



**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 2021**



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# Corporate Information

## DIRECTORS

### Executive Directors

LEE Rie-Ho (*Chairman*)

LEE Chia Ling (*Chief Executive Officer*)

LEE Kuo-Lin (*Chief Operating Officer*)

FAN Ren Da, Anthony (*re-designated on 18 May 2021*)

ZHANG Honghai (*appointed on 18 May 2021*)

### Non-executive Director

TSENG Ming-Sung

### Independent Non-executive Directors

LO Wah Wai

LEE Kwan Hung, Eddie

HUANG Wei (*appointed on 18 May 2021*)

## BOARD COMMITTEES

### Audit Committee

LO Wah Wai (*Chairman*)

TSENG Ming-Sung

HUANG Wei (*appointed on 18 May 2021*)

LEE Kwan Hung, Eddie

FAN Ren Da, Anthony (*resigned on 18 May 2021*)

### Nomination Committee

LEE Kwan Hung, Eddie (*Chairman*)

LEE Kuo-Lin

HUANG Wei (*appointed on 18 May 2021*)

LO Wah Wai

FAN Ren Da, Anthony (*resigned on 18 May 2021*)

### Remuneration Committee

HUANG Wei (*appointed on 18 May 2021*) (*Chairman*)

LEE Rie-Ho

LO Wah Wai

LEE Kwan Hung, Eddie

LEE Chia Ling

FAN Ren Da, Anthony (*resigned on 18 May 2021*)

### **REGISTERED OFFICE**

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

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

2901 Building C  
Xinjing Commerce Center  
No. 25 Jiahe Road  
Xiamen  
the PRC  
Tel: +86-592-3389334  
Fax: +86-592-3389086  
Email: tenfu@tenfu.com

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

Room E, 22/F  
CNT Tower  
338 Hennessy Road  
Wanchai  
Hong Kong

### **AUTHORIZED REPRESENTATIVES**

LEE Chia Ling  
LEUNG Shui Bing (*appointed on 19 July 2021*)  
LAM Yuk Ling (*resigned on 19 July 2021*)

### **COMPANY SECRETARY**

LEUNG Shui Bing (*appointed on 19 July 2021*)  
LAM Yuk Ling (*resigned on 19 July 2021*)

### **PRINCIPAL SHARE REGISTRAR**

Suntera (Cayman) Limited  
Suite 3204, Unit 2A, Block 3  
Building D, P.O. Box 1586  
Gardenia Court, Camana Bay  
Grand Cayman, KY1-1100  
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)

## 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 2021, the Group achieved revenue of RMB942.1 million, up 25.5% from the corresponding period in 2020, and recorded profit for the period of RMB158.6 million, up 45.1% from the corresponding period in 2020. The increase in the Group's revenue for the period was mainly due to the market recovery as affected by the novel coronavirus ("COVID-19").

In the first half of 2021, it was still challenging under the impact of the COVID-19 and U.S.-China trade war. Under this environment, the Group has made best endeavor 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. Mr. Lee Rie-Ho, the chairman of the Board, obtained the honorary title of Outstanding Chinese Tea People (Lifetime Achievement) in November 2020. 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.

## Management Discussion and Analysis

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 2021, the Group had a total of 1,277 self-owned and third-party owned retail outlets and retail points, up a net of 34 retail stores and retail points from a total of 1,243 as at 31 December 2020.
3. **Adjustment in each tea product category and development of diversified product lines.** In the first half of 2021, the Group adjusted its tea product categories, and the sales income of green tea increased in the year. 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. The Group also established a food research and development department to develop diversified traditional food, such as Buddha Jumping over the Wall and Instant Bird's Nest.
4. **Strengthened costs control.** The Group has strengthened its costs control on all items in accordance with prevailing economic environment and market conditions, and as a result, the administrative expenses increased slightly as compared to the corresponding period in 2020 while each of revenue and profit increased significantly as compared with the corresponding period in 2020.
5. **Anti-counterfeiting and traceability 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, and trace the raw material management.

## Management Discussion and Analysis

In the second half of 2021, it is expected that the retail industry in China will further recover from 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 identify, establish and keep new retail outlets on high-traffic streets in the central business districts of selected cities, as well as retail points in popular shopping malls, actively expand networks in third-tier and fourth-tier and small cities, and develop quality distributors to increase sales 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. As part of these promotional activities, the Group plans to make further efforts to promote its products and brands during traditional Chinese festivals, and actively hold tea ware exhibition, pu'er tea expo, new tea tasting events and tea art education activities for enhancement of communications and interactions with customers 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

- 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 position and keep pace with constantly changing consumer preferences and trends. To this end, the Group will continue the development of tea and tea-related products to meet market requirements, as well as creating the trend and leading the trend. 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 Co., Ltd. (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.
- 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.
- 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.

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue

During the six months ended 30 June 2021, 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 trademarks of “放牛斑” and “喫茶趣 TO GO”).

During the six months ended 30 June 2021, the Group derived substantially all of its revenue from the sales of tea leaves, tea snacks and tea ware. The revenue of the Group increased by 25.5% from RMB750.9 million for the six months ended 30 June 2020 to RMB942.1 million for the six months ended 30 June 2021. The following table sets forth a breakdown of revenue by product category for the periods indicated:

	Six months ended 30 June			
	2021		2020	
	RMB'000	%	RMB'000	%
Revenue contributed from:				
Sales of tea leaves	670,646	71.2	542,711	72.3
Sales of tea snacks	119,555	12.7	84,459	11.2
Sales of tea ware	106,740	11.3	85,765	11.4
Others <sup>(1)</sup>	45,128	4.8	37,962	5.1
Total	942,069	100.0	750,897	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 increased by 23.6% from RMB542.7 million for the six months ended 30 June 2020 to RMB670.6 million for the six months ended 30 June 2021. Revenue from sales of the Group's tea snacks increased by 41.5% from RMB84.5 million for the six months ended 30 June 2020 to RMB119.6 million for the six months ended 30 June 2021. Revenue from sales of the Group's tea ware increased by 24.4% from RMB85.8 million for the six months ended 30 June 2020 to RMB106.7 million for the six months ended 30 June 2021. 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 2021, the Group had approximately 229 self-owned retail outlets and 578 wholesalers throughout Mainland China accounted for approximately 44.9% and 50.3% of the total revenue respectively, compared with approximately 238 self-owned retail outlets and 549 wholesalers as at 31 December 2020.

### 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 41.6% from RMB285.0 million for the six months ended 30 June 2020 to RMB403.7 million for the six months ended 30 June 2021, 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 15.6% from RMB465.9 million for the six months ended 30 June 2020 to RMB538.4 million for the six months ended 30 June 2021, with gross profit margin decreasing from 62.0% for the six months ended 30 June 2020 to 57.1% for the six months ended 30 June 2021.

# Management Discussion and Analysis

## Distribution costs

The distribution costs of the Group increased by 12.7% from RMB177.4 million for the six months ended 30 June 2020 to RMB199.9 million for the six months ended 30 June 2021. The increase of distribution costs was primarily due to the rent concessions and a decrease in employee benefit expenses during the period affected by COVID-19 in 2020.

## Administrative expenses

Administrative expenses for the Group slightly increased by 0.8% from RMB119.3 million for the six months ended 30 June 2020 to RMB120.2 million for the six months ended 30 June 2021.

## Other income

Other income of the Group increased by 19.5% from RMB12.8 million for the six months ended 30 June 2020 to RMB15.3 million for the six months ended 30 June 2021. 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 RMB0.7 million for the six months ended 30 June 2021, as compared to other gains of RMB0.1 million for the six months ended 30 June 2020, 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 RMB3.7 million for the six months ended 30 June 2020 to RMB3.6 million for the six months ended 30 June 2021.

# Management Discussion and Analysis

## Finance costs

Finance costs of the Group decreased by 22.8% from RMB18.4 million for the six months ended 30 June 2020 to RMB14.2 million for the six months ended 30 June 2021, primarily due to a decrease in interest expenses on borrowings resulting from a decrease in bank borrowings.

## 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 profit amounting to RMB0.5 million and a net loss amounting to RMB2.0 million for the six months ended 30 June 2021 and 2020, respectively.

## Income tax expense

Income tax expense of the Group increased by 16.5% from RMB56.2 million for the six months ended 30 June 2020 to RMB65.5 million for the six months ended 30 June 2021, primarily due to an increase in the Group's profit before tax. In addition, the effective tax rate of the Group decreased from 25.2% to 24.1%, primarily due to the decrease in the accumulated loss of unrecognized deferred income tax assets.

## Profit for the period

As a result of the foregoing factors, profit of the Group, all of which was attributable to the shareholders of the Company, increased by RMB49.3 million, or 45.1%, from RMB109.3 million for the six months ended 30 June 2020 to RMB158.6 million for the six months ended 30 June 2021. Net profit margin of the Group increased from 14.6% for the six months ended 30 June 2020 to 16.8% for the six months ended 30 June 2021, primarily due to an increase in revenue and profit.

# 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 “**Shareholders**”).

The Group’s cash and cash equivalents decreased by RMB67.3 million, or 18.6%, from RMB361.0 million as at 31 December 2020 to RMB293.7 million as at 30 June 2021, primarily due to investing and financing activities.

The Group had net cash inflow from operating activities of RMB249.6 million, net cash outflow from investing activities of RMB35.0 million and net cash outflow from financing activities of RMB279.6 million for the six months ended 30 June 2021.

### *Bank borrowings and gearing ratio*

The Group had total bank borrowings of RMB530.8 million as at 30 June 2021 compared to RMB586.6 million as at 31 December 2020. As at 30 June 2021, the weighted average effective interest rate of the Group’s bank borrowings was 3.3%, and 100% of the Group’s bank borrowings were denominated in RMB.

As at 30 June 2021, short-term bank borrowings of RMB530,800,000 (31 December 2020: RMB450,000,000) 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. As at 31 December 2020, the remaining balance of the loan was prepaid in advance. As at 31 December 2020, short-term bank borrowings of RMB110,000,000 were secured by the pledge of time deposits of RMB110,000,000 as collateral.



## Management Discussion and Analysis

The Directors are of the view that the guarantee of bank borrowings of RMB530.8 million as at 30 June 2021 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 2021, the gearing ratio of the Group was 23.6%, compared to 25.1% as at 31 December 2020. The decrease during the first half of 2021 was primarily due to a decrease in total borrowings.

### Working capital

	<b>As at 30 June 2021 RMB’000</b>	As at 31 December 2020 RMB’000
Trade and other receivables	253,305	321,354
Trade and other payables	254,740	275,979
Inventories	902,443	875,976
Trade receivables turnover days <sup>(1)</sup>	84	112
Trade payables turnover days <sup>(2)</sup>	57	93
Inventories turnover days <sup>(3)</sup>	396	448

#### 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 RMB68.1 million from RMB321.4 million as at 31 December 2020 to RMB253.3 million as at 30 June 2021, primarily due to the acceleration of cash collection.

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 RMB276.0 million as at 31 December 2020 to RMB254.7 million as at 30 June 2021, primarily due to a decrease in trade payables due to third parties and other taxes payable.

The Group's inventories comprise raw materials (including packaging materials), work-in-progress and finished goods. The Group's inventories increased from RMB876.0 million as at 31 December 2020 to RMB902.4 million as at 30 June 2021, because of an increase in purchase volume.

As at 30 June 2021, the Group has sufficient working capital and financial resources to support 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 2021, 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 2021.

## **EMPLOYEE AND REMUNERATION POLICY**

As at 30 June 2021, the Group had a total of 3,588 employees with 3,584 employees based in the PRC and 4 employees based in Hong Kong. For the six months ended 30 June 2021, the labour cost of the Group was RMB162.8 million.

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

## 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 2021.

## Other Information

### **INTERIM DIVIDEND**

At the Board meeting held on 17 August 2021, it was resolved that an interim dividend of HK\$0.08 (equivalent to RMB0.07) per Share (2020 interim dividend: HK\$0.06 (equivalent to RMB0.054) per Share) be paid on or around 27 September 2021 to the Shareholders whose names appear on the Company's register of members on 7 September 2021. 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 2021, 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 3 September 2021 to 7 September 2021, 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 2 September 2021.

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

As at 30 June 2021, 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	188,789,000 (L)	17.19%
Mr. Lee Chia Ling <sup>(2)</sup>	Settlor of The KCL Trust	378,273,000 (L)	34.45%
	Personal interest/ individual	76,926,028 (L)	7.01%
Mr. Lee Kuo-Lin <sup>(2)</sup>	Beneficiary of The KCL Trust	378,273,000 (L)	34.45%
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 378,273,000 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 1,098,123,460 Shares in issue as at 30 June 2021.*

### (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 2021, 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	188,789,000 (L)	17.19%
Ms. Lee Tsai Li-Li <sup>(1)</sup>	Interest as a spouse	188,789,000 (L)	17.19%
UBS TC (Jersey) Ltd. <sup>(2)(3)</sup>	Trustee	378,273,000 (L)	34.45%
Trackson Investments Limited <sup>(2)</sup>	Registered owner	378,273,000 (L)	34.45%
Tiger Nature Holdings Limited <sup>(2)</sup>	Interest in a controlled corporation	378,273,000 (L)	34.45%
The KCL Trust <sup>(2)</sup>	Interest in a controlled corporation	378,273,000 (L)	34.45%
Mr. Lee John L <sup>(2)</sup>	Beneficiary of The KCL Trust	378,273,000 (L)	34.45%
Ms. Zhou Nan-Nan <sup>(2)</sup>	Interest as a spouse	455,199,028 (L)	41.45%
Spring Cheers Overseas Ltd.	Registered owner	114,379,023 (L)	10.42%

## 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 378,273,000 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 378,273,000 Shares held by The KCL Trust.*
- (4) *The letter “L” denotes long position in such shares.*
- (5) *There were 1,098,123,460 Shares in issue as at 30 June 2021.*

### **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 2021, 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 2021.

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

Save as disclosed in the 2020 annual report of the Company, Mr. Fan Ren Da, Anthony has been re-designated from an independent non-executive Director to an executive Director, Mr. Zhang Honghai has been appointed as an executive Director and Dr. Huang Wei has been appointed as an independent non-executive Director, both effective from 18 May 2021. Mr. Fan Ren Da, Anthony, ceased to be an independent non-executive director of Raymond Industrial Limited (stock code: 229), a company listed on the main board of the Stock Exchange, on 21 May 2021. Mr. Lee Kwan Hung, Eddie resigned as an independent non-executive director of China BlueChemical Ltd. (stock code: 3983), a company listed on the main board of the Stock Exchange, on 27 May 2021.

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 2020 annual report of the Company.

## Other Information

### PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2021, the Company repurchased a total of 2,032,000 Shares on the Stock Exchange at an aggregate consideration of HK\$11,315,380. On 14 May 2021, 3,689,000 Shares repurchased were cancelled. Subsequently, the Company had repurchased a total of 233,000 Shares at the aggregate consideration of HK\$1,241,850 in July 2021.

Details of the Share repurchases during the six months ended 30 June 2021 are as follows:

Month	Total number of Shares repurchased	Purchase price paid per Share		Aggregate consideration (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
2021				
January	422,000	6.07	5.90	2,537,570
March	587,000	5.50	5.40	3,218,910
April	306,000	5.50	5.40	1,671,650
May	491,000	5.50	5.09	2,664,480
June	226,000	5.45	5.35	1,222,770
	2,032,000			11,315,380

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 2021.

### 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 2021.

### **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, Dr. Huang Wei, 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 2021 have been reviewed by the Audit Committee. The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2021 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, 17 August 2021



# Interim Condensed Consolidated Balance Sheet

As at 30 June 2021

		<b>As at 30 June 2021 Unaudited RMB'000</b>	As at 31 December 2020 Audited RMB'000
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	621,866	644,146
Right-of-use assets	8	371,045	394,751
Investment properties	7	26,821	7,621
Intangible assets	7	3,698	4,003
Investments accounted for using equity method		110,669	112,969
Deferred income tax assets		41,793	47,745
Prepayments – non-current portion	9	15,378	273
Restricted cash	11	–	110,000
Long-term time deposits	11	–	20,000
		1,191,270	1,341,508
<b>Current assets</b>			
Inventories	10	902,443	875,976
Trade and other receivables	9	253,305	321,354
Prepayments	9	55,581	62,884
Financial assets at fair value through profit or loss		5,492	1,000
Restricted cash	11	–	4,000
Long-term time deposits – current portion	11	130,000	–
Cash and cash equivalents	11	293,726	360,999
		1,640,547	1,626,213
<b>Total assets</b>		<b>2,831,817</b>	<b>2,967,721</b>

# Interim Condensed Consolidated Balance Sheet

As at 30 June 2021

		<b>As at 30 June 2021 Unaudited RMB'000</b>	As at 31 December 2020 Audited RMB'000
	Note		
<b>EQUITY</b>			
<b>Capital and reserves attributable to the shareholders of the Company</b>			
Share capital	12	90,270	90,571
Treasury shares	12	(3,047)	(11,871)
Other reserves	13	1,309	19,275
Retained earnings		1,629,485	1,653,549
<b>Total equity</b>		<b>1,718,017</b>	<b>1,751,524</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities	8	90,230	102,912
Deferred income of government grants		32,068	32,793
Deferred income tax liabilities		48,874	50,052
		171,172	185,757
<b>Current liabilities</b>			
Trade and other payables	14	254,740	275,979
Dividend payable		248	251
Current income tax liabilities		43,575	54,710
Borrowings	15	530,800	586,600
Contract liabilities	16	71,390	75,438
Lease liabilities	8	41,875	37,462
		942,628	1,030,440
<b>Total liabilities</b>		<b>1,113,800</b>	<b>1,216,197</b>
<b>Total equity and liabilities</b>		<b>2,831,817</b>	<b>2,967,721</b>

The notes on pages 31 to 64 are an integral part of these interim condensed consolidated financial statements.

# Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
	Note	Unaudited RMB'000	Unaudited RMB'000
Revenue	6	942,069	750,897
Cost of sales		(403,686)	(284,994)
<b>Gross profit</b>		538,383	465,903
Distribution costs		(199,858)	(177,441)
Administrative expenses		(120,244)	(119,304)
Other income	17	15,254	12,844
Other gains – net	18	670	99
<b>Operating profit</b>		234,205	182,101
Finance income	19	3,574	3,727
Finance costs	19	(14,170)	(18,363)
Finance costs – net	19	(10,596)	(14,636)
Share of profit less losses of investments accounted for using equity method		540	(2,010)
<b>Profit before income tax</b>		224,149	165,455
Income tax expense	21	(65,507)	(56,173)
<b>Profit for the period</b>		158,642	109,282
<b>Profit is attributable to :</b>			
Shareholders of the Company		158,642	112,589
Non-controlling interests		–	(3,307)
		158,642	109,282
Other comprehensive income for the period		–	–
<b>Total comprehensive income for the period</b>		158,642	109,282
<b>Total comprehensive income for the period is attributable to :</b>			
Shareholders of the Company		158,642	112,589
Non-controlling interests		–	(3,307)
		158,642	109,282
<b>Earnings per share for profit attributable to the shareholders of the Company</b>			
– Basic earnings per share	22	RMB0.14	RMB0.10
– Diluted earnings per share	22	RMB0.14	RMB0.10

The notes on pages 31 to 64 are an integral part of these interim condensed consolidated financial statements.

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

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 2021</b>		90,571	(11,871)	19,275	1,653,549	1,751,524	-	1,751,524
Profit and total comprehensive income for the six months ended 30 June 2021		-	-	-	158,642	158,642	-	158,642
Repurchase of shares	12	-	(9,468)	-	-	(9,468)	-	(9,468)
Cancellation of shares	12,13	(301)	18,292	(17,966)	-	25	-	25
Final dividend for 2020	23	-	-	-	(182,706)	(182,706)	-	(182,706)
<b>Balance at 30 June 2021</b>		90,270	(3,047)	1,309	1,629,485	1,718,017	-	1,718,017

The notes on pages 31 to 64 are an integral part of these interim condensed consolidated financial statements.

# Interim Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2021

	Note	Six months ended 30 June	
		2021 Unaudited RMB'000	2020 Unaudited RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from operations		318,231	190,691
Interest paid		(7,735)	(17,179)
Income tax paid		(60,869)	(67,683)
Net cash inflow from operating activities		249,627	105,829
<b>Cash flows from investing activities</b>			
Investment in joint ventures		–	(3,000)
Purchase of property, plant and equipment	7	(34,825)	(12,915)
Purchase of intangible assets	7	(253)	(95)
Changes in investments in time deposits with maturity more than 3 months	11	–	123,185
Payments for financial assets at fair value through profit or loss		(5,492)	–
Proceeds from sale of financial assets at fair value through profit or loss		1,072	2,887
Proceeds from disposal of property, plant and equipment		909	413
Interest received		966	3,319
Dividends received from joint ventures		2,590	2,431
Net cash (outflow)/inflow from investing activities		(35,033)	116,225
<b>Cash flows from financing activities</b>			
Repurchase of shares of the Company		(9,443)	(8,752)
Proceeds from borrowings		391,600	862,600
Repayments of borrowings		(447,400)	(660,408)
Principal elements of lease payments		(35,663)	(19,655)
Changes in restricted cash pledged for letter of guarantee		4,000	–
Proceeds from non-controlling shareholders' capital injection		–	3,800
Dividends paid to the shareholders of the Company	23	(182,709)	(141,977)
Net cash (outflow)/inflow from financing activities		(279,615)	35,608
<b>Net (decrease)/increase in cash and cash equivalents</b>			
		(65,021)	257,662
Effect of foreign exchange rate changes		(2,252)	(946)
Cash and cash equivalents at beginning of the period		360,999	190,966
<b>Cash and cash equivalents at end of the period</b>	11	293,726	447,682

The notes on pages 31 to 64 are an integral part of these interim condensed consolidated financial statements.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021 (unaudited)

## 1 GENERAL INFORMATION

Tenfu (Cayman) Holdings Company Limited (the “Company”) and its subsidiaries (together, the “Group”) are engaged in the classification, packaging and sales of tea leaves, manufacture and sales of tea snacks, 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 interim condensed consolidated financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These interim condensed consolidated financial statements set out on pages 26 to 64 have been approved for issue by the Company’s board of directors (the “Board”) on 17 August 2021.

These interim condensed consolidated financial statements have not been audited.

## 2 BASIS OF PREPARATION

These interim condensed consolidated financial statements for the half-year reporting period ended 30 June 2021 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 interim 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 2020, 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 Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021 (unaudited)

## 3 SUMMARY OF SIGNIFICANT 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 2020, 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>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to HKFRS 16	Covid-19 – Related Rent Concessions beyond 20 June 2021	1 April 2021

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021 (unaudited)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) New standards and amendments to standards that have been issued but are not effective

Standards and amendments that have been issued but not yet effective for the financial year beginning on 1 January 2021 and not been early adopted by the Group are as follows:

		<b>Effective for annual periods beginning on or after</b>
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
HKFRS 17	Insurance contracts	1 January 2023
Amendments to HKFRS 17	Insurance contracts	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
HK Interpretation 5	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations	1 January 2022

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021 (unaudited)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) New standards and amendments to standards that have been issued but are not effective (continued)

		<b>Effective for annual periods beginning on or after</b>
Amendments to HKFRS 3	Update reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16	Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements	Annual Improvements to HKFRS Standards 2018-2020 Cycle	1 January 2022
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint ventures	To be determined

The Group has already commenced an assessment of the impact of these new or amended standards and annual improvements. According to the preliminary assessment made by the Group, no significant impact on the financial performance and position of the Group is expected when the aforesaid new or amended standard and annual improvements become effective.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021 (unaudited)

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of 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 expense. Actual results may differ from these estimates.

In preparing these interim 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 consolidated financial statements for the year ended 31 December 2020.

## 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 interim 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 2020.

There have been no changes in the risk management department since 2020 year end or in any risk management policies.

### 5.2 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the Group aims at maintaining flexibility in funding by maintaining adequate amount of cash and cash equivalents.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021 (unaudited)

## 5 FINANCIAL RISK MANAGEMENT (continued)

### 5.2 Liquidity risk (continued)

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
As at 30 June 2021	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	530,800	–	–	–	530,800
Interest payments on borrowings (note)	8,303	–	–	–	8,303
Lease liabilities	56,843	35,595	42,745	8,579	143,762
Trade and other payables	212,752	–	–	–	212,752
	808,698	35,595	42,745	8,579	895,617

  

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
As at 31 December 2020	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	586,600	–	–	–	586,600
Interest payments on borrowings (note)	751	–	–	–	751
Lease liabilities	60,840	37,403	35,275	8,970	142,488
Trade and other payables	225,634	–	–	–	225,634
	873,825	37,403	35,275	8,970	955,473

*Note: The interest payments on borrowings are calculated based on borrowings held as at 30 June 2021 and 31 December 2020 respectively (excluding the accrued interest payable balance already in trade and other payables) without taking into account future borrowings.*

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021 (unaudited)

## 5 FINANCIAL RISK MANAGEMENT (continued)

### 5.3 Fair value estimation

The table below analyses the Group's financial instruments and investment properties carried at fair value as at 30 June 2021 by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets that are measured at fair value at 30 June 2021 and 31 December 2020.

	<b>As at 30 June 2021 Unaudited RMB'000</b>	As at 31 December 2020 Audited RMB'000
FVPL		
– Level 3	5,492	1,000

During the six months ended 30 June 2021, there are no transfers among levels of the fair value hierarchy used in measuring the fair value of financial instruments, and also no changes in the classification of financial assets as a result of a change in the purpose or use of those assets.

Fair value measurements using significant unobservable inputs (Level 3).

As at 30 June 2021 and 31 December 2020, the carrying amounts of financial assets at fair value through profit or loss approximated their fair values.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021 (unaudited)

## 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.



# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021 (unaudited)

## 6 REVENUE AND SEGMENT INFORMATION (continued)

The Board assesses the performance of the operating segments based on a measure of adjusted operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the interim 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.

Revenue of the Group consists of the following revenue for the six months ended 30 June 2021 and 2020. All revenue is derived from external customers.

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	RMB'000	RMB'000
Sales of tea leaves	670,646	542,711
Sales of tea snacks	119,555	84,459
Sales of tea ware	106,740	85,765
Others	45,128	37,962
	942,069	750,897

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021 (unaudited)

### 6 REVENUE AND SEGMENT INFORMATION (continued)

The segment results for the six months ended 30 June 2021:

	Unaudited				
	Tea leaves	Tea snacks	Tea ware	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	670,646	119,555	106,740	45,128	942,069
Segment results	184,345	26,071	12,375	6,085	228,876
Unallocated administrative expenses					(10,595)
Other income					15,254
Other gains – net					670
Finance costs – net					(10,596)
Share of profits less losses of investments accounted for using equity method					540
Profit before income tax					224,149
Income tax expense					(65,507)
Profit for the period					158,642

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021 (unaudited)

## 6 REVENUE AND SEGMENT INFORMATION (continued)

Other segment items included in the interim condensed consolidated statement of comprehensive income for the six months ended 30 June 2021:

	Unaudited					
	Tea leaves	Tea snacks	Tea ware	Others	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation of property, plant and equipment	17,646	6,239	3,268	1,827	6,466	35,446
Depreciation of investment properties	177	42	46	-	599	864
Depreciation and amortisation of right-of-use assets	28,196	5,037	4,375	625	-	38,233
Amortisation of intangible assets	276	48	60	16	158	558
Gains on disposal of property, plant and equipment, net	72	13	30	6	-	121

The segment assets and liabilities as at 30 June 2021 are as follows:

	Unaudited					
	Tea leaves	Tea snacks	Tea ware	Others	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	1,794,024	247,601	267,447	329,069	193,676	2,831,817
Segment liabilities	534,889	95,947	89,579	43,726	349,659	1,113,800

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021 (unaudited)

### 6 REVENUE AND SEGMENT INFORMATION (continued)

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

	Unaudited				
	Tea leaves	Tea snacks	Tea ware	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	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 profits less					
losses 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 Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021 (unaudited)

### 6 REVENUE AND SEGMENT INFORMATION (continued)

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

	Unaudited					Total RMB'000
	Tea leaves RMB'000	Tea snacks RMB'000	Tea ware RMB'000	Others 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 31 December 2020 are as follows:

	Audited					Total RMB'000
	Tea leaves RMB'000	Tea snacks RMB'000	Tea ware RMB'000	Others RMB'000	Unallocated RMB'000	
Segment assets	1,796,358	237,709	288,225	340,312	305,117	2,967,721
Segment liabilities	632,675	103,235	87,405	61,407	331,475	1,216,197

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021 (unaudited)

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

	Property, plant and equipment	Investment properties	Intangible assets
	RMB'000	RMB'000	RMB'000
<b>Six months ended 30 June 2021</b>			
<b>(unaudited)</b>			
<b>Opening net book amount</b>			
<b>as at 1 January 2021</b>	644,146	7,621	4,003
Additions	25,142	–	253
Transfer	(11,188)	11,188	–
Transfer from right-of-use assets	–	8,876	–
Disposals	(788)	–	–
Depreciation and amortisation	(35,446)	(864)	(558)
<b>Closing net book amount</b>			
<b>as at 30 June 2021</b>	621,866	26,821	3,698
<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

As at 30 June 2021, the fair value of the investment properties is RMB47,326,000 (31 December 2020: RMB19,773,000), with carrying amount of RMB43,915,000 (31 December 2020: RMB7,621,000). The fair value is determined at each balance sheet date by an external valuer.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021 (unaudited)

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

### Impairment tests for goodwill

The intangible assets as at 30 June 2021 and 31 December 2020 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 2020 and the six months ended 30 June 2021, 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 2021 and the year 2020 are as follows:

– Gross margin	27%
– 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 interim condensed consolidated financial statements.

Based on management’s assessment and up to 30 June 2021, no impairment charge was made on the goodwill.



# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021 (unaudited)

## 8 LEASES

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

The balance sheet shows the following amounts relating to leases:

	<b>As at 30 June 2021 Unaudited RMB'000</b>	As at 31 December 2020 Audited RMB'000
<b>Right-of-use assets</b>		
– Land use rights	243,952	259,724
– Retail shops	127,093	135,027
	371,045	394,751
<b>Lease liabilities</b>		
– Current	41,875	37,462
– Non-current	90,230	102,912
	132,105	140,374

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021 (unaudited)

## 8 LEASES (continued)

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

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

	Unaudited					
	Six months ended 30 June					
	2021			2020		
	Retail Shops	Land use rights	Total	Retail Shops	Land use rights	Total
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Depreciation and amortisation charge of right-of-use assets</b> (Note 20)						
Distribution costs	29,791	6,148	35,939	32,812	5,968	38,780
Administrative expenses	1,546	156	1,702	2,403	156	2,559
Cost of sales	–	592	592	–	972	972
	31,337	6,896	38,233	35,215	7,096	42,311
Interest expense (including in finance cost) (Note 19)			3,993			3,855
Expense relating to short-term leases			13,947			14,012
Exemption of lease expenses due to COVID-19			–			(5,726)
Total charges to the statement of comprehensive income			56,173			54,452

The total cash outflow for leases during the period was RMB35,663,000 (30 June 2020: RMB19,655,000).

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021 (unaudited)

### 9 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

#### (i) Trade and other receivables

	<b>As at 30 June 2021 Unaudited RMB'000</b>	As at 31 December 2020 Audited RMB'000
Trade receivables due from third parties	235,056	309,288
Less: provision for impairment	(2,139)	(4,190)
Trade receivables, net	232,917	305,098
Interest receivable on time deposits	11,696	9,088
Others	8,692	7,168
	20,388	16,256
Trade and other receivables	253,305	321,354

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 2021 Unaudited RMB'000</b>	As at 31 December 2020 Audited RMB'000
Up to 140 days	231,204	303,005
141 days to 6 months	2,780	861
6 months to 1 year	1,028	2,559
1 year to 2 years	44	2,046
2 years to 3 years	–	817
	235,056	309,288

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 Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021 (unaudited)

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

### (ii) Prepayments

	<b>As at 30 June 2021 Unaudited RMB'000</b>	As at 31 December 2020 Audited RMB'000
<b>Non-current</b>		
Prepayments for property, plant and equipment and right-of-use assets	15,378	273
<b>Current</b>		
Prepayments for lease of property and lease deposits	27,044	23,354
Prepayments to related parties (Note 24(b))	37	942
Prepayments for raw materials and packaging materials	10,381	7,295
Prepaid taxes	18,119	31,293
	55,581	62,884
	70,959	63,157

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021 (unaudited)

## 10 INVENTORIES

	<b>As at 30 June 2021 Unaudited RMB'000</b>	As at 31 December 2020 Audited RMB'000
Raw materials and packaging materials	312,558	290,674
Work in progress	203,272	214,280
Finished goods	386,613	371,022
	902,443	875,976

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021 (unaudited)

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

	<b>As at 30 June 2021 Unaudited RMB'000</b>	As at 31 December 2020 Audited RMB'000
Time deposits, with original maturity between three months to one year	130,000	–
Time deposits, with original maturity over one year	–	20,000
Short-term restricted cash	–	4,000
Long-term restricted cash	–	110,000
Cash and cash equivalents	293,726	360,999
<b>Total cash at bank and on hand</b>	<b>423,726</b>	<b>494,999</b>

The weighted average effective interest rate on cash placed with banks and deposits for the six months ended 30 June 2021 was 1.56% per annum (six months ended 30 June 2020: 1.45% per annum).

As at 31 December 2020, a subsidiary of the Group pledged time deposits of RMB4,000,000 as collateral for issue of trade payable amounting to RMB10,000,000. In addition, as at 31 December 2020, subsidiaries of the Group pledged long-term time deposits of RMB110,000,000 as collateral for short-term borrowings of the Group amounting to RMB110,000,000 (Note 15). As at 30 June 2021, the corresponding long-term time deposits are unpledged and have been presented as long-term time deposits – current portion.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021 (unaudited)

## 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
At and 30 June 2020	8,000,000	1,107,928	91,071	(5,258)	85,813
At 1 January 2021	8,000,000	1,101,812	90,571	(11,871)	78,700
Repurchase of shares	–	–	–	(9,468)	(9,468)
Cancellation of shares	–	(3,689)	(301)	18,292	17,991
At and 30 June 2021	8,000,000	1,098,123	90,270	(3,047)	87,223

### (i) Details of treasury shares

	Number of treasury shares (thousands)
At 1 January 2020	1,541
Repurchase of shares	1,995
Cancellation of shares	(2,482)
At 30 June 2020	1,054
At 1 January 2021	2,334
Repurchase of shares	2,032
Cancellation of shares	(3,689)
At 30 June 2021	677



# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021 (unaudited)

## 12 SHARE CAPITAL AND TREASURY SHARES *(continued)*

### (i) Details of treasury shares *(continued)*

The Company repurchased 2,032,000 ordinary shares of its own through the Stock Exchange from 1 January 2021 to 30 June 2021. The total value of shares repurchased was approximately HKD11,350,000 (approximately RMB9,468,000) and has been deducted from shareholders' equity, and the actual payment made for the repurchase was RMB9,443,000 due to the dividends received by the Company for shares repurchased before ex-dividend date.

As at 30 June 2021, the Company cancelled 3,689,000 shares. After the cancellation, the Company's ordinary shares in issue were reduced from 1,101,812,460 to 1,098,123,460. The amount of share capital was deducted accordingly.

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 (approximately RMB8,838,000) 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.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021 (unaudited)

## 13 OTHER RESERVES

	Unaudited				
	Merger reserve RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Others 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)
At 30 June 2020	278,811	231	276,253	(524,996)	30,299
At 1 January 2021	278,811	231	295,843	(555,610)	19,275
Cancellation of shares	-	-	-	(17,966)	(17,966)
<b>At 30 June 2021</b>	<b>278,811</b>	<b>231</b>	<b>295,843</b>	<b>(573,576)</b>	<b>1,309</b>

During the six months ended 30 June 2021, the Company cancelled 3,689,000 shares (six months ended 30 June 2020: 2,482,000 shares) repurchased, resulted in a reduction to other reserve by RMB17,966,000 (six months ended 30 June 2020: RMB11,627,000) including the expenses attributable to the cancellation.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021 (unaudited)

## 14 TRADE AND OTHER PAYABLES

	<b>As at 30 June 2021 Unaudited RMB'000</b>	As at 31 December 2020 Audited RMB'000
Trade payables – due to third parties	75,931	105,130
Trade payables – due to related parties (Note 24(b))	45,922	39,609
Total trade payables	121,853	144,739
Payables for property, plant and equipment	7,414	2,330
Other taxes payable	17,810	20,539
Employee benefit payables	24,178	29,806
Others	83,485	78,565
	254,740	275,979

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 2021 Unaudited RMB'000</b>	As at 31 December 2020 Audited RMB'000
Up to 6 months	114,083	128,503
6 months to 1 year	4,198	14,535
1 year to 2 years	1,832	1,286
Over 2 years	1,740	415
	121,853	144,739

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021 (unaudited)

### 15 BORROWINGS

	<b>As at 30 June 2021 Unaudited RMB'000</b>	As at 31 December 2020 Audited RMB'000
Short-term bank borrowings		
– Secured (i)	–	110,000
– Unsecured (ii)	530,800	476,600
<b>Total borrowings</b>	<b>530,800</b>	<b>586,600</b>

- (i) As at 31 December 2020, short-term bank borrowings of RMB110,000,000 were secured by the pledge of time deposits of RMB110,000,000 as collateral (Note 11).
- (ii) As at 30 June 2021, short-term bank borrowings of RMB530,800,000 (31 December 2020: RMB450,000,000) 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)).

The Group had the following undrawn borrowing facilities:

	<b>As at 30 June 2021 Unaudited RMB'000</b>	As at 31 December 2020 Audited RMB'000
Fixed rate:		
– expiring within one year (bank borrowings)	621,827	677,510

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021 (unaudited)

## 16 CONTRACT LIABILITIES

	<b>As at</b> <b>30 June</b> <b>2021</b> <b>Unaudited</b> <b>RMB'000</b>	As at 31 December 2020 Audited RMB'000
Advances from customers	61,191	65,976
Customer loyalty programme	10,199	9,462
	71,390	75,438

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	
	<b>2021</b> <b>Unaudited</b> <b>RMB'000</b>	2020 Unaudited RMB'000
Government grants	11,164	10,702
Income from investment properties	3,744	1,152
Others	346	990
	15,254	12,844

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021 (unaudited)

### 18 OTHER GAINS – NET

	Six months ended 30 June	
	2021	2020
	Unaudited RMB'000	Unaudited RMB'000
Gains/(losses) on disposal of property, plant and equipment, net	121	(190)
Net foreign exchange (losses)/gains	(15)	116
Gains from sale of financial assets at fair value through profit or loss	72	173
Net fair value gains on financial assets at fair value through profit or loss	492	–
	670	99

### 19 FINANCE COSTS – NET

	Six months ended 30 June	
	2021	2020
	Unaudited RMB'000	Unaudited RMB'000
Finance income		
– Interest income on bank deposits	3,574	3,727
Total finance income	3,574	3,727
Finance costs		
– Interest expenses on bank borrowings	(8,263)	(13,594)
– Less: amounts capitalised in qualifying assets	338	32
– Interest expenses on lease liabilities (Note 8)	(3,993)	(3,855)
– Net foreign exchange losses	(2,252)	(946)
Total finance costs	(14,170)	(18,363)
Net finance costs	(10,596)	(14,636)

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021 (unaudited)

## 20 DEPRECIATION AND AMORTISATION EXPENSES

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	RMB'000	RMB'000
Depreciation of investment properties	864	292
Depreciation and amortisation of right-of-use assets	38,233	42,311
Depreciation of property, plant and equipment	35,446	33,361
Amortisation of intangible assets	558	504

## 21 INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	RMB'000	RMB'000
Current income tax		
– PRC corporate income tax	49,734	48,824
Deferred income tax	15,773	7,349
Income tax expense	65,507	56,173

### (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 2021 and 2020, 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.



# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021 (unaudited)

## 21 INCOME TAX EXPENSE (continued)

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

For the six months ended 30 June 2021 and 2020, 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.

Such withholding tax is recorded under deferred income tax. For the six months ended 30 June 2021, Tenfu (Hong Kong) Holdings Co., Ltd., a subsidiary of the Company, applied 10% withholding tax rate (the six months ended 30 June 2020: 5%), on its estimate of deferred income tax. Ten Rui (Hong Kong) Sales Holdings Co., Ltd., a subsidiary of the Company, applied 5% withholding tax rate (the six months ended 30 June 2020: 5%), on its estimate of deferred income tax.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021 (unaudited)

## 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	
	2021	2020
	Unaudited	Unaudited
Profit attributable to the shareholders of the Company (RMB'000)	158,642	112,589
Weighted average number of ordinary shares in issue ('000)	1,098,485	1,107,628
Basic earnings per share (RMB)	0.14	0.10

Diluted earnings per share for the six months ended 30 June 2021 and 2020 were the same as the basic earnings per share as there were no dilutive instruments during the periods.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021 (unaudited)

## 23 DIVIDENDS

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	RMB'000	RMB'000
Interim dividend declared	73,574	59,828

An interim dividend for 2021 of HKD8 cents (equivalent to RMB7 cents) (interim dividend for 2020: HKD6 cents (equivalent to RMB5.4 cents)) per share was declared by the Board on 17 August 2021 using RMB73,574,000 of the retained earnings (interim dividend for 2020: RMB59,828,000). This interim dividend, amounting to HKD87,850,000 (equivalent to RMB73,574,000) (interim dividend for 2020: HKD66,476,000 (equivalent to RMB59,828,000)), has not been recognised as liability in these interim condensed consolidated financial statements. It will be reflected as an appropriation of retained earnings for the year ending 31 December 2021. Similarly, the interim dividend for 2020 declared by the Board on 18 August 2020 was reflected as an appropriation of retained earnings for the year ended 31 December 2020 after 30 June 2020.

The final dividend for 2020 of HKD220,362,000 (equivalent to RMB182,706,000) and the one for 2019 of HKD155,457,000 (equivalent to RMB141,977,000) had been reflected as an appropriation of retained earnings for the six months ended 30 June 2021 and 2020 respectively after obtaining the approval from the shareholders at the Company's annual general meeting held on 13 May 2021 and 14 May 2020 respectively.

The dividend paid in the six months ended 30 June 2021 were RMB182,709,000 (six months ended 30 June 2020: RMB141,977,000).

## 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 wholly owned by Mr. Lee Chia Ling. SAMOA and its subsidiaries are regarded as related parties.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021 (unaudited)

## 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	
	2021	2020
	Unaudited	Unaudited
	RMB'000	RMB'000
(i) Purchases of goods and services		
– Subsidiaries of SAMOA	49,152	48,863
– A company controlled by the Controlling Shareholders	9,694	12,521
	58,846	61,384
(ii) Processing fee expenses		
– Subsidiaries of SAMOA	622	505
(iii) Rental expenses		
– The Controlling Shareholders and their affiliates	1,452	1,572
– A subsidiary of SAMOA	473	270
– A company controlled by an affiliate of the Controlling Shareholders	1,396	683
	3,321	2,525
(iv) Right-of-use assets		
– The Controlling Shareholders and their affiliates	7,751	6,526
– A subsidiary of SAMOA	1,728	1,728
– A company controlled by an affiliate of the Controlling Shareholders	6,905	7,383
	16,384	15,637
(v) Key management compensation	2,413	2,775

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2021 (unaudited)

## 24 RELATED-PARTY TRANSACTIONS (continued)

### (b) Balances with related parties

The Group has the following balances with its related parties as at 30 June 2021 and 31 December 2020:

	<b>As at 30 June 2021 Unaudited RMB'000</b>	As at 31 December 2020 Audited RMB'000
(i) Prepayments to related parties (Note 9(ii))		
– Subsidiaries of SAMOA	37	–
– A company controlled by the Controlling Shareholders	–	612
– The Controlling Shareholders and their affiliates	–	330
	37	942
(ii) Due to related parties (Note 14)		
Trade related		
– Subsidiaries of SAMOA	45,922	39,609

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 2021, short-term bank borrowings of RMB530,800,000 (31 December 2020: RMB450,000,000) 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.