



**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 2020**



## Contents

Corporate Information	2
Management Discussion and Analysis	5
Other Information	18
Condensed Consolidated Financial Statements	
• Condensed Consolidated Balance Sheet	28
• Condensed Consolidated Statement of Comprehensive Income	30
• Condensed Consolidated Statement of Changes in Equity	31
• Condensed Consolidated Cash Flow Statement	32
• Notes to the Condensed Consolidated Financial Statements	33

# Corporate Information

## DIRECTORS

### Executive Directors

LEE Rie-Ho (*Chairman*)

LEE Chia Ling (*Chief Executive Officer*)

LEE Kuo-Lin (*Chief Operating Officer*)

LEE Shih-Wei (*resigned on 21 March 2020*)

### Non-executive Directors

TSENG Ming-Sung

LI Jie (*resigned on 21 March 2020*)

### 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

### **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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### **PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

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CNT Tower  
338 Hennessy Road  
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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**

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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](http://www.tenfu.com)

## BUSINESS REVIEW AND OUTLOOK

In the first half of 2020, the Group achieved revenue of RMB750.9 million, down 10.6% from the corresponding period in 2019, and recorded profit for the period of RMB109.3 million, down 12.4% from the corresponding period in 2019. The decrease in the Group's revenue for the period was mainly due to the general market conditions affected by coronavirus disease ("COVID-19").

In the first half of 2020, it was extremely challenging, exacerbated by the significant negative impact of COVID-19 and U.S.-China trade war. Under this environment, the Group has strived its best to ensure the operation of its stores in China and follow up closely with its suppliers and customers for stable supply of products and recoverability of receivables, respectively, and continue to maintain its market position, pursue further development and adjust its marketing strategies to protect and expand its market share, and achieved good performance in results.

- 1. Leading brand position.** Pursuant to the data of Chinese Enterprises Brands Research Centre (中國企業品牌研究中心), Tenfu ranked first among 2019 China's chain stores of tea in terms of brand index, 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. The tea mooncakes of the Group have been awarded the honorable titles of Golden Mooncakes and China Mooncakes for the three consecutive years from 2016 to 2018, the title of National Classic Mooncakes for 2018 and the titles of Quality Mooncakes and China Mooncakes for 2019. The tea mooncakes of the Group also won the first prize for China Mooncake Quality in 2019.
- 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 2020, the Group had a total of 1,198 self-owned and third-party owned retail outlets and retail points, up a net of 26 retail stores and retail points from a total of 1,172 as at 31 December 2019.
- 3. Adjustment in each tea product category and development of diversified product lines.** In the first half of 2020, 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 Kinmen Kaoliang Liquor Inc. in the PRC from mid of 2019.

## Management Discussion and Analysis

4. **Anti-counterfeiting effort.** The Group has implemented a security code for each product, which has covered most of the products. The customers can easily check and confirm the product authenticity.

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 2020:

	Planned use of net proceeds at the Listing		Net proceeds used as at 30 June 2020		Remaining balance as at 30 June 2020		Expected time of full utilisation of remaining balance
	Amount*	Percentage*	Amount*	Percentage*	Amount*	Percentage*	
	(million RMB)	(%)	(million RMB)	(%)	(million RMB)	(%)	
Expand and optimize network of self-owned retail outlets and retail points	373.3	40.0	368.7	39.5	4.6	0.5	By 31 December 2024
Acquire store premises for self-owned retail outlets	233.3	25.0	233.3	25.0	-	-	-
Working capital and other general corporate purposes	93.3	10.0	93.3	10.0	-	-	-
Maintain and promote brands	140.0	15.0	118.2	12.7	21.8	2.3	By 31 December 2022
Expand production capacity	93.3	10.0	93.3	10.0	-	-	-
<b>Total</b>	<b>933.3</b>	<b>100.0</b>	<b>906.8</b>	<b>97.2</b>	<b>26.4</b>	<b>2.8</b>	

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

## Management Discussion and Analysis

In the second half of 2020, it is expected that the retail industry in China will continue to be quite challenging with the interruption brought by COVID-19, the Group will cater its 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.



## Management Discussion and Analysis

- 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. 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. The Group has also added the anti-counterfeiting labels to the products to enhance the quality control.

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.

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue

During the six months ended 30 June 2020, 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. The Group has started 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 2020, the Group derived substantially all of its revenue from the sales of tea leaves, tea ware and tea snacks. The revenue of the Group decreased by 10.6% from RMB839.8 million for the six months ended 30 June 2019 to RMB750.9 million for the six months ended 30 June 2020. The following table sets forth a breakdown of revenue by product category for the periods indicated:

	Six months ended 30 June			
	2020		2019	
	RMB'000	%	RMB'000	%
Revenue contributed from:				
Sales of tea leaves	542,711	72.3	583,989	69.5
Sales of tea snacks	84,459	11.2	108,035	12.9
Sales of tea ware	85,765	11.4	104,221	12.4
Others <sup>(1)</sup>	37,962	5.1	43,529	5.2
Total	750,897	100.0	839,774	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.

## Management Discussion and Analysis

Revenue from sales of the Group's tea leaves decreased by 7.1% from RMB584.0 million for the six months ended 30 June 2019 to RMB542.7 million for the six months ended 30 June 2020. Revenue from sales of the Group's tea snacks decreased by 21.8% from RMB108.0 million for the six months ended 30 June 2019 to RMB84.5 million for the six months ended 30 June 2020. Revenue from sales of the Group's tea ware decreased by 17.7% from RMB104.2 million for the six months ended 30 June 2019 to RMB85.8 million for the six months ended 30 June 2020. The decrease in revenue across all three product categories were mainly due to the overall economic development trend and a downturn of consumer market affected by COVID-19.

As at 30 June 2020, the Group had approximately 245 self-owned retail outlets and 496 wholesalers throughout Mainland China accounted for approximately 49.1% and 46.8% of the total revenue respectively, compared with approximately 251 self-owned retail outlets and 458 wholesalers as at 31 December 2019.

### 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 decreased by 12.4% from RMB325.4 million for the six months ended 30 June 2019 to RMB285.0 million for the six months ended 30 June 2020, primarily due to a decrease in sales.

### Gross profit and gross profit margin

As a result of decrease in sales, gross profit of the Group decreased by 9.4% from RMB514.4 million for the six months ended 30 June 2019 to RMB465.9 million for the six months ended 30 June 2020, with gross profit margin increasing from 61.3% for the six months ended 30 June 2019 to 62.0% for the six months ended 30 June 2020.

# Management Discussion and Analysis

## Distribution costs

The distribution costs of the Group decreased by 16.4% from RMB212.2 million for the six months ended 30 June 2019 to RMB177.4 million for the six months ended 30 June 2020. The decrease of distribution costs was primarily due to the rent concessions and a decrease in employee benefit expenses during the period affected by COVID-19.

## Administrative expenses

Administrative expenses for the Group decreased by 0.3% from RMB119.6 million for the six months ended 30 June 2019 to RMB119.3 million for the six months ended 30 June 2020. The expenses was relatively stable compared to the corresponding period in 2019.

## Other income

Other income of the Group increased by 11.3% from RMB11.5 million for the six months ended 30 June 2019 to RMB12.8 million for the six months ended 30 June 2020. The increase was primarily due to an increase in the PRC government grants which were recognised as income immediately.

## Other gains/losses – net

Other gains of the Group was RMB0.1 million for the six months ended 30 June 2020, as compared to other losses of RMB0.4 million for the six months ended 30 June 2019, primarily due to an increase in gains from sale of financial assets at fair value through profit of loss.

## Finance income

Finance income of the Group decreased from RMB4.1 million for the six months ended 30 June 2019 to RMB3.7 million for the six months ended 30 June 2020, primarily due to a decrease in interest income.

# Management Discussion and Analysis

## Finance costs

Finance costs of the Group is RMB18.4 million for the six months ended 30 June 2020 approximately comparable with that for the six months ended 30 June 2019.

## 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 loss amounting to RMB2.0 million and a net profit amounting to RMB1.7 million for the six months ended 30 June 2020 and 2019, respectively. The decrease was primarily due to the impact of COVID-19.

## Income tax expense

Income tax expense of the Group is RMB56.2 million for the six months ended 30 June 2020 approximately comparable with that for the six months ended 30 June 2019.

## 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 RMB15.5 million, or 12.4%, from RMB124.8 million for the six months ended 30 June 2019 to RMB109.3 million for the six months ended 30 June 2020. Net profit margin of the Group decreased from 14.9% for the six months ended 30 June 2019 to 14.6% for the six months ended 30 June 2020, primarily due to a decrease in revenue.

# Management Discussion and Analysis

## 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 RMB256.7 million, or 134.4%, from RMB191.0 million as at 31 December 2019 to RMB447.7 million as at 30 June 2020, primarily due to cash generated from operations and investing activities.

The Group had net cash inflow from operating activities of RMB105.8 million, net cash inflow from investing activities of RMB116.2 million and net cash inflow from financing activities of RMB35.6 million for the six months ended 30 June 2020.

### *Bank borrowings and gearing ratio*

The Group had total bank borrowings of RMB718.9 million as at 30 June 2020 compared to RMB516.7 million as at 31 December 2019. As at 30 June 2020, the weighted average effective interest rate of the Group's bank borrowings was 3.6%, and 100% of the Group's bank borrowings were denominated in RMB.

The long-term bank borrowings represented the mortgage loan of original amount of RMB9,000,000 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 2020, the remaining balance of the loan was RMB6,295,000. As at 30 June 2020, short-term bank borrowings of RMB110,000,000 (31 December 2019: RMB110,000,000) were secured by the pledge of time deposits of RMB110,000,000 (31 December 2019: RMB110,000,000) as collateral. As at 30 June 2020, short-term bank borrowings of RMB576,000,000 (31 December 2019: RMB380,000,000) were guaranteed by Mr. Lee Rie-Ho, Mr. Lee Chia Ling and Mr. Lee Kuo-Lin, all of them are Directors, either separately or jointly.

## Management Discussion and Analysis

The Directors are of the view that the guarantee of bank borrowings of RMB576 million as at 30 June 2020 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 2020, the gearing ratio of the Group was 34.2%, compared to 28.1% as at 31 December 2019. The increase during the first half of 2020 was primarily due to an increase in total borrowings.

### Working capital

	<b>As at 30 June 2020 RMB'000</b>	As at 31 December 2019 RMB'000
Trade and other receivables	252,056	320,000
Trade and other payables	239,272	345,502
Inventories	816,634	782,635
Trade receivables turnover days <sup>(1)</sup>	112	94
Trade payables turnover days <sup>(2)</sup>	103	86
Inventories turnover days <sup>(3)</sup>	505	349

#### 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.*

## Management Discussion and Analysis

- (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 RMB67.9 million from RMB320.0 million as at 31 December 2019 to RMB252.1 million as at 30 June 2020, 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 RMB345.5 million as at 31 December 2019 to RMB239.3 million as at 30 June 2020, primarily due to a decrease in trade payables due to third parties, other taxes payable and employee benefit payables.

The Group's inventories comprise raw materials (including packaging materials), work-in-progress and finished goods. The Group's inventories increased from RMB782.6 million as at 31 December 2019 to RMB816.6 million as at 30 June 2020, because of the change of the inventory structure and the sales decrease due to the COVID-19.

As at 30 June 2020, the Group has sufficient working capital and financial resources to support for its regular operations.



# Management Discussion and Analysis

## Foreign exchange risk

The Group's normal operating activities are principally conducted in RMB, since all of its operating subsidiaries are based in the PRC. As at 30 June 2020, 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 2020.

## **EMPLOYEE AND REMUNERATION POLICY**

As at 30 June 2020, the Group had a total of 3,915 employees with 3,911 employees based in the PRC and 4 employees based in Hong Kong. For the six months ended 30 June 2020, the labour cost of the Group was RMB135.7 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.

## Management Discussion and Analysis

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 2020.

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.

## Other Information

### 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 HK\$1.00 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.

## Other Information

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 unfulfilment 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 three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, the Company did not grant any options to subscribe for Shares. The Company has no outstanding share options as at 30 June 2020.

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 11.1% of the total issued Shares as at the date of this interim report.

## Other Information

### **INTERIM DIVIDEND**

At the Board meeting held on 18 August 2020, it was resolved that an interim dividend of HK\$0.06 (equivalent to RMB0.054) per Share (2019 interim dividend: HK\$0.06 (equivalent to RMB0.054) per Share) be paid on or around 24 September 2020 to the Shareholders whose names appear on the Company's register of members on 8 September 2020. The dividend is intended to be ordinary in nature. 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 2020, 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 4 September 2020 to 8 September 2020, 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 3 September 2020.

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

As at 30 June 2020, 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 <sup>(3)</sup>	Approximate percentage of shareholding <sup>(4)</sup>
Mr. Lee Rie-Ho <sup>(1)</sup>	Interest in a controlled corporation	188,760,000 (L)	17.04%
Mr. Lee Chia Ling <sup>(2)</sup>	Settlor of The KCL Trust	377,520,000 (L)	34.07%
	Personal interest/individual	62,538,000 (L)	5.64%
Mr. Lee Kuo-Lin <sup>(2)</sup>	Beneficiary of The KCL Trust	377,520,000 (L)	34.07%
Mr. Tseng Ming-Sung	Personal interest/individual	4,719,000 (L)	0.43%

## Other Information

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.*
- (4) *There were 1,107,928,460 Shares in issue as at 30 June 2020.*

### (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 2020, to the best of the Directors' knowledge, the following persons (other than the Directors and chief executives of the Company) had or deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO:

<b>Name</b>	<b>Capacity in which interests are held</b>	<b>Number of Shares<sup>(4)</sup></b>	<b>Approximate percentage of shareholding<sup>(5)</sup></b>
Discerning Group Limited <sup>(1)</sup>	Registered owner	188,760,000 (L)	17.04%
Ms. Lee Tsai Li-Li <sup>(1)</sup>	Interest as a spouse	188,760,000 (L)	17.04%
UBS TC (Jersey) Ltd. <sup>(2)(3)</sup>	Trustee	377,520,000 (L)	34.07%
Trackson Investments Limited <sup>(2)</sup>	Registered owner	377,520,000 (L)	34.07%
Tiger Nature Holdings Limited <sup>(2)</sup>	Interest in a controlled corporation	377,520,000 (L)	34.07%
The KCL Trust <sup>(2)</sup>	Interest in a controlled corporation	377,520,000 (L)	34.07%
Mr. Lee John L <sup>(2)</sup>	Beneficiary of The KCL Trust	377,520,000 (L)	34.07%
Ms. Zhou Nan-Nan <sup>(2)</sup>	Interest as a spouse	440,058,000 (L)	39.72%
Spring Cheers Overseas Ltd.	Registered owner	114,379,023 (L)	10.32%



## Other Information

*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) *The letter "L" denotes long position in such shares.*
- (5) *There were 1,107,928,460 Shares in issue as at 30 June 2020.*

### **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 2020, 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 2020.

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

Save as disclosed in the 2019 annual report of the Company, Mr. Lo Wah Wai resigned as an outside director of Fasteps Co., Ltd. (stock code: 23380), a company listed on the Tokyo Stock Exchange, on 28 June 2020. Mr. Lee Kwan Hung, Eddie retired as an independent non-executive director of Landsea Green Properties Co., Ltd. (stock code: 106), a company listed on the main board of the Stock Exchange, on 19 June 2020.

Mr. Lee Shih-Wei resigned as executive Director and ceased to be the vice chairman of the Company with effect from 21 March 2020. Ms. Li Jie resigned as non-executive Director with effect from 21 March 2020.

Save as mentioned above, there is no change of information of each Director that is required to be disclosed under Rules 13.51(2) and 13.51B(1) of the Listing Rules since the publication of the 2019 annual report of the Company.

## Other Information

### PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2020, the Company repurchased a total of 1,995,000 Shares on the Stock Exchange at an aggregate consideration of HK\$11,386,090. 2,482,000 Shares repurchased were cancelled on 17 March 2020. Subsequently, the Company had repurchased a total of 333,000 Shares at the aggregate consideration of HK\$1,791,190 in July 2020.

Details of the Share repurchases during the six months ended 30 June 2020 are as follows:

Month	Total number of Shares repurchased	Purchase price paid per Share		Aggregate consideration (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
2020				
January	941,000	6.05	5.95	5,645,660
March	207,000	5.42	5.19	1,098,080
April	408,000	5.80	5.40	2,266,670
May	228,000	5.54	5.35	1,238,140
June	211,000	5.41	5.30	1,137,540
	1,995,000			11,386,090

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 2020.

### 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 2020.

### **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 2020 have been reviewed by the Audit Committee. The condensed consolidated financial statements of the Group for the six months ended 30 June 2020 have also been reviewed by PricewaterhouseCoopers, the external auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

### **PUBLICATION OF INTERIM REPORT**

This interim report is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.tenfu.com>). This interim report will be despatched to the Shareholders 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, 18 August 2020

# Condensed Consolidated Balance Sheet

As at 30 June 2020

		<b>As at 30 June 2020 Unaudited RMB'000</b>	As at 31 December 2019 Audited RMB'000
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	657,645	681,568
Right-of-use assets	8	408,539	427,643
Investment properties	7	6,650	6,942
Intangible assets	7	3,033	3,442
Investments accounted for using equity method		109,839	117,594
Deferred income tax assets		50,245	50,866
Prepayments – non-current portion	9	158	467
Restricted cash	11	110,000	110,000
Long-term time deposits	11	20,000	20,000
		1,366,109	1,418,522
<b>Current assets</b>			
Inventories	10	816,634	782,635
Trade and other receivables	9	252,056	320,000
Prepayments	9	51,663	61,090
Financial assets at fair value through profit or loss		–	2,714
Time deposits	11	–	123,185
Restricted cash	11	4,000	4,000
Cash and cash equivalents	11	447,682	190,966
		1,572,035	1,484,590
<b>Total assets</b>		<b>2,938,144</b>	<b>2,903,112</b>

# Condensed Consolidated Balance Sheet

As at 30 June 2020

		<b>As at 30 June 2020 Unaudited RMB'000</b>	As at 31 December 2019 Audited RMB'000
<b>EQUITY</b>			
<b>Capital and reserves attributable to the shareholders of the Company</b>			
Share capital	12	91,071	91,274
Treasury shares	12	(5,258)	(8,336)
Other reserves	13	30,299	41,926
Retained earnings		1,540,046	1,569,434
		1,656,158	1,694,298
<b>Non-controlling interests</b>		493	–
<b>Total equity</b>		1,656,651	1,694,298
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	15	5,445	5,877
Lease liabilities	8	99,050	95,770
Deferred income of government grants		32,860	33,925
Deferred income tax liabilities		24,665	27,937
		162,020	163,509
<b>Current liabilities</b>			
Trade and other payables	14	239,272	345,502
Current income tax liabilities		45,225	54,084
Borrowings	15	713,450	510,826
Contract liabilities	16	77,918	85,831
Lease liabilities	8	43,608	49,062
		1,119,473	1,045,305
<b>Total liabilities</b>		1,281,493	1,208,814
<b>Total equity and liabilities</b>		2,938,144	2,903,112

The notes on pages 33 to 60 are an integral part of these condensed consolidated financial statements.

## Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
	Note	Unaudited RMB'000	Unaudited RMB'000
Revenue	6	750,897	839,774
Cost of sales		(284,994)	(325,411)
<b>Gross profit</b>		465,903	514,363
Distribution costs		(177,441)	(212,213)
Administrative expenses		(119,304)	(119,632)
Other income	17	12,844	11,501
Other gains/(losses) – net	18	99	(385)
<b>Operating profit</b>		182,101	193,634
Finance income	19	3,727	4,072
Finance costs	19	(18,363)	(18,426)
Finance costs – net	19	(14,636)	(14,354)
Share of net (loss)/profit of investments accounted for using equity method		(2,010)	1,659
<b>Profit before income tax</b>		165,455	180,939
Income tax expense	21	(56,173)	(56,130)
<b>Profit for the period</b>		109,282	124,809
<b>Profit attributable to:</b>			
Shareholders of the Company		112,589	124,809
Non-controlling interests		(3,307)	–
		109,282	124,809
Other comprehensive income for the period		–	–
<b>Total comprehensive income for the period</b>		109,282	124,809
<b>Total comprehensive income for the period attributable to:</b>			
Shareholders of the Company		112,589	124,809
Non-controlling interests		(3,307)	–
		109,282	124,809
<b>Earnings per share for profit attributable to the shareholders of the Company</b>			
– Basic earnings per share	22	RMB0.10	RMB0.11
– Diluted earnings per share	22	RMB0.10	RMB0.11

The notes on pages 33 to 60 are an integral part of these condensed consolidated financial statements.

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

		Unaudited						
		Attributable to the shareholders of the Company						
		Share capital	Treasury shares	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2020</b>		91,274	(8,336)	41,926	1,569,434	1,694,298	–	1,694,298
Profit and total comprehensive income								
for the six months ended 30 June 2020		–	–	–	112,589	112,589	(3,307)	109,282
Repurchase of shares	12	–	(8,838)	–	–	(8,838)	–	(8,838)
Cancellation of shares	12,13	(203)	11,916	(11,627)	–	86	–	86
Capital injection from non-controlling shareholders		–	–	–	–	–	3,800	3,800
Final dividend for 2019	23	–	–	–	(141,977)	(141,977)	–	(141,977)
<b>Balance at 30 June 2020</b>		91,071	(5,258)	30,299	1,540,046	1,656,158	493	1,656,651
<b>Balance at 1 January 2019</b>		98,593	(1,735)	409,316	1,525,065	2,031,239	–	2,031,239
Profit and total comprehensive income								
for the six months ended 30 June 2019		–	–	–	124,809	124,809	–	124,809
Repurchase of shares	12	–	(216,234)	–	–	(216,234)	–	(216,234)
Cancellation of shares	12,13	(4,067)	217,785	(207,821)	–	5,897	–	5,897
Final dividend for 2018	23	–	–	–	(146,329)	(146,329)	–	(146,329)
<b>Balance at 30 June 2019</b>		94,526	(184)	201,495	1,503,545	1,799,382	–	1,799,382

The notes on pages 33 to 60 are an integral part of these condensed consolidated financial statements.



# Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2020

	Note	Six months ended 30 June	
		2020 Unaudited RMB'000	2019 Unaudited RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from operations		190,691	243,508
Interest paid		(17,179)	(13,922)
Income tax paid		(67,683)	(82,863)
Net cash inflow from operating activities		105,829	146,723
<b>Cash flows from investing activities</b>			
Investment in a joint venture		(3,000)	–
Purchase of property, plant and equipment		(12,915)	(20,904)
Purchase of intangible assets		(95)	(1,363)
Changes in investments in time deposits with maturity more than 3 months	11	123,185	(116,385)
Proceeds from sale of financial assets at fair value through profit or loss		2,887	–
Proceeds from disposal of property, plant and equipment		413	547
Interest received		3,319	2,557
Dividends received from joint ventures		2,431	2,040
Net cash inflow/(outflow) from investing activities		116,225	(133,508)
<b>Cash flows from financing activities</b>			
Repurchase of shares of the Company		(8,752)	(210,338)
Proceeds from borrowings		862,600	390,500
Repayments of borrowings		(660,408)	(343,189)
Principal elements of lease payments		(19,655)	(23,864)
Changes in restricted cash pledged for notes payable		–	(80,000)
Proceeds from non-controlling shareholders' capital injection		3,800	–
Dividends paid to the shareholders of the Company	23	(141,977)	(146,329)
Net cash inflow/(outflow) from financing activities		35,608	(413,220)
<b>Net increase/(decrease) in cash and cash equivalents</b>			
Effect of foreign exchange rate changes		(946)	(3,902)
Cash and cash equivalents at beginning of the period		190,966	666,820
<b>Cash and cash equivalents at end of the period</b>	11	447,682	262,913

The notes on pages 33 to 60 are an integral part of these condensed consolidated financial statements.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 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 financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These condensed consolidated financial statements set out on pages 28 to 60 have been approved for issue by the Company’s board of directors (the “Board”) on 18 August 2020.

These condensed consolidated financial statements have not been audited.

## 2 BASIS OF PREPARATION

These condensed consolidated financial statements for the six months ended 30 June 2020 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 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 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 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 2019, 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. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

		<b>Effective for annual periods beginning on or after</b>
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 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform	1 January 2020
HKFRS 16 (Amendments)	Coronavirus Disease ("COVID-19") related Rent Concessions	1 June 2020

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 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 2020 and have not been early adopted by the Group:

		<b>Effective for annual periods beginning on or after</b>
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2022
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKFRS 17	Insurance contracts	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Annual Improvements to HKFRS Standards 2018-2020		1 January 2022

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 4 ESTIMATES

The preparation of condensed consolidated 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 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 2019.

## 5 FINANCIAL RISK MANAGEMENT

### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

The condensed consolidated 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 2019.

There have been no changes in the risk management department since 2019 year end or in any risk management policies.

### 5.2 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 long-term borrowings and lease liabilities approximates to their carrying amount, as the impact of discounting is not significant. 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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 6 REVENUE AND SEGMENT INFORMATION

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

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

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

Others include revenue from restaurants, hotels, tourists, management services and catering management, beverage production and sales of pre-packaged food and liquor. 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 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.

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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 6 REVENUE AND SEGMENT INFORMATION (continued)

Revenue of the Group consists of the following revenue for the six months ended 30 June 2020 and 2019. All revenue is derived from external customers.

	Six months ended 30 June	
	2020 Unaudited RMB'000	2019 Unaudited RMB'000
Sales of tea leaves	542,711	583,989
Sales of tea snacks	84,459	108,035
Sales of tea ware	85,765	104,221
Others	37,962	43,529
	750,897	839,774

The segment results for the six months ended 30 June 2020:

	Unaudited				
	Tea leaves RMB'000	Tea snacks RMB'000	Tea ware RMB'000	All other segments RMB'000	Total RMB'000
Segment revenue	542,711	84,459	85,765	37,962	750,897
Segment results	153,193	16,257	16,294	(5,313)	180,431
Unallocated					
administrative expenses					(11,273)
Other income					12,844
Other gains – net					99
Finance costs – net					(14,636)
Share of net loss of investments accounted for using equity method					(2,010)
Profit before income tax					165,455
Income tax expense					(56,173)
Profit for the period					109,282

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 6 REVENUE AND SEGMENT INFORMATION (continued)

Other segment items included in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2020:

	Unaudited					Total RMB'000
	Tea leaves	Tea snacks	Tea ware	All other		
	RMB'000	RMB'000	RMB'000	segments RMB'000	Unallocated RMB'000	
Depreciation of property, plant and equipment	13,812	6,719	2,861	3,619	6,350	33,361
Depreciation of investment properties	-	-	-	-	292	292
Depreciation and amortisation of right-of-use assets	31,425	4,988	4,847	1,051	-	42,311
Amortisation of intangible assets	239	35	33	12	185	504
Losses on disposal of property, plant and equipment, net	125	26	36	3	-	190

The segment assets and liabilities as at 30 June 2020 are as follows:

	Unaudited					Total RMB'000
	Tea leaves	Tea snacks	Tea ware	All other		
	RMB'000	RMB'000	RMB'000	segments RMB'000	Unallocated RMB'000	
Segment assets	1,659,657	250,017	332,604	358,931	336,935	2,938,144
- Investments in associates and joint ventures	605	-	1,180	108,054	-	109,839
- Additions to non-current assets	30,526	4,598	6,117	7,345	-	48,586
Segment liabilities	565,621	93,010	88,311	54,119	480,432	1,281,493



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 6 REVENUE AND SEGMENT INFORMATION (continued)

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

	Unaudited				Total RMB'000
	Tea leaves RMB'000	Tea snacks RMB'000	Tea ware RMB'000	All other segments 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 costs – net					(14,354)
Share of net profit 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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 6 REVENUE AND SEGMENT INFORMATION (continued)

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

	Unaudited					
	Tea leaves	Tea snacks	Tea ware	All other	Unallocated	Total
	RMB'000	RMB'000	RMB'000	segments	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
Amortisation of land use rights	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 31 December 2019 are as follows:

	Audited					
	Tea leaves	Tea snacks	Tea ware	All other	Unallocated	Total
	RMB'000	RMB'000	RMB'000	segments	RMB'000	RMB'000
Segment assets	1,712,498	251,208	314,088	356,623	268,695	2,903,112
- Investments in associates and joint ventures	461	-	1,320	115,813	-	117,594
- Additions to non-current assets	198,150	29,067	36,343	16,234	-	279,794
Segment liabilities	615,982	105,854	89,664	65,306	332,008	1,208,814

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 7 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS

	Property, plant and equipment RMB'000	Investment properties RMB'000	Intangible assets RMB'000
<b>Six months ended 30 June 2020</b>			
<b>(unaudited)</b>			
<b>Opening net book amount</b>			
<b>as at 1 January 2020</b>	681,568	6,942	3,442
Additions	16,494	–	95
Disposals	(603)	–	–
Depreciation and amortisation	(33,361)	(292)	(504)
Impairment provision	(6,453)	–	–
<b>Closing net book amount</b>			
<b>as at 30 June 2020</b>	657,645	6,650	3,033
<b>Six months ended 30 June 2019</b>			
<b>(unaudited)</b>			
<b>Opening net book amount</b>			
<b>as at 1 January 2019</b>	700,364	9,460	3,203
Additions	20,857	–	1,363
Disposals	(832)	–	–
Depreciation and amortisation	(33,959)	(306)	(619)
<b>Closing net book amount</b>			
<b>as at 30 June 2019</b>	686,430	9,154	3,947

As at 30 June 2020, property, plant and equipment with net book value of RMB8,883,000 (31 December 2019: RMB8,883,000) have been pledged as securities for long-term bank borrowings of the Group amounting to RMB6,295,000 (31 December 2019: RMB6,703,000) (Note 15).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

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

As at 30 June 2020, the fair value of the investment properties is RMB16,551,000 (31 December 2019: RMB16,874,000), with carrying amount of RMB6,650,000 (31 December 2019: RMB6,942,000). The fair value is determined at each balance sheet date by an external valuer.

### Impairment tests for goodwill

The intangible assets as at 30 June 2020 and 31 December 2019 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 2019 and the six months ended 30 June 2020, 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 2020 and the year 2019 are as follows:

– Gross margin	29%
– 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 financial statements.

Based on management’s assessment and up to 30 June 2020, no impairment charge was made on the goodwill.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 8 LEASES

### (i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	<b>As at 30 June 2020 Unaudited RMB'000</b>	As at 31 December 2019 Audited RMB'000
<b>Right-of-use assets</b>		
– Land use rights	267,222	274,318
– Retail shops	141,317	153,325
	408,539	427,643
<b>Lease liabilities</b>		
– Current	43,608	49,062
– Non-current	99,050	95,770
	142,658	144,832

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 8 LEASES (continued)

### (ii) Amounts recognised in the statement of comprehensive income

The statement of comprehensive income shows the following amounts relating to leases:

	Six months ended 30 June					
	2020			2019		
	Retail shops	Land use rights	Total	Retail shops	Land use rights	Total
	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000	Unaudited RMB'000
<b>Depreciation and amortisation charge of right-of-use assets</b> (Note 20)						
Distribution costs	32,812	5,968	38,780	23,440	6,184	29,624
Administrative expenses	2,403	156	2,559	1,812	157	1,969
Cost of sales	-	972	972	-	992	992
	35,215	7,096	42,311	25,252	7,333	32,585
Interest expense (including in finance cost) (Note 19)			3,855			3,551
Expense relating to short-term leases			14,012			26,171
Exemption of lease expenses due to COVID-19			(5,726)			-
Total charges to the statement of comprehensive income			54,452			62,307

The total cash outflow for leases in the six months ended 30 June 2020 was RMB19,655,000 (30 June 2019: RMB23,864,000).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 9 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

### (i) Trade and other receivables

	<b>As at 30 June 2020 Unaudited RMB'000</b>	As at 31 December 2019 Audited RMB'000
Trade receivables due from third parties	241,221	307,289
Less: provision for impairment	(2,399)	–
Trade receivables, net	238,822	307,289
Interest receivable on time deposits	6,456	6,048
Others	6,778	6,663
	13,234	12,711
Trade and other receivables	252,056	320,000

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

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

	<b>As at 30 June 2020 Unaudited RMB'000</b>	As at 31 December 2019 Audited RMB'000
Up to 140 days	200,663	299,189
141 days to 6 months	32,025	5,432
6 months to 1 year	7,672	1,357
1 year to 2 years	6	606
2 years to 3 years	855	705
	241,221	307,289

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

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

#### (ii) Prepayments

	<b>As at 30 June 2020 Unaudited RMB'000</b>	As at 31 December 2019 Audited RMB'000
<b>Non-current</b>		
Prepayments for property, plant and equipment	158	467
<b>Current</b>		
Prepayments for short-term lease of property and lease deposits	21,107	23,520
Prepayments to related parties (Note 24(b))	–	549
Prepayments for raw materials and packaging materials	11,714	15,398
Prepaid taxes	18,842	21,623
	51,663	61,090
	51,821	61,557

### 10 INVENTORIES

	<b>As at 30 June 2020 Unaudited RMB'000</b>	As at 31 December 2019 Audited RMB'000
Raw materials and packaging materials	254,481	239,806
Work in progress	197,502	184,801
Finished goods	364,651	358,028
	816,634	782,635



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

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

	<b>As at 30 June 2020 Unaudited RMB'000</b>	As at 31 December 2019 Audited RMB'000
Time deposits, with original maturity between three months to one year	–	123,185
Long-term time deposits, with original maturity over one year	20,000	20,000
Restricted cash	4,000	4,000
Long-term restricted cash	110,000	110,000
Cash and cash equivalents	447,682	190,966
<b>Total cash at bank and on hand</b>	<b>581,682</b>	<b>448,151</b>

The weighted average effective interest rate on cash placed with banks and deposits for the six months ended 30 June 2020 was 1.45% per annum (six months ended 30 June 2019: 1.31% per annum).

As at 30 June 2020, a subsidiary of the Group pledged time deposits of RMB4,000,000 (31 December 2019: RMB4,000,000) as collateral for issue of notes payable amounting to RMB10,000,000 (31 December 2019: RMB10,000,000) (Note 14). In addition, the Group's subsidiaries pledged time deposits amounting to RMB110,000,000 (31 December 2019: RMB110,000,000) as collateral for short-term borrowings of the Group amounting to RMB110,000,000 (31 December 2019: RMB110,000,000) (Note 15).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 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 2020	8,000,000	1,110,410	91,274	(8,336)	82,938
Repurchase of shares	-	-	-	(8,838)	(8,838)
Cancellation of shares	-	(2,482)	(203)	11,916	11,713
<b>At 30 June 2020</b>	<b>8,000,000</b>	<b>1,107,928</b>	<b>91,071</b>	<b>(5,258)</b>	<b>85,813</b>
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 30 June 2019	8,000,000	1,150,223	94,526	(184)	94,342

The Company repurchased 1,995,000 its own ordinary shares through the Stock Exchange from 1 January 2020 to 30 June 2020. The total value of shares repurchased was approximately HKD11,421,000 and has been deducted from shareholders' equity. The payment made for the repurchase was RMB8,752,000 due to the dividends received by the Company for shares repurchased before ex-dividend date.

During the six months ended 30 June 2020, the Company cancelled 2,482,000 shares. After the cancellation, the Company's ordinary shares in issue were reduced from 1,110,410,460 to 1,107,928,460. The amount of share capital was deducted accordingly.

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 and has been deducted from shareholders' equity, and the payment made for the repurchase was RMB210,337,000 due to the dividends received by the Company for shares repurchased before ex-dividend date.

During the six months ended 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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 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 2020	278,811	231	276,253	(513,369)	41,926
Cancellation of shares	-	-	-	(11,627)	(11,627)
<b>At 30 June 2020</b>	<b>278,811</b>	<b>231</b>	<b>276,253</b>	<b>(524,996)</b>	<b>30,299</b>
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

During the six months ended 30 June 2020, the Company cancelled 2,482,000 shares (six months ended 30 June 2019: 49,774,000 shares) repurchased, resulted in a reduction to other reserve by RMB11,627,000 (six months ended 30 June 2019: RMB207,821,000) including the expenses attributable to the cancellation.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 14 TRADE AND OTHER PAYABLES

	<b>As at 30 June 2020 Unaudited RMB'000</b>	As at 31 December 2019 Audited RMB'000
Trade payables – due to third parties	65,430	160,246
Trade payables – due to related parties (Note 24(b))	51,565	47,919
Total trade payables	116,995	208,165
Notes payable (Note 11)	10,000	10,000
Payables for property, plant and equipment	5,805	2,567
Other taxes payable	18,055	25,938
Employee benefit payables	19,286	28,091
Others	69,131	70,741
	239,272	345,502

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

	<b>As at 30 June 2020 Unaudited RMB'000</b>	As at 31 December 2019 Audited RMB'000
Up to 6 months	115,016	207,510
6 months to 1 year	1,706	204
1 year to 2 years	29	28
Over 2 years	244	423
	116,995	208,165

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 15 BORROWINGS

	<b>As at 30 June 2020 Unaudited RMB'000</b>	As at 31 December 2019 Audited RMB'000
Long-term bank borrowing		
– Secured (i)	6,295	6,703
Less: Current portion	(850)	(826)
	5,445	5,877
Short-term bank borrowings		
– Secured (ii)	110,000	110,000
– Unsecured (iii)	602,600	400,000
Add: Current portion of long-term bank borrowing	850	826
	713,450	510,826
Total borrowings	718,895	516,703

- (i) The long-term bank borrowing represented the mortgage loan of original amount of RMB9,000,000 for the purchase of a store premise under construction amounting to approximately RMB18,052,000. 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 2020, the remaining balance of the loan was RMB6,295,000.
- (ii) As at 30 June 2020, short-term bank borrowings of RMB110,000,000 (31 December 2019: RMB110,000,000) were secured by the pledge of time deposits of RMB110,000,000 (31 December 2019: RMB110,000,000) as collateral (Note 11).
- (iii) As at 30 June 2020, short-term bank borrowings of RMB576,000,000 (31 December 2019: RMB380,000,000) 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)).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 15 BORROWINGS (continued)

The Group had the following undrawn borrowing facilities:

	<b>As at 30 June 2020 Unaudited RMB'000</b>	As at 31 December 2019 Audited RMB'000
Fixed rate:		
– expiring within one year (bank borrowings)	282,578	238,810
– expiring over one year and within three years (bank borrowings)	–	34,000
	<b>282,578</b>	<b>272,810</b>

## 16 CONTRACT LIABILITIES

	<b>As at 30 June 2020 Unaudited RMB'000</b>	As at 31 December 2019 Audited RMB'000
Advances from customers	63,033	72,978
Customer loyalty programme	14,885	12,853
	<b>77,918</b>	<b>85,831</b>

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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 17 OTHER INCOME

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
	RMB'000	RMB'000
Government grants	10,702	9,423
Income from investment properties	1,152	1,359
Others	990	719
	12,844	11,501

## 18 OTHER GAINS/(LOSSES) – NET

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
	RMB'000	RMB'000
Losses on disposal of property, plant and equipment, net	(190)	(285)
Net foreign exchange gains/(losses)	116	(100)
Gains from sale of financial assets at fair value through profit or loss	173	–
	99	(385)

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 19 FINANCE COSTS – NET

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
	RMB'000	RMB'000
Finance income		
– Interest income on bank deposits	3,727	4,072
Total finance income	3,727	4,072
Finance costs		
– Interest expenses on bank borrowings	(13,594)	(11,096)
– Interest expenses on lease liabilities (Note 8)	(3,855)	(3,551)
– Less: amounts capitalised in qualifying assets	32	123
– Net foreign exchange losses	(946)	(3,902)
Total finance costs	(18,363)	(18,426)
Net finance costs	(14,636)	(14,354)

## 20 DEPRECIATION AND AMORTISATION EXPENSES

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
	RMB'000	RMB'000
Depreciation of investment properties	292	306
Depreciation and amortisation of right-of-use assets	42,311	32,585
Depreciation of property, plant and equipment	33,361	33,959
Amortisation of intangible assets	504	619



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 21 INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
	RMB'000	RMB'000
Current income tax		
– PRC corporate income tax	48,824	49,871
Deferred income tax	7,349	6,259
Income tax expense	56,173	56,130

### (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 2020 and 2019, 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 2020 and 2019, CIT is provided at the rate of 25% on the assessable income of entities within the Group incorporated in mainland China.

### (iv) PRC withholding income tax

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 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 2019, Tenfu (Hong Kong) Holdings Co., Ltd., a subsidiary of the Company, obtained qualification for the lower tax rate of 5% for dividend received from its subsidiaries in mainland China. During the six months ended 30 June 2020, 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 shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
Profit attributable to the shareholders of the Company (RMB'000)	112,589	124,809
Weighted average number of ordinary shares in issue ('000)	1,107,628	1,172,397
Basic earnings per share (RMB)	0.10	0.11

Diluted earnings per share for the six months ended 30 June 2020 and 2019 were the same as the basic earnings per share as there were no dilutive instruments during the periods.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 23 DIVIDENDS

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
	RMB'000	RMB'000
Interim dividend declared	59,828	61,971

An interim dividend for 2020 of HKD6 cents (equivalent to RMB5.4 cents) (interim dividend for 2019: HKD6 cents (equivalent to RMB5.4 cents)) per share was declared by the Board on 18 August 2020 using RMB59,828,000 of the retained earnings (interim dividend for 2019: RMB61,971,000). This interim dividend, amounting to HKD66,476,000 (equivalent to RMB59,828,000) (interim dividend for 2019: HKD69,011,000 (equivalent to RMB61,971,000)), has not been recognised as liability in these condensed consolidated financial statements. It will be reflected as an appropriation of retained earnings for the year ending 31 December 2020. Similarly, the interim dividend for 2019 declared by the Board on 20 August 2019 was reflected as an appropriation of retained earnings for the year ended 31 December 2019 after 30 June 2019.

The final dividend for 2019 of HKD155,457,000 (equivalent to RMB141,977,000) and the one for 2018 of HKD167,950,000 (equivalent to RMB146,329,000) had been reflected as an appropriation of retained earnings for the six months ended 30 June 2020 and 2019 respectively after obtaining the approval from the shareholders at the Company's annual general meeting held on 14 May 2020 and 14 May 2019 respectively.

The dividend paid in the six months ended 30 June 2020 were RMB141,977,000 (six months ended 30 June 2019: RMB146,329,000).

## 24 RELATED-PARTY TRANSACTIONS

The Group is controlled by Mr. Lee Rie-Ho, Mr. Lee Shih-Wei, and 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 a related party company wholly owned by Mr. Lee Chia Ling. SAMOA and its subsidiaries are regarded as related parties.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 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	
	2020 Unaudited RMB'000	2019 Unaudited RMB'000
(i) Purchases of goods and services		
– Subsidiaries of SAMOA	48,863	63,727
– A company controlled by the Controlling Shareholders	12,521	15,039
	61,384	78,766
(ii) Processing fee expenses		
– Subsidiaries of SAMOA	505	703
(iii) Rental expenses		
– The Controlling Shareholders and their affiliates	1,572	–
– A subsidiary of SAMOA	270	–
– A company controlled by an affiliate of the Controlling Shareholders	683	737
	2,525	737
(iv) Right-of-use assets		
– The Controlling Shareholders and their affiliates	6,526	3,187
– A subsidiary of SAMOA	1,728	1,213
– A company controlled by an affiliate of the Controlling Shareholders	7,383	–
	15,637	4,400
(v) Key management compensation	2,775	2,804

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 24 RELATED-PARTY TRANSACTIONS (continued)

### (b) Balances with related parties

The Group has the following balances with its related parties as at 30 June 2020 and 31 December 2019:

	<b>As at 30 June 2020 Unaudited RMB'000</b>	As at 31 December 2019 Audited RMB'000
(i) Prepayments to related parties (Note 9(ii))		
– Subsidiaries of SAMOA	–	549
(ii) Due to related parties (Note 14)		
Trade related		
– Subsidiaries of SAMOA	51,565	47,919

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 2020, short-term bank borrowings of RMB576,000,000 (31 December 2019: RMB380,000,000) 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.