the Group for the six months ended 30 June 2017. The condensed consolidated interim financial statements of the Group for the six months ended 30 June 2017 have also been reviewed by PricewaterhouseCoopers, the external auditor of the Company, in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Publication of Interim Report

This interim results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.tenfu.com). The interim report of the Company for the six months ended 30 June 2017 containing all the information required by the Listing Rules will be despatched to the Shareholders and made available for review on the aforesaid websites in due course.

By order of the Board
Tenfu (Cayman) Holdings Company Limited
Lee Chia Ling
Director

Hong Kong, 15 August 2017

As at the date of this announcement, the Board comprises nine members, of which Mr. Lee Rie-Ho, Mr. Lee Shih-Wei, Mr. Lee Chia Ling and Mr. Lee Kuo-Lin are the executive Directors; Mr. Tseng Ming-Sung and Mr. Wei Ke are the non-executive Directors and Mr. Lo Wah Wai, Mr. Lee Kwan Hung and Mr. Fan Ren Da, Anthony are the independent non-executive Directors.