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 2019

Contents

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

LI Jie

Independent Non-executive Directors

LO Wah Wai

LEE Kwan Hung, Eddie

FAN Ren Da, Anthony

BOARD COMMITTEES

Audit Committee

LO Wah Wai *(Chairman)*

TSENG Ming-Sung

FAN Ren Da, Anthony

LEE Kwan Hung, Eddie

Nomination Committee

LEE Kwan Hung, Eddie *(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, Eddie

LEE Chia Ling

Corporate Information

REGISTERED OFFICE

P.O. Box 2681

Cricket Square, Hutchins Drive

Grand Cayman KY1-1111

Cayman Islands

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

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Xiamen

the PRC

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room E, 22/F

CNT Tower

338 Hennessy Road

Wanchai

Hong Kong

AUTHORIZED REPRESENTATIVES

LEE Chia Ling

LAM Yuk Ling

COMPANY SECRETARY

LAM Yuk Ling

PRINCIPAL SHARE REGISTRAR

SMP Partners (Cayman) Limited

Royal Bank House-3rd Floor

24 Shedden Road, P.O. Box 1586

Grand Cayman KY1-1110

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712-1716

17th Floor, Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

Corporate Information

PLACE OF LISTING

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

NAME OF STOCK

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

STOCK CODE

6868

(listed on the Stock Exchange since 26 September 2011) (the "**Listing Date**")

PRINCIPAL BANKERS

Bank of China Limited, Zhangpu Sub-branch

Bank of Communications Co. Ltd., Xiamen Branch

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants

22/F, Prince's Building

Central, Hong Kong

WEBSITE

www.tenfu.com

BUSINESS REVIEW AND OUTLOOK

In the first half of 2019, the Company and its subsidiaries (collectively, the "**Group**") achieved revenue of RMB839.8 million, up 2.5% from the corresponding period in 2018, and recorded profit for the period of RMB124.8 million, down 4.0% from the corresponding period in 2018. The increase in the Group's revenue for the period was attributable mainly to an upturn of China's consumption market and a change in product structure to increase the sales of high margin products.

In the first half of 2019, the macro economy recovered in the People's Republic of China (the "**PRC**") and the consumer market got an 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 2017 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 optimising 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 2019, the Group had a total of 1,113 self-owned and third-party owned retail outlets and retail points, down a net of 7 retail stores and retail points from a total of 1,120 as at 31 December 2018.

3. **Adjustment in each tea product category and development of diversified product lines.** In the first half of 2019, the Group adjusted its tea product categories, increasing the sales percentage of middle- and higher-ended products to meet Chinese consumers' need. Additionally, the Group established cooperation with Kinmen Kaoliang Liquor Inc. of Taiwan to sell the sorghum liquor with double brands, i.e. Tenfu and KKL in the PRC from mid of 2019.

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 2019:

	Planned use of net proceeds at the Listing		Net proceeds used as at 30 June 2019		Remaining balance as at 30 June 2019		Expected time of full utilisation of remaining balance
	Amount* (million RMB)	Percentage* (%)	Amount* (million RMB)	Percentage* (%)	Amount* (million RMB)	Percentage* (%)	
Expand and optimize network of self-owned retail outlets and retail points	373.3	40.0	270.3	29.0	103.0	11.0	By 31 December 2024
Acquire store premises for self-owned retail outlets	233.3	25.0	233.3	25.0	0	0	–
Working capital and other general corporate purposes	93.3	10.0	93.3	10.0	0	0	–
Maintain and promote brands	140.0	15.0	111.3	11.9	28.7	3.1	By 31 December 2022
Expand production capacity	93.3	10.0	93.3	10.0	0	0	–
Total	933.3	100.0	801.6	85.9	131.7	14.1	

* *Each of the figures is rounded up to one decimal place and may not add up due to rounding.*

In the second half of 2019, 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 and third-party 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 cooperated with Caffaina Coffee Gallery, a Taiwan dessert and coffee restaurant brand, to open a restaurant in Shanghai, namely, Shanghai Caffaina Coffee Gallery. 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. Tea mooncakes of the Group have obtained the titles of "high quality mooncakes" and "China mooncakes" of China Mooncakes Culture Festival since 2012 for eight consecutive years.

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 2019, 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, Zhejiang province and Guizhou 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 2019, 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 2.5% from RMB818.9 million for the six months ended 30 June 2018 to RMB839.8 million for the six months ended 30 June 2019. The following table sets forth a breakdown of revenue by product category for the periods indicated:

	Six months ended 30 June			
	2019		2018	
	RMB'000	**%**	RMB'000	%
Revenue contributed from:				
Sales of tea leaves	583,989	69.5	572,104	69.9
Sales of tea snacks	108,035	12.9	107,624	13.1
Sales of tea ware	104,221	12.4	97,323	11.9
Others[(1)]	43,529	5.2	41,890	5.1
Total	839,774	100.0	818,941	100.0

Note:

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

Revenue from sales of the Group's tea leaves increased by 2.1% from RMB572.1 million for the six months ended 30 June 2018 to RMB584.0 million for the six months ended 30 June 2019. Revenue from sales of the Group's tea snacks increased by 0.4% from RMB107.6 million for the six months ended 30 June 2018 to RMB108.0 million for the six months ended 30 June 2019. Revenue from sales of the Group's tea ware increased by 7.1% from RMB97.3 million for the six months ended 30 June 2018 to RMB104.2 million for the six months ended 30 June 2019. The increase in revenue across all three product categories were mainly due to the overall economic development trend, an upturn of consumer market, a change in product structure and a success in sales promotion.

As at 30 June 2019, the Group had approximately 266 self-owned retail outlets and 200 wholesalers throughout Mainland China accounted for approximately 52% and 43% of the total revenue respectively, compared with approximately 278 self-owned retail outlets and 200 wholesalers as at 31 December 2018.

Cost of sales

Cost of sales of the Group primarily comprises costs of inventory (mainly including costs of raw materials) and labour costs. Cost of sales of the Group increased by 2.3% from RMB318.1 million for the six months ended 30 June 2018 to RMB325.4 million for the six months ended 30 June 2019, primarily due to an increase in sales.

Gross profit and gross profit margin

As a result of cost control and sales promotion, gross profit of the Group increased by 2.7% from RMB500.9 million for the six months ended 30 June 2018 to RMB514.4 million for the six months ended 30 June 2019, with gross profit margin increasing from 61.2% for the six months ended 30 June 2018 to 61.3% for the six months ended 30 June 2019.

Distribution costs

The distribution costs of the Group decreased by 2.0% from RMB216.6 million for the six months ended 30 June 2018 to RMB212.2 million for the six months ended 30 June 2019. The decrease of distribution costs was primarily due to optimisation of self-owned retail outlets.

Administrative expenses

Administrative expenses for the Group increased by 6.6% from RMB112.2 million for the six months ended 30 June 2018 to RMB119.6 million for the six months ended 30 June 2019. The increase was primarily due to an increase of labour costs.

Other income

Other income of the Group increased by 13.9% from RMB10.1 million for the six months ended 30 June 2018 to RMB11.5 million for the six months ended 30 June 2019. The increase was primarily due to an increase in the PRC government grants which were recognised as income immediately.

Other gains – net

Other gains of the Group was RMB0.4 million for the six months ended 30 June 2019, which was approximately the same for the six months ended 30 June 2018.

Finance income

Finance income of the Group decreased from RMB5.1 million for the six months ended 30 June 2018 to RMB4.1 million for the six months ended 30 June 2019, primarily due to a decrease in interest income.

Finance costs

Finance costs of the Group increased by 360.0% from RMB4.0 million for the six months ended 30 June 2018 to RMB18.4 million for the six months ended 30 June 2019, primarily due to an increase in interest expenses on bank borrowings and foreign exchange losses.

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

Share of profits less losses of investments accounted for using equity method of the Group was a net profit amounting to RMB1.7 million and a net profit amounting to RMB0.8 million for the six months ended 30 June 2019 and 2018, respectively.

Income tax expense

Income tax expense of the Group increased by 4.5% from RMB53.7 million for the six months ended 30 June 2018 to RMB56.1 million for the six months ended 30 June 2019, primarily due to an increase in the Group's accrual of withholding taxes due to the distribution percentage change of shareholder dividend by subsidiaries.

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 RMB5.2 million, or 4.0%, from RMB130.0 million for the six months ended 30 June 2018 to RMB124.8 million for the six months ended 30 June 2019. Net profit margin of the Group for the six months ended 30 June 2019 decreased correspondingly from 15.9% for the six months ended 30 June 2018 to 14.9%.

Liquidity and capital resources

Cash position

The operations of the Group are capital intensive, and its liquidity requirements arise principally from the need for working capital to finance its operations and expansions. The Group has historically met its working capital and other capital requirements principally from cash generated from its operations, bank borrowings and capital contributions by its shareholders.

The Group's cash and cash equivalents decreased by RMB403.9 million, or 60.6%, from RMB666.8 million as at 31 December 2018 to RMB262.9 million as at 30 June 2019, primarily due to repurchasing of shares of the Company and dividends paid to the owners of the Company.

The Group had net cash inflow from operating activities of RMB146.7 million, net cash outflow from investing activities of RMB133.5 million and net cash outflow from financing activities of RMB413.2 million for the six months ended 30 June 2019.

Bank borrowings and gearing ratio

The Group had total bank borrowings of RMB397.1 million as at 30 June 2019 compared to RMB349.8 million as at 31 December 2018. As at 30 June 2019, the weighted average effective interest rate of the Group's bank borrowings was 4.4%, and 100% of the Group's bank borrowings were denominated in RMB.

The long-term bank borrowing of RMB8,946,000 represented the mortgage loan for the purchase of a store premise under construction. The borrowing 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 2019, short-term bank borrowings of RMB260,000,000 (31 December 2018: RMB172,302,000) were guaranteed by Mr. Lee Rie-Ho, Mr. Lee Chia Ling and Mr. Lee Kuo-Lin, all of them are the Directors, either separately or jointly. As at 30 June 2019, short-term bank borrowings of RMB80,000,000 (31 December 2018: nil) were secured by the pledge of time deposits of RMB80,000,000 (31 December 2018: nil) as collateral.

The Directors are of the view that the guarantee of bank borrowings of RMB260 million as at 30 June 2019 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) 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 and total lease liabilities. Total capital is calculated as total equity plus total debt. As at 30 June 2019, the gearing ratio of the Group was 23.0%, compared to 14.7% as at 31 December 2018. The increase during the first half of 2019 was primarily due to an increase in total borrowings and the inclusion of total lease liabilities in the total debt pursuant to the latest accounting principles.

Working capital

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Trade and other receivables	223,007	243,778
Trade and other payables	252,384	255,579
Inventories	689,694	648,687
Trade receivables turnover days[(1)]	91	96
Trade payables turnover days[(2)]	80	72
Inventories turnover days[(3)]	370	330

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 RMB20.8 million from RMB243.8 million as at 31 December 2018 to RMB223.0 million as at 30 June 2019, primarily due to a decrease of trade receivables from the third parties.

The Group's trade and other payables principally comprise payables to its raw material suppliers, employee benefit payables, other taxes payable, accrued operating expenses and advances from customers. The Group's trade and other payables decreased from RMB255.6 million as at 31 December 2018 to RMB252.4 million as at 30 June 2019, primarily due to the payment arrangement.

The Group's inventories comprise raw materials (including packaging materials), work-in-progress and finished goods. The Group's inventories increased from RMB648.7 million as at 31 December 2018 to RMB689.7 million as at 30 June 2019, because of an increase in purchase volume.

As at 30 June 2019, the Group has sufficient working capital and financial resources to support for 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 2019, 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.

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 2019.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2019, the Group had a total of 4,098 employees with 4,094 employees based in the PRC and 4 employees based in Hong Kong. For the six months ended 30 June 2019, the labour cost of the Group was RMB158.7 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 2019.

The Company adopted a share option scheme on 17 December 2010 to recognise and acknowledge the contributions the employees had or may have made to the Group. For details, please refer to the section headed "Share Option Scheme" in this interim report.

SHARE OPTION SCHEME

On 17 December 2010, the Company adopted a share option scheme (the "**Share Option Scheme**") whereby the Board can grant share options for the subscription of the Company's shares (the "**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 share 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 (the "**Shareholders**") in general meeting, the number of share options that may be granted to a Participant under the Share Option Scheme shall not exceed 1% within any 12-month period (other than those granted to the substantial shareholders (as defined in the Listing Rules), or the total number of share options that may be granted under the Share Option Scheme to the independent non-executive Directors, chief executive 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 share options must be held before they become exercisable, and the share options granted shall be exercised within the period decided by the Board, however no share options shall be exercised 10 years after they have been granted. The exercise price of the share options 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 HKD1.00 at the time the share option is granted. The Share Option Scheme shall take effect from the date it is adopted and shall remain effective within a period of 10 years from that date.

During the years ended 31 December 2010 and 2011, no share options were granted. Subsequently, the Company granted share options to subscribe for an aggregate of 7,046,000 Shares on 6 January 2012 to certain Directors, employees and independent third party distributors of the Group and an aggregate of 1,307,000 share options on 12 January 2012 to certain Directors. On 19 March 2013, the Company granted share options to certain Directors, employees and independent third party distributors of the Group to subscribe for an aggregate of 8,353,000 Shares. These share options vest in tranches over a period of up to 3 years. During the three years ended 31 December 2014, 2015 and 2016, no share options were granted. During the year ended 31 December 2015, 8,133,000 and 61,000 share options were lapsed due to unfulfillment of vesting conditions, i.e., unrealisation of performance targets set out for the three years ended 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 year ended 31 December 2015. During the year ended 31 December 2016, 8,191,000 and 10,000 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 2015 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 year ended 31 December 2016. During the year ended 31 December 2017 and 2018 and the six months ended 30 June 2019, the Company did not grant any options to subscribe for Shares. The Company has no outstanding share options as at 30 June 2019.

The total number of Shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme is 122,720,746 Shares, representing 10.7% of the total issued Shares as at the date of this report.

Other Information

INTERIM DIVIDEND

At the Board meeting held on 20 August 2019, it was resolved that an interim dividend of HKD0.06 (equivalent to RMB0.054) per Share (2018 interim dividend: HKD0.06 (equivalent to RMB0.052) per Share) be paid on or around 26 September 2019 to the Shareholders whose names appear on the Company's register of members on 10 September 2019. 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 2019, 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 6 September 2019 to 10 September 2019, 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 5 September 2019.

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

As at 30 June 2019, 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:

(i) Interest in the Company

Name of Director	Nature of interest	Number of securities(3)	Approximate percentage of shareholding
Mr. Lee Rie-Ho(1)	Interest in a controlled corporation	188,760,000 (L)	16.41%
Mr. Lee Shih-Wei	Personal interest/individual	4,719,000 (L)	0.41%
Mr. Lee Chia Ling(2)	Settlor of The KCL Trust	377,520,000 (L)	32.82%
	Personal interest/individual	62,538,000 (L)	5.44%
Mr. Lee Kuo-Lin(2)	Beneficiary of The KCL Trust	377,520,000 (L)	32.82%
Mr. Tseng Ming-Sung	Personal interest/individual	4,719,000 (L)	0.41%

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.*

(2) *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, Mr. Lee Kuo-Lin and Mr. Lee John L 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.*

(3) *The letter "L" denotes long position in such shares.*

(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 2019, 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:

Name	Capacity in which interests are held	Number of Shares[5]	Approximate percentage of shareholding
Discerning Group Limited[1]	Registered owner	188,760,000 (L)	16.41%
Ms. Lee Tsai Li-Li[1]	Interest as a spouse	188,760,000 (L)	16.41%
UBS TC (Jersey) Ltd.[2] [3]	Trustee	377,520,000 (L)	32.82%
Trackson Investments Limited[2]	Registered owner	377,520,000 (L)	32.82%
Tiger Nature Holdings Limited[2]	Interest in a controlled corporation	377,520,000 (L)	32.82%
The KCL Trust[2]	Interest in a controlled corporation	377,520,000 (L)	32.82%
Mr. Lee John L[2]	Beneficiary of The KCL Trust	377,520,000 (L)	32.82%
Ms. Zhou Nan-Nan[2]	Interest as a spouse	440,058,000 (L)	38.26%
General Atlantic Singapore Fund Pte. Ltd.[4]	Registered owner Registered owner	71,783,298 (L) 71,783,298 (S)	6.24% 6.24%

Name	Capacity in which interests are held	Number of Shares[5]	Approximate percentage of shareholding
General Atlantic Singapore Fund Interholdco Ltd.[4]	Interest in a controlled corporation	71,783,298 (L)	6.24%
	Interest in a controlled corporation	71,783,298 (S)	6.24%
General Atlantic Partners (Bermuda) II, L.P.[4]	Interest in a controlled corporation	71,783,298 (L)	6.24%
	Interest in a controlled corporation	71,783,298 (S)	6.24%
General Atlantic Partners (Bermuda) III, L.P.[4]	Interest in a controlled corporation	71,783,298 (L)	6.24%
	Interest in a controlled corporation	71,783,298 (S)	6.24%
General Atlantic Partners (Bermuda) IV, L.P.[4]	Interest in a controlled corporation	71,783,298 (L)	6.24%
	Interest in a controlled corporation	71,783,298 (S)	6.24%
General Atlantic GenPar (Bermuda), L.P.[4]	Interest in a controlled corporation	71,783,298 (L)	6.24%
	Interest in a controlled corporation	71,783,298 (S)	6.24%
GAP (Bermuda) Limited[4]	Interest in a controlled corporation	71,783,298 (L)	6.24%
	Interest in a controlled corporation	71,783,298 (S)	6.24%
Spring Cheers Overseas Ltd.	Registered owner	114,379,023 (L)	9.94%

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.

(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, Mr. Lee Kuo-Lin and Mr. Lee John L 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.

(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) IV, L.P. ("**GAP IV LP**") and other shareholders of GA Interholdco include General Atlantic Partners (Bermuda) II, L.P. ("**GAP II LP**") and General Atlantic Partners (Bermuda) III, L.P. ("**GAP III LP**"). The general partner of each of GAP II LP, GAP III LP and GAP IV 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, GAP IV LP, GA GenPar and GAP (Bermuda) Limited were stated herein by referring to the disclosures of interests on the website of the Stock Exchange.*

(5) The letter "L" denotes long position in such shares.

(6) The letter "S" denotes short position in such shares.

Other Information

CORPORATE GOVERNANCE

The Company is committed to the establishment of stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company strives to maintain a high standard of corporate governance. For the six months ended 30 June 2019, 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 2019.

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

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 2018 annual report of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2019, the Company repurchased a total of 49,457,000 Shares on the Stock Exchange at an aggregate consideration of HKD247,813,560. 49,174,000 Shares and 600,000 Shares repurchased were cancelled on 22 May 2019 and 24 June 2019, respectively.

Details of the Share repurchases during the six months ended 30 June 2019 are as follows:

Month	Total number of Shares repurchased	Purchase price paid per Share Highest (HKD)	Purchase price paid per Share Lowest (HKD)	Aggregate consideration (HKD)
2019				
January	683,000	5.62	5.19	3,727,850
March	23,000	5.22	5.12	119,430
April	387,000	5.29	5.15	2,019,860
May	48,275,000	5.30	4.99	241,492,380
June	89,000	5.15	5.05	454,040
	49,457,000			247,813,560

The Board considers that the current trading price of the Shares does not reflect their intrinsic value. The Board believes that the share repurchases reflected the Company's confidence in its long-term business prospects and would ultimately benefit the Company and create value for the Shareholders. The Board also believes that the Company's strong financial position will enable it to conduct the share repurchases while maintaining a solid financial position for the continuation of the Company's business and growth in the current financial year.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2019.

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 2019.

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 risk management and internal control systems. 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, Eddie 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 risk management, internal control and financial reporting matters. The unaudited interim results and the interim report of the Group for the six months ended 30 June 2019 have been reviewed by the Audit Committee. The condensed consolidated interim financial statements of the Group for the six months ended 30 June 2019 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 report is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.tenfu.com). This report will be despatched to the shareholders of the Company and made available for review on the aforesaid websites.

For and on behalf of the Board

Tenfu (Cayman) Holdings Company Limited

Lee Rie-Ho

Chairman

Hong Kong, 20 August 2019

Condensed Consolidated Balance Sheet

As at 30 June 2019

	Note	As at 30 June 2019 Unaudited RMB'000	As at 31 December 2018 Audited RMB'000
ASSETS			
Non-current assets			
Investment properties	8	9,154	9,460
Property, plant and equipment	8	686,430	700,364
Right-of-use assets	4	414,086	–
Land use rights	4	–	280,419
Intangible assets	8	3,947	3,203
Investments accounted for using equity method		108,011	108,492
Deferred income tax assets		45,347	42,583
Prepayments – non-current portion	9(ii)	1,399	1,989
Restricted cash	11	80,000	–
Long-term time deposits	11	50,000	–
		1,398,374	1,146,510
Current assets			
Inventories	10	689,694	648,687
Trade and other receivables	9(i)	223,007	243,778
Prepayments	9(ii)	57,818	75,053
Time deposits	11	123,185	56,800
Cash and cash equivalents	11	262,913	666,820
		1,356,617	1,691,138
Total assets		2,754,991	2,837,648

Condensed Consolidated Balance Sheet

As at 30 June 2019

	Note	**As at 30 June 2019 Unaudited RMB'000**	As at 31 December 2018 Audited RMB'000
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	12	94,526	98,593
Treasury shares	12	(184)	(1,735)
Other reserves	13	201,495	409,316
Retained earnings		1,503,545	1,531,504
Total equity		1,799,382	2,037,678
LIABILITIES			
Non-current liabilities			
Borrowings	15	6,296	6,703
Lease liabilities – non-current portion	4	103,997	–
Deferred income of government grants		34,991	36,057
Deferred income tax liabilities		11,912	16,413
		157,196	59,173
Current liabilities			
Trade and other payables	14	252,384	255,579
Current income tax liabilities		42,911	64,525
Borrowings	15	390,806	343,088
Lease liabilities	4	36,163	–
Contract liabilities	16	76,149	77,605
		798,413	740,797
Total liabilities		955,609	799,970
Total equity and liabilities		2,754,991	2,837,648

The notes on pages 34 to 68 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
		Unaudited	Unaudited
	Note	**RMB'000**	RMB'000
Revenue	7	839,774	818,941
Cost of sales		(325,411)	(318,091)
Gross profit		514,363	500,850
Distribution costs		(212,213)	(216,561)
Administrative expenses		(119,632)	(112,171)
Other income	17	11,501	10,099
Other losses – net	18	(385)	(374)
Operating profit		193,634	181,843
Finance income	19	4,072	5,099
Finance costs	19	(18,426)	(4,011)
Finance income – net	19	(14,354)	1,088
Share of profits less losses of investments accounted for using equity method		1,659	828
Profit before income tax		180,939	183,759
Income tax expense	21	(56,130)	(53,725)
Profit for the period, all attributable to the owners of the Company		124,809	130,034
Other comprehensive income for the period		–	–
Total comprehensive income for the period, all attributable to the owners of the Company		124,809	130,034
Earnings per share for profit attributable to the owners of the Company			
– Basic earnings per share	22	RMB0.11	RMB0.11
– Diluted earnings per share	22	RMB0.11	RMB0.11

The notes on pages 34 to 68 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

		Unaudited				
		Attributable to the owners of the Company				
		Share capital	**Treasury shares**	**Other reserves**	**Retained earnings**	**Total equity**
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 31 December 2018		98,593	(1,735)	409,316	1,531,504	2,037,678
Change in accounting policy	4	–	–	–	(6,439)	(6,439)
Restated total equity at 1 January 2019		98,593	(1,735)	409,316	1,525,065	2,031,239
Profit and total comprehensive income for the six months ended 30 June 2019		–	–	–	124,809	124,809
Repurchase of shares	12	–	(216,234)	–	–	(216,234)
Cancellation of shares	12,13	(4,067)	217,785	(207,821)	–	5,897
Final dividend for 2018	23	–	–	–	(146,329)	(146,329)
Balance at 30 June 2019		94,526	(184)	201,495	1,503,545	1,799,382
Balance at 1 January 2018		100,816	–	516,288	1,484,818	2,101,922
Profit and total comprehensive income for the six months ended 30 June 2018		–	–	–	130,034	130,034
Final dividend for 2017	23	–	–	–	(139,578)	(139,578)
Balance at 30 June 2018		100,816	–	516,288	1,475,274	2,092,378

The notes on pages 34 to 68 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2019

	Note	Six months ended 30 June 2019 Unaudited RMB'000	2018 Unaudited RMB'000
Cash flows from operating activities			
Cash generated from operations		243,508	211,317
Interest paid		(13,922)	(4,117)
Income tax paid		(82,863)	(59,064)
Net cash inflow from operating activities		146,723	148,136
Cash flows from investing activities			
Investment in joint ventures		–	(660)
Purchase of right-of-use assets	8	–	(216)
Purchase of property, plant and equipment	8	(20,904)	(21,220)
Purchase of intangible assets	8	(1,363)	(16)
Changes in investments in time deposits with maturity more than 3 months	11	(116,385)	51,208
Proceeds from disposal of property, plant and equipment		547	1,128
Interest received		2,557	20,660
Dividends received from a joint venture		2,040	1,885
Assets-related government grants received		–	2,000
Net cash (outflow)/inflow from investing activities		(133,508)	54,769
Cash flows from financing activities			
Repurchase of shares of the Company		(210,338)	–
Proceeds from borrowings		390,500	243,000
Repayments of borrowings		(343,189)	(130,369)
Payment for lease liabilities (including interests)		(23,864)	–
Changes in restricted cash pledged for notes payable		(80,000)	–
Dividends paid to the owners of the Company	23	(146,329)	(139,578)
Net cash outflow from financing activities		(413,220)	(26,947)
Net (decrease)/increase in cash and cash equivalents		(400,005)	175,958
Effect of foreign exchange rate changes		(3,902)	(356)
Cash and cash equivalents at beginning of the period		666,820	496,684
Cash and cash equivalents at end of the period	11	262,913	672,286

The notes on pages 34 to 68 are an integral part of these condensed consolidated interim financial statements.

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, sales of tea ware, catering management, beverage production and sales of pre-packaged food. The Group has manufacturing plants in Fujian Province, Sichuan Province, Zhejiang Province and Guizhou 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 have been listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 26 September 2011.

These condensed consolidated interim financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These condensed consolidated interim financial statements set out on pages 29 to 68 have been approved for issue by the Company's board of directors (the "Board") on 20 August 2019.

These condensed consolidated interim financial statements have not been audited.

2 BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 30 June 2019 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 do not include all the notes of the type normally included in an annual financial statements, and should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2018, 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 2018, 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.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies accordingly. The impact of the adoption of HKFRS 16 and the new accounting policies is disclosed in Note 4 below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

3 ACCOUNTING POLICIES *(continued)*

(b) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2019 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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.

4 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2019, where they are different to those applied in prior periods.

The Group has adopted the standard from 1 January 2019. The Group applied the cumulative catch-up approach and did not restate comparative amounts for the year prior to first adoption. The method recognises the cumulative effect of applying the new standard as an adjustment to the opening balance of equity on adoption which is the difference between the amount of right-of-use assets and the lease liability (adjusted by the amount of any previously recognised prepaid or accrued lease payments relating to that lease).

(a) Adjustment recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019. The lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was as below:

	Incremental borrowing rate
Leases with terms within 1 to 5 years	4.75%
Leases with terms more than 5 years	4.90%

4 CHANGES IN ACCOUNTING POLICIES *(continued)*

(a) Adjustment recognised on adoption of HKFRS 16 *(continued)*

	1 January 2019
	RMB'000
Operating lease commitments disclosed as at 31 December 2018	153,132
Less:	
Short-term leases recognised on a straight-line basis as expense	(12,091)
	141,041
Discounted using the lessee's incremental borrowing rate at the date of initial application, lease liabilities recognised as at 1 January 2019	130,642
Of which are:	
Current lease liabilities	45,000
Non-current lease liabilities	85,642
	130,642

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied.

4 CHANGES IN ACCOUNTING POLICIES *(continued)*

(a) Adjustment recognised on adoption of HKFRS 16 *(continued)*

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019 RMB'000	1 January 2019 RMB'000
Leasehold land and land use rights	273,086	280,419
Buildings	141,000	132,872
Total right-of-use assets	414,086	413,291
Current lease liabilities	36,163	45,000
Non-current lease liabilities	103,997	85,642
Total lease liabilities	140,160	130,642

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets – increase by RMB413,291,000
- Prepayments – decrease by RMB16,382,000
- Leasehold land and land use rights – decrease by RMB280,419,000
- Deferred tax assets – increase by RMB2,146,000
- Accrued expenses – decrease by RMB5,567,000
- Lease liabilities (current portion) – increase by RMB45,000,000
- Lease liabilities (non-current portion) – increase by RMB85,642,000

The net impact on retained earnings on 1 January 2019 was a decrease of RMB6,439,000.

4 CHANGES IN ACCOUNTING POLICIES *(continued)*

(a) Adjustment recognised on adoption of HKFRS 16 *(continued)*

(i) Impact on segment disclosures and earnings per share

Segment profit, segment assets and segment liabilities for June 2019 all changed as a result of the change in accounting policy. The following segments were affected by the change in policy:

	Segment profit RMB'000	**Segment assets** RMB'000	**Segment liabilities** RMB'000
Tea leaves	(984)	96,555	94,076
Tea snacks	(182)	17,862	17,403
Tea ware	(176)	17,232	16,789
All other segments	(231)	10,905	11,892
	(1,573)	142,554	140,160

(ii) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Reliance on previous assessments on whether leases are onerous;
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

4 CHANGES IN ACCOUNTING POLICIES *(continued)*

(a) Adjustment recognised on adoption of HKFRS 16 *(continued)*

(ii) Practical expedients applied (continued)

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 *Determining whether an Arrangement contains a Lease*.

(b) The Group's leasing activities and how these are accounted for

The Group leases various stores, warehouses and apartments. Rental contracts are typically made for fixed periods. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, a right-of-use asset is recognised for each lease at its carrying amount as if the standard had been applied since the commencement date. After the initial application, each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

4 CHANGES IN ACCOUNTING POLICIES *(continued)*

(b) The Group's leasing activities and how these are accounted for *(continued)*

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments).

The lease payments are discounted using incremental borrowing rate of the Group which the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

5 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 2018.

6 FINANCIAL RISK MANAGEMENT

6.1 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 2018.

There have been no changes in the risk management department since 2018 year end or in any risk management policies.

6.2 Liquidity risk

Compared to 2018 year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

6.3 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.

7 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 statements. 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.

7 REVENUE AND SEGMENT INFORMATION *(continued)*

Segment assets consist primarily of right-of-use assets, 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 of the Group consists of the following revenue for the six months ended 30 June 2019 and 2018. All revenue is derived from external customers.

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB'000	RMB'000
Sales of tea leaves	583,989	572,104
Sales of tea snacks	108,035	107,624
Sales of tea ware	104,221	97,323
Others	43,529	41,890
	839,774	818,941

7 REVENUE AND SEGMENT INFORMATION *(continued)*

The segment results for the six months ended 30 June 2019:

	Unaudited				
	Tea leaves RMB'000	Tea snacks RMB'000	Tea ware RMB'000	All other segments RMB'000	Total RMB'000
Segment revenue	583,989	108,035	104,221	43,529	839,774
Segment results	163,166	14,379	18,151	(1,092)	194,604
Unallocated administrative expenses					(12,086)
Other income					11,501
Other losses – net					(385)
Finance income – net					(14,354)
Share of profits less losses of investments accounted for using equity method					1,659
Profit before income tax					180,939
Income tax expense					(56,130)
Profit for the period					124,809

7 REVENUE AND SEGMENT INFORMATION *(continued)*

Other segment items included in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2019:

	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	17,700	4,772	2,036	4,765	4,686	33,959
Depreciation of investment properties	–	–	–	–	306	306
Depreciation and amortisation of right-of-use assets	23,021	4,349	4,295	920	–	32,585
Amortisation of intangible assets	333	57	51	9	169	619
Losses on disposal of property, plant and equipment, net	163	53	61	8	–	285

The segment assets and liabilities as at 30 June 2019 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	1,690,960	265,691	258,042	323,685	216,613	2,754,991
– Investments in associates and joint ventures	289	–	398	107,324	–	108,011
– Additions to non-current assets	127,605	20,050	19,473	21,344	–	188,472
Segment liabilities	420,127	69,766	45,278	27,267	393,171	955,609

7 REVENUE AND SEGMENT INFORMATION *(continued)*

The segment results for the six months ended 30 June 2018:

	Unaudited				
	Tea leaves RMB'000	Tea snacks RMB'000	Tea ware RMB'000	All other segments RMB'000	Total RMB'000
Segment revenue	572,104	107,624	97,323	41,890	818,941
Segment results	153,754	12,170	19,412	(2,806)	182,530
Unallocated administrative expenses					(10,412)
Other income					10,099
Other losses – net					(374)
Finance income – net					1,088
Share of profits less losses of investments accounted for using equity method					828
Profit before income tax					183,759
Income tax expense					(53,725)
Profit for the period					130,034

7 REVENUE AND SEGMENT INFORMATION *(continued)*

Other segment items included in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2018:

	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	19,311	5,205	1,482	5,098	4,745	35,841
Depreciation of investment properties	–	–	–	–	304	304
Amortisation of land use rights	4,891	1,019	734	600	–	7,244
Amortisation of intangible assets	234	43	40	10	152	479
Losses on disposal of property, plant and equipment, net	194	51	16	65	–	326

The segment assets and liabilities as at 31 December 2018 are as follows:

	Audited					
	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	1,634,648	273,564	244,855	306,481	378,100	2,837,648
– Investments in associates and joint ventures	374	–	465	107,653	–	108,492
– Additions to non-current assets	41,015	9,429	7,069	26,468	–	83,981
Segment liabilities	259,762	52,342	17,895	18,827	451,144	799,970

8 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS

	Property, plant and equipment RMB'000	Investment properties RMB'000	Intangible assets RMB'000
Six months ended 30 June 2019 (unaudited)			
Opening net book amount as at 1 January 2019	700,364	9,460	3,203
Additions	20,857	–	1,363
Disposals	(832)	–	–
Depreciation and amortisation	(33,959)	(306)	(619)
Closing net book amount as at 30 June 2019	686,430	9,154	3,947
Six months ended 30 June 2018 (unaudited)			
Opening net book amount as at 1 January 2018	717,325	10,011	4,151
Additions	22,383	–	16
Disposals	(1,454)	–	–
Depreciation and amortisation	(35,841)	(304)	(479)
Closing net book amount as at 30 June 2018	702,413	9,707	3,688

As at 30 June 2019, right-of-use assets (Note 4) (31 December 2018: land use rights) with net book value of RMB8,876,000 (31 December 2018: RMB8,876,000) and property, plant and equipment with net book value of RMB8,883,000 (31 December 2018: RMB8,883,000) in connection with a store premise under construction have been pledged as securities for long-term bank borrowings of the Group amounting to RMB7,102,000 (31 December 2018: RMB7,489,000) (Note 15).

8 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS *(continued)*

As at 30 June 2019, the fair value of the investment properties is RMB20,783,000 (31 December 2018: RMB24,463,000), with carrying amount of RMB9,154,000 (31 December 2018: RMB9,460,000). The fair value is determined at each balance sheet date by an external valuer.

Fair value hierarchy

	Fair value measurements at		
Description	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
	RMB'000	RMB'000	RMB'000
30 June 2019	–	–	20,783
31 December 2018	–	–	24,463

As at 30 June 2019, the fair value of Plant A is RMB10,632,000 (31 December 2018: RMB12,591,000) and Plant B is RMB10,151,000 (31 December 2018: RMB11,872,000).

8 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS *(continued)*

The valuation was based on income capitalisation approach (term and reversionary method) which use unobservable inputs (Level 3) at 30 June 2019 and 31 December 2018, respectively. These inputs at 30 June 2019 include:

Unobservable inputs	**Value of unobservable inputs**		**Explanation for unobservable inputs**
	Plant A	**Plant B**	
Market rent	RMB50,000 per month	RMB17,750 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	4.83%	2.10%	The yield is estimated according to the market evidence, valuer's experience and knowledge of market conditions. The higher the yield, the lower the fair value of the properties.

8 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS *(continued)*

Impairment tests for goodwill

The intangible assets as at 30 June 2019 and 31 December 2018 include goodwill of RMB1,740,000 which arose from the acquisition of Xiamen Tianqia Catering Management Co., Limited during 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 2018 and the six months ended 30 June 2019, 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 2019 and the year 2018 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. Management determined no impairment loss were charged to these condensed consolidated interim financial statements.

Based on management's assessment and up to 30 June 2019, no impairment charge was made on the goodwill.

9 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

(i) Trade and other receivables

	As at 30 June 2019 Unaudited RMB'000	As at 31 December 2018 Audited RMB'000
Trade receivables from third parties	213,558	233,851
Interest receivable on time deposits	3,568	2,053
Others	5,881	7,874
	9,449	9,927
Trade and other receivables	223,007	243,778

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 2019 Unaudited RMB'000	As at 31 December 2018 Audited RMB'000
Up to 140 days	208,763	229,901
141 days to 6 months	1,637	1,079
6 months to 1 year	2,987	2,073
1 year to 2 years	171	760
2 years to 3 years	–	38
	213,558	233,851

As at 30 June 2019, no trade receivables were impaired and provided for (30 June 2018: nil).

9 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(continued)*

(ii) Prepayments

	As at 30 June 2019 Unaudited RMB'000	As at 31 December 2018 Audited RMB'000
Non-current		
Prepayments for property, plant and equipment	1,399	1,989
Current		
Prepayments for lease of property and lease deposits	35,912	54,300
Prepayments to related parties (Note 24(b))	210	2,246
Prepayments for raw materials and packaging materials	6,378	5,063
Prepaid taxes	15,318	13,444
	57,818	75,053
	59,217	77,042

10 INVENTORIES

	As at 30 June 2019 Unaudited RMB'000	As at 31 December 2018 Audited RMB'000
Raw materials and packaging materials	241,247	229,542
Work in progress	182,919	172,541
Finished goods	265,528	246,604
	689,694	648,687

11 CASH AND CASH EQUIVALENTS, TIME DEPOSITS AND RESTRICTED CASH

	As at 30 June 2019 Unaudited RMB'000	As at 31 December 2018 Audited RMB'000
Time deposits, with original maturity between three months to one year	123,185	56,800
Long-term time deposits, with original maturity over one year	50,000	–
Restricted cash	80,000	–
Cash and cash equivalents	262,913	666,820
Total cash at bank and on hand	516,098	723,620

The weighted average effective interest rate on cash placed with banks and deposits for the six months ended 30 June 2019 was 1.31% per annum (six months ended 30 June 2018: 1.49% per annum).

As at 30 June 2019, the subsidiaries of the Company, namely Jinan Tenfu Tea Co., Ltd., Heilongjiang Tenfu Tea Co., Ltd. and Hu Bei Tian Fu Tea Sales Co., Ltd. pledged time deposits of RMB80,000,000 (31 December 2018: nil) as collateral for short-term borrowings of the Group amounting to RMB80,000,000 (31 December 2018: nil) (Note 15).

12 SHARE CAPITAL AND TREASURY SHARES

	Unaudited				
	Number of authorised shares (thousands)	Number of issued shares (thousands)	Ordinary shares (nominal value) RMB'000	Treasury shares RMB'000	Total RMB'000
At 1 January 2019	8,000,000	1,199,997	98,593	(1,735)	96,858
Repurchase of shares	–	–	–	(216,234)	(216,234)
Cancellation of shares	–	(49,774)	(4,067)	217,785	213,718
At and 30 June 2019	8,000,000	1,150,223	94,526	(184)	94,342
At 1 January 2018 and 30 June 2018	8,000,000	1,227,207	100,816	–	100,816

The Company repurchased 49,457,000 ordinary shares of its own through the Stock Exchange from 1 January 2019 to 30 June 2019. The total value of shares repurchased was approximately HKD248,576,000 (approximately RMB216,234,000) and has been deducted from shareholders' equity, and the actual payment made for the repurchase was HKD210,337,758 due to the dividends received by the Company for shares repurchased before ex-dividend date.

As at 30 June 2019, the Company cancelled 49,774,000 shares. After the cancellation, the Company's ordinary shares in issue were reduced from 1,199,997,460 to 1,150,223,460. The amount of share capital was deducted accordingly.

13 OTHER RESERVES

	Unaudited				
	Merger reserve RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000	Other RMB'000	Total RMB'000
At 1 January 2019	278,811	231	255,785	(125,511)	409,316
Cancellation of shares	–	–	–	(207,821)	(207,821)
At 30 June 2019	278,811	231	255,785	(333,332)	201,495
At 1 January 2018 and 30 June 2018	278,811	231	237,246	–	516,288

As at 30 June 2019, the Company cancelled 49,774,000 shares repurchased, resulted in a reduction to other reserve by RMB207,821,000 including the expenses attributable to the cancellation.

14 TRADE AND OTHER PAYABLES

	As at 30 June 2019 Unaudited RMB'000	As at 31 December 2018 Audited RMB'000
Trade payables – due to third parties	91,948	107,560
Trade payables – due to related parties (Note 24(b))	53,055	36,343
Total trade payables	145,003	143,903
Payables for property, plant and equipment	2,063	2,823
Other taxes payable	20,377	20,304
Employee benefit payables	20,949	27,817
Interest payable	817	92
Others	63,175	60,640
	252,384	255,579

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 2019 Unaudited RMB'000	As at 31 December 2018 Audited RMB'000
Up to 6 months	128,243	141,789
6 months to 1 year	16,042	542
1 year to 2 years	242	601
Over 2 years	476	971
	145,003	143,903

15 BORROWINGS

	As at 30 June 2019 Unaudited RMB'000	As at 31 December 2018 Audited RMB'000
Long-term bank borrowing		
– Secured (i)	7,102	7,489
Less: Current portion	(806)	(786)
	6,296	6,703
Short-term bank borrowings		
– Secured (ii)	80,000	–
– Unsecured (iii)	310,000	342,302
Add: Current portion of long-term bank borrowing	806	786
	390,806	343,088
Total borrowings	397,102	349,791

(i) The long-term bank borrowing of RMB8,946,000 represented the mortgage loan for the purchase of a store premise under construction. The borrowing 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 2019, the remaining balance of the loan was RMB7,102,000.

(ii) As at 30 June 2019, short-term bank borrowings of RMB80,000,000 (31 December 2018: nil) were secured by the pledge of time deposits of RMB80,000,000 (31 December 2018: nil) as collateral (Note 11).

(iii) As at 30 June 2019, short-term bank borrowings of RMB260,000,000 (31 December 2018: RMB172,302,000) were 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 (Note 24(c)).

15 BORROWINGS *(continued)*

The Group had the following undrawn borrowing facilities:

	As at 30 June 2019 Unaudited RMB'000	As at 31 December 2018 Audited RMB'000
Fixed rate:		
– expiring within one year (bank borrowings)	399,362	110,647
– expiring over one year and within three years (bank borrowings)	40,000	10,000
	439,362	120,647

16 CONTRACT LIABILITIES

	As at 30 June 2019 Unaudited RMB'000	As at 31 December 2018 Audited RMB'000
Advances from customers	60,704	61,952
Customer loyalty programme	15,445	15,653
	76,149	77,605

The Group operates a loyalty programme where customers accumulate reward points for purchases made and the points would 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	
	2019	2018
	Unaudited	Unaudited
	RMB'000	RMB'000
Government grants	8,357	7,298
Amortisation of deferred income	1,066	1,593
Income from investment properties	1,359	954
Others	719	254
	11,501	10,099

18 OTHER LOSSES – NET

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB'000	RMB'000
Losses on disposal of property, plant and equipment, net	(285)	(326)
Net foreign exchange losses	(100)	(48)
	(385)	(374)

19 FINANCE (COSTS)/INCOME – NET

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB'000	RMB'000
Finance income		
– Interest income on bank deposits	4,072	5,099
Total finance income	4,072	5,099
Finance costs		
– Interest expenses on bank borrowings	(7,396)	(3,721)
– Interest expenses on discounted notes receivables	(3,700)	–
– Interest expenses on lease liabilities	(3,551)	–
– Less: amounts capitalised in qualifying assets	123	66
– Net foreign exchange losses	(3,902)	(356)
Total finance costs	(18,426)	(4,011)
Net finance (costs)/income	(14,354)	1,088

20 DEPRECIATION AND AMORTISATION EXPENSES

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB'000	RMB'000
Amortisation of land use rights	–	7,244
Depreciation of investment properties	306	304
Depreciation and amortisation of right-of-use assets	32,585	–
Depreciation of property, plant and equipment	33,959	35,841
Amortisation of intangible assets	619	479

21 INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB'000	RMB'000
Current income tax		
– PRC corporate income tax	49,871	47,605
Deferred income tax	6,259	6,120
Income tax expense	56,130	53,725

(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 2019 and 2018, 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 2019 and 2018, 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.

21 INCOME TAX EXPENSE *(continued)*

(iv) PRC withholding income tax *(continued)*

Such withholding tax is recorded under deferred income tax. During the year ended 31 December 2017, Tenfu (Hong Kong) Holdings Co., Ltd. ("Tenfu HK"), a subsidiary of the Company, acquired qualification for the lower tax rate of 5% for dividend received from its subsidiaries in mainland China. During the year ended 31 December 2018, the Company and Ten Rui (Hong Kong) Sales Holdings Co., Ltd. ("Ten Rui HK"), a subsidiary of the Company, acquired qualification for the lower tax rate of 5% for dividend received from its subsidiaries in mainland China. The Group revised its estimate of Ten Rui HK and Tenfu HK for the accrual based on 5% instead of 10% and reversed previous years' charge to current year profit or loss. During the six months ended 30 June 2019, the Group applied the 5% withholding tax rate on its estimate of deferred income tax.

22 EARNINGS PER SHARE

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	
	2019	2018
	Unaudited	Unaudited
Profit attributable to the owners of the Company (RMB'000)	124,809	130,034
Weighted average number of ordinary shares in issue ('000)	1,172,397	1,227,207
Basic earnings per share (RMB)	0.11	0.11

Diluted earnings per share for the six months ended 30 June 2019 and 2018 were the same as the basic earnings per share as there were no dilutive instruments during the periods.

23 DIVIDENDS

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB'000	RMB'000
Interim dividend declared	63,349	63,815

An interim dividend for 2019 of HKD6 cents (equivalent to RMB5.4 cents) (interim dividend for 2018: HKD6 cents (equivalent to RMB5.2 cents)) per share was declared by the Board on 20 August 2019 using RMB63,349,000 of the retained earnings (interim dividend for 2018: RMB63,815,000). This interim dividend, amounting to HKD70,388,000 (equivalent to RMB63,349,000) (interim dividend for 2018: HKD73,632,000 (equivalent to RMB63,815,000)), has not been recognised as liability in these condensed consolidated interim financial statements. It will be reflected as an appropriation of retained earnings for the year ending 31 December 2019. Similarly, the interim dividend for 2018 declared by the Board on 27 August 2018 was reflected as an appropriation of retained earnings for the year ended 31 December 2018 after 30 June 2018.

The final dividend for 2018 of HKD167,950,000 (equivalent to RMB146,329,000) and the one for 2017 of HKD171,809,000 (equivalent to RMB139,578,000) had been reflected as an appropriation of retained earnings for the six months ended 30 June 2019 and 2018 respectively after obtaining the approval from the shareholders at the Company's annual general meeting held on 14 May 2019 and 10 May 2018 respectively.

The dividend paid in the six months ended 30 June 2019 were RMB146,329,000 (six months ended 30 June 2018: RMB139,578,000).

24 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 Controlling Shareholders, key management, their affiliates and the Group's joint ventures are regarded as related parties. Tenfu Group (Samoa) Holdings Company Limited ("SAMOA") is wholly owned by Mr. Lee Chia Ling. SAMOA and its subsidiaries are regarded as related parties.

24 RELATED-PARTY TRANSACTIONS *(continued)*

(a) Transactions with related parties

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

	Six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
	RMB'000	RMB'000
(i) Purchases of goods and services		
– Subsidiaries of SAMOA	63,727	57,686
– A company controlled by the Controlling Shareholders	15,039	11,996
	78,766	69,682
(ii) Processing fee expenses		
– Subsidiaries of SAMOA	703	517
(iii) Rental expenses		
– The Controlling Shareholders and their affiliates	–	1,754
– A subsidiary of SAMOA	–	150
– A company controlled by an affiliate of the Controlling Shareholders	737	480
	737	2,384
(iv) Right-of-use assets		
– The Controlling Shareholders and their affiliates	3,187	–
– A subsidiary of SAMOA	1,213	–
	4,400	–
(v) Key management compensation	2,804	2,844
(vi) Dividends received from joint ventures	2,040	1,885

24 RELATED-PARTY TRANSACTIONS *(continued)*

(b) Balances with related parties

The Group has the following balances with its related parties as at 30 June 2019 and 31 December 2018:

	As at 30 June 2019 Unaudited RMB'000	As at 31 December 2018 Audited RMB'000
(i) Prepayments to related parties (Note 9(ii))		
– Subsidiaries of SAMOA	210	1,474
– A company controlled by an affiliate of the Controlling Shareholders	–	772
	210	2,246
(ii) Due to related parties (Note 14)		
Trade related		
– Subsidiaries of SAMOA	50,985	36,343
– A company controlled by the Controlling Shareholders	2,070	–
	53,055	36,343

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

(c) Borrowings guaranteed by related parties

As at 30 June 2019, short-term bank borrowings of RMB260,000,000 (31 December 2018: RMB172,302,000) 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.