



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 2022



Contents

Corporate Information	2
Management Discussion and Analysis	5
Other Information	17
Interim Condensed Consolidated Financial Statements	
• Interim Condensed Consolidated Balance Sheet	25
• Interim Condensed Consolidated Statement of Comprehensive Income	27
• Interim Condensed Consolidated Statement of Changes in Equity	28
• Interim Condensed Consolidated Cash Flow Statement	29
• Notes to the Interim Condensed Consolidated Financial Statements	30

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

ZHANG Honghai

Non-executive Director

TSENG Ming-Sung

Independent Non-executive Directors

LO Wah Wai

LEE Kwan Hung, Eddie

HUANG Wei

BOARD COMMITTEES

Audit Committee

LO Wah Wai (*Chairman*)

TSENG Ming-Sung

HUANG Wei

LEE Kwan Hung, Eddie

Nomination Committee

LEE Kwan Hung, Eddie (*Chairman*)

LEE Kuo-Lin

HUANG Wei

LO Wah Wai

Remuneration Committee

HUANG Wei (*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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the PRC
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Email: tenfu@tenfu.com

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

11/F
No. 88 Lockhart Road
Wan Chai
Hong Kong

AUTHORIZED REPRESENTATIVES

LEE Chia Ling
LEUNG Shui Bing

COMPANY SECRETARY

LEUNG Shui Bing

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) (the “**Listing Date**”)

PRINCIPAL BANKERS

Bank of China Limited, Zhangpu Sub-branch

Bank of Communications Co. Ltd.,
Xiamen Branch

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants

22/F, Prince’s Building

Central, Hong Kong

WEBSITE

www.tenfu.com

BUSINESS REVIEW AND OUTLOOK

In the first half of 2022, the Group achieved revenue of RMB802.4 million, down 14.8% from the corresponding period in 2021, and recorded profit for the period of RMB75.1 million, down 52.6% from the corresponding period in 2021. The decrease in the Group's revenue for the period was mainly due to the significant negative impact of coronavirus disease ("COVID-19"), the partial suspension of the Group's factories and physical stores in various cities of China brought by the strict pandemic control and lockdown measures as a result of the resurgence of COVID-19 pandemic in various parts of China.

In the first half of 2022, it was very challenging under the impact of the COVID-19, coupled with the impact of the global economy, geopolitics and a slowdown in its economic growth in China, with customers' daily-life consumption tightened. Under this environment, the Group has made the 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.** The Company has been awarded the title of "China's Tea Industry Comprehensive Top 100 Enterprises" by the China Tea Marketing Association from 2013 to 2021. 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. The tea mooncakes of the Group have been awarded the honorable titles of Golden Mooncakes and China Popular Mooncakes for the six consecutive years from 2016 to 2022, the title of National Classic Mooncakes for 2018, the titles of Quality Mooncakes for 2019 and the title of Chinese Speciality Mooncakes for the three consecutive years from 2019 to 2021. The tea mooncakes of the Group also won the first prize for China Mooncake Quality in 2019. With its high level of brand

Management Discussion And Analysis

awareness and more than 25 years of presence in the market, as well as its diversified product range, the Group believes that it is in a good position to continue to occupy a large market share of branded traditional Chinese tea leaves and wait for the market re-bounce.

2. **Adjusting and optimising sales network.** The Group has continued adjusting retail outlets and retail points with a view to optimising the reach of its sales network for its tea products in the PRC. As at 30 June 2022, the Group had a total of 1,320 self-owned and third-party owned retail outlets and retail points, up a net of 7 retail stores and retail points from a total of 1,313 as at 31 December 2021.
3. **Adjustment in each tea product category and development of diversified product lines.** In the first half of 2022, the Group adjusted its tea product categories, increasing the sales percentage of middle- and higher-ended products to meet Chinese consumers' need and the sales income of green tea increased in the period. 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. **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 the second half of 2022, 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 although there are still uncertainties in the retail market. 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

Management Discussion And Analysis

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. The COVID-19 pandemic unexpectedly swept across the world and influenced the retail industry, bringing about continuous uncertainties and ups and downs. The pandemic boosted the “Stay-at-home Economy”, which resulted in a significant increase in customer stickiness to online consumption. The accelerated development of digital economy continued to drive the upgrading of online consumption and the online and offline integration speeded up, accelerating the development of emerging consumption models such as food delivery and delivery-to-home services. Consumer demands showed a trend of diversified, personalised and rational development and the Group will follow the trend.

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 communication 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.
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 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

Management Discussion And Analysis

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.

4. **Expand production capacity through the increase of the number of processing facilities.** The Group currently has two packaging facilities in Fujian province and one packaging facility in each of Sichuan province, Zhejiang province, Guangxi Zhuang Autonomous Region and Guizhou province for tea leaves and two production facilities in Fujian province and one production facility in Sichuan province for tea snacks. 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 nine 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 2022, 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, Guangxi Zhuang Autonomous Region 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 2022, the Group derived substantially all of its revenue from the sales of tea leaves, tea snacks and tea ware. The revenue of the Group decreased by 14.8% from RMB942.1 million for the six months ended 30 June 2021 to RMB802.4 million for the six months ended 30 June 2022. The following table sets forth a breakdown of revenue by product category for the periods indicated:

	Six months ended 30 June			
	2022		2021	
	RMB'000	% ⁽²⁾	RMB'000	% ⁽²⁾
Revenue contributed from:				
Sales of tea leaves	584,720	72.8	670,646	71.2
Sales of tea snacks	101,919	12.7	119,555	12.7
Sales of tea ware	95,250	11.9	106,740	11.3
Others ⁽¹⁾	20,522	2.6	45,128	4.8
Total	802,411	100.0	942,069	100.0

Notes:

- (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.
- (2) Each of the figures is rounded up to one decimal place and may not add up due to rounding.

Management Discussion And Analysis

Revenue from sales of the Group's tea leaves decreased by 12.8% from RMB670.6 million for the six months ended 30 June 2021 to RMB584.7 million for the six months ended 30 June 2022. Revenue from sales of the Group's tea snacks decreased by 14.8% from RMB119.6 million for the six months ended 30 June 2021 to RMB101.9 million for the six months ended 30 June 2022. Revenue from sales of the Group's tea ware decreased by 10.7% from RMB106.7 million for the six months ended 30 June 2021 to RMB95.3 million for the six months ended 30 June 2022. The decrease in revenue across all three product categories were mainly due to (i) significant negative impact of COVID-19, the partial suspension of the Group's factories and physical stores in various cities of China brought by the strict pandemic control and lockdown measures as a result of the resurgence of COVID-19 pandemic in various parts of China; and (ii) the early kick-off of the Chinese new year on 1 February 2022 which brought forward most wholesale orders before 31 December 2021.

As at 30 June 2022, the Group had approximately 185 self-owned retail outlets and 1,135 distributors' stores throughout Mainland China accounted for approximately 41.3% and 56.5% of the total revenue respectively, compared with approximately 208 self-owned retail outlets and 1,105 distributors' stores as at 31 December 2021.

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 10.7% from RMB403.7 million for the six months ended 30 June 2021 to RMB360.5 million for the six months ended 30 June 2022, primarily due to a decrease in sales.

Gross profit and gross profit margin

As a result of decrease in revenue, gross profit of the Group decreased by 17.9% from RMB538.4 million for the six months ended 30 June 2021 to RMB441.9 million for the six months ended 30 June 2022, with gross profit margin decreasing from 57.1% for the six months ended 30 June 2021 to 55.1% for the six months ended 30 June 2022 due to adjustment of tea product categories and decrease of retail percentage.

Management Discussion And Analysis

Distribution costs

The distribution costs of the Group increased by 1.8% from RMB199.9 million for the six months ended 30 June 2021 to RMB203.4 million for the six months ended 30 June 2022. The increase of distribution costs was primarily due to an increase in labour cost and advertising cost.

Administrative expenses

Administrative expenses for the Group increased by 18.4% from RMB120.2 million for the six months ended 30 June 2021 to RMB142.3 million for the six months ended 30 June 2022. The increase was primarily due to an increase of labour cost and depreciation of property, plant and equipment.

Other income

Other income of the Group decreased by 56.2% from RMB15.3 million for the six months ended 30 June 2021 to RMB6.7 million for the six months ended 30 June 2022. The decrease was primarily due to a decrease in the PRC government grants which were recognised as income immediately.

Other losses/gains – net

Other losses of the Group was RMB1.1 million for the six months ended 30 June 2022, as compared to other gains of the Group of RMB0.7 million for the six months ended 30 June 2021, primarily due to an increase in loss from sale of financial assets at fair value through profit of loss.

Finance income

Finance income of the Group increased from RMB3.6 million for the six months ended 30 June 2021 to RMB16.3 million for the six months ended 30 June 2022, primarily due to an increase in foreign exchange income.

Management Discussion And Analysis

Finance costs

Finance costs of the Group decreased by 4.9% from RMB14.2 million for the six months ended 30 June 2021 to RMB13.5 million for the six months ended 30 June 2022, primarily due to a decrease in interest expenses on bank borrowings, reflecting a decrease in interest expense on the Group's bank borrowings.

Share of net profit of investments accounted for using the equity method

Share of net profit of investments accounted for using the equity method of the Group was a net profit amounting to RMB3.0 million and a net profit amounting to RMB0.5 million for the six months ended 30 June 2022 and 2021, respectively.

Income tax expense

Income tax expense of the Group decrease by 50.4% from RMB65.5 million for the six months ended 30 June 2021 to RMB32.5 million for the six months ended 30 June 2022, primarily due to a decrease in the Group's profit before tax from RMB224.1 million for the six months ended 30 June 2021 to RMB107.6 million for the six months ended 30 June 2022. In addition, the effective tax rate of the Group increased from 24.1% to 24.9%, primarily due to the increase in the accumulated loss of unrecognised deferred income tax assets. The delayed issue of the certificate of resident status by the Hong Kong Inland Revenue Department for the purposes of claiming tax benefits under the Comprehensive Double Taxation Arrangements, with which the tax rate would be declined from 10% to 5%.

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 RMB83.5 million, or 52.6%, from RMB158.6 million for the six months ended 30 June 2021 to RMB75.1 million for the six months ended 30 June 2022. Net profit margin of the Group decreased from 16.8% for the six months ended 30 June 2021 to 9.4% for the six months ended 30 June 2022, 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 “**Shareholders**”).

The Group’s cash and cash equivalents increased by RMB103.0 million, or 43.2%, from RMB238.4 million as at 31 December 2021 to RMB341.4 million as at 30 June 2022, primarily due to cash generated from operations.

The Group had net cash inflow from operating activities of RMB277.4 million, net cash inflow from investing activities of RMB10.1 million and net cash outflow from financing activities of RMB198.5 million for the six months ended 30 June 2022.

Bank borrowings and gearing ratio

The Group had total bank borrowings of RMB672.7 million as at 30 June 2022 as compared to RMB619.4 million as at 31 December 2021. As at 30 June 2022, the weighted average effective interest rate of the Group’s bank borrowings was 3.31%, and 100% of the Group’s bank borrowings were denominated in RMB.

As at 30 June 2022, long-term bank borrowings of RMB19,800,000 (31 December 2021: nil) were guaranteed by Mr. Lee Rie-Ho, Mr. Lee Chia Ling and Mr. Lee Kuo-Lin, all of them are the Directors, either separately or jointly. The borrowing bears interest at the rates quoted by People’s Bank of China from time to time and requires one time repayment at March 2025. As at 30 June 2022, short-term bank borrowings of RMB543,300,000 (31 December 2021: RMB555,400,000) were guaranteed by Mr. Lee Rie-Ho, Mr. Lee Chia Ling and Mr. Lee Kuo-Lin, all of them are the Directors, either separately or jointly.

Management Discussion And Analysis

The Directors are of the view that the guarantee of bank borrowings of RMB563.1 million as at 30 June 2022 by Mr. Lee Rie-Ho, Mr. Lee Chia Ling and Mr. Lee Kuo-Lin, being a form of financial assistance (as defined in the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”)) for the benefit of the Group, was on normal commercial terms where no security over the assets of the Group was granted in respect of such financial assistance provided by Mr. Lee Rie-Ho, Mr. Lee Chia Ling and Mr. Lee Kuo-Lin. Accordingly, such guarantee is exempt from all reporting, announcement and independent shareholders’ approval requirements pursuant to Rule 14A.90 of the Listing Rules.

The Group regularly monitors its gearing ratio, which represents total debt as a percentage of total capital. Total debt is calculated as total borrowings and total lease liabilities. Total capital is calculated as total equity plus total debt. As at 30 June 2022, the gearing ratio of the Group was 28.5%, compared to 25.3% as at 31 December 2021. The increase during the first half of 2022 was primarily due to an increase in total borrowings and the inclusion of total lease liabilities in the total debt pursuant to the latest accounting principles.

Working capital

	As at 30 June 2022 RMB’000	As at 31 December 2021 RMB’000
Trade and other receivables	221,059	380,895
Trade and other payables	261,341	403,965
Inventories	1,014,041	1,061,873
Trade receivables turnover days ⁽¹⁾	96	98
Trade payables turnover days ⁽²⁾	71	69
Inventories turnover days ⁽³⁾	518	447

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 RMB159.8 million from RMB380.9 million as at 31 December 2021 to RMB221.1 million as at 30 June 2022, primarily due to a decrease of sales to 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 RMB404.0 million as at 31 December 2021 to RMB261.3 million as at 30 June 2022, primarily due to (i) advances from customers have been presented as contract liabilities as at 30 June 2022; and (ii) 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 decreased from RMB1,061.9 million as at 31 December 2021 to RMB1,014.0 million as at 30 June 2022, because of a decrease in purchase volume.

As at 30 June 2022, the Group has sufficient working capital and financial resources to support its regular operations.

Foreign exchange risk

The Group's normal operating activities are principally conducted in RMB, since all of its operating subsidiaries are based in the PRC. As at 30 June 2022, 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.

Management Discussion And Analysis

Any future depreciation of RMB could adversely affect the value of any dividends the Group pays to the 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 2022.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2022, the Group had a total of 3,717 employees with 3,713 employees based in the PRC and 4 employees based in Hong Kong. For the six months ended 30 June 2022, the labour cost of the Group was RMB178.2 million.

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

The Group also provides continuous learning and training programs to its employees to enhance their skills and knowledge, so as to maintain their competitiveness and improve customer service. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or any material labour dispute during the six months ended 30 June 2022.

INTERIM DIVIDEND

At the Board meeting held on 16 August 2022, it was resolved that an interim dividend of HK\$0.04 (equivalent to RMB0.03) per share (2021 interim dividend: HK\$0.08 (equivalent to RMB0.07) per share) be paid on or around 26 September 2022 to the Shareholders whose names appear on the Company's register of members on 6 September 2022. 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 2022, 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 2 September 2022 to 6 September 2022, 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 1 September 2022.

Other Information

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

As at 30 June 2022, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required, pursuant to Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 of the Listing Rules, are as follows:

(i) Interest in the Company

Name of Director	Nature of interest	Number of securities ⁽³⁾	Approximate percentage of shareholding ⁽⁴⁾
Mr. Lee Rie-Ho ⁽¹⁾	Interest in a controlled corporation	188,789,000 (L)	17.26%
Mr. Lee Chia Ling ⁽²⁾	Settlor of The KCL Trust	378,273,000 (L)	34.59%
	Personal interest/individual	76,926,028 (L)	7.03%
Mr. Lee Kuo-Lin ⁽²⁾	Beneficiary of The KCL Trust	378,273,000 (L)	34.59%
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 1,093,589,460 shares in issue as at 30 June 2022.*

(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.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS

As at 30 June 2022, to the best of the Directors' knowledge, the following persons (other than the Directors and chief executives of the Company) had or deemed or taken to have an interest and/or short position in the shares or the underlying shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Capacity in which interests are held	Number of shares⁽⁴⁾	Approximate percentage of shareholding⁽⁵⁾
Discerning Group Limited ⁽¹⁾	Registered owner	188,789,000 (L)	17.26%
Ms. Lee Tsai Li-Li ⁽¹⁾	Interest as a spouse	188,789,000 (L)	17.26%
UBS TC (Jersey) Ltd. ⁽²⁾⁽³⁾	Trustee	378,273,000 (L)	34.59%
Trackson Investments Limited ⁽²⁾	Registered owner	378,273,000 (L)	34.59%
Tiger Nature Holdings Limited ⁽²⁾	Interest in a controlled corporation	378,273,000 (L)	34.59%
The KCL Trust ⁽²⁾	Interest in a controlled corporation	378,273,000 (L)	34.59%
Mr. Lee John L ⁽²⁾	Beneficiary of The KCL Trust	378,273,000 (L)	34.59%
Ms. Zhou Nan-Nan ⁽²⁾	Interest as a spouse	455,199,028 (L)	41.62%
Spring Cheers Overseas Ltd.	Registered owner	114,379,023 (L)	10.46%

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 1,093,589,460 shares in issue as at 30 June 2022.*

Other Information

CORPORATE GOVERNANCE

The Company is committed to the establishment of stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company strives to maintain a high standard of corporate governance. For the six months ended 30 June 2022, 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 2022.

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

Save as disclosed in the 2021 annual report of the Company, (i) Mr. Fan Ren Da, Anthony was appointed as a non-executive director of Hilong Holding Limited (stock code: 1623) with effect from 25 July 2022; (ii) Mr. Tseng Ming-Sung was re-designated as the supervisor of 天仁茶藝文化基金會 (Ten Ren Tea Culture Foundation) on March 2021 and a director of Ten Ren on June 2022; (iii) Mr. Lee Kwan Hung, Eddie resigned as an independent non-executive director of Glory Sun Financial Group Limited (formerly known as China Goldjoy Group Limited) on 17 July 2022; and (iv) Dr. Huang Wei was appointed as an independent non-executive director of Tianqi Lithium Corporation, a company listed on both the main board of the Stock Exchange (stock code: 9696) and the Shenzhen Stock Exchange (stock code: SZ.002466), on 29 December 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 2021 annual report of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2022, the Company repurchased a total of 923,000 shares on the Stock Exchange at an aggregate consideration of HK\$4,831,870. On 29 March 2022 and 29 June 2022, 728,000 shares and 809,000 shares repurchased were cancelled, respectively. Subsequently, the Company had repurchased a total of 70,000 shares at the aggregate consideration of HK\$359,420 in July 2022.

Details of the share repurchases during the six months ended 30 June 2022 are as follows:

Month	Total number of shares repurchased	Purchase price paid per share		Aggregate consideration (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
2022				
January	58,000	5.60	5.30	314,090
March	114,000	5.71	5.50	642,260
April	334,000	5.67	4.99	1,752,210
May	246,000	5.30	5.00	1,261,970
June	171,000	5.15	4.95	861,340
	923,000			4,831,870

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 2022.

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 2022.

Other Information

AUDIT COMMITTEE

The Company has an audit committee (the “**Audit Committee**”) which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group’s financial reporting process and risk management and internal control systems. The Audit Committee comprises four members, including three independent non-executive Directors and one non-executive Director, namely Mr. Lo Wah Wai, 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 2022 have been reviewed by the Audit Committee. The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2022 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, 16 August 2022

Interim condensed consolidated balance sheet

As at 30 June 2022

		As at 30 June 2022 Unaudited RMB'000	As at 31 December 2021 Audited RMB'000
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	7	700,715	693,684
Right-of-use assets	8	431,891	424,400
Investment properties	7	24,974	25,864
Intangible assets	7	6,180	4,592
Investments accounted for using equity method		113,748	112,797
Deferred income tax assets		44,466	46,753
Prepayments – non-current portion	9	9,862	22,841
		1,331,836	1,330,931
Current assets			
Inventories	10	1,014,041	1,061,873
Trade and other receivables	9	221,059	380,895
Prepayments	9	59,947	64,983
Financial assets at fair value through profit or loss		4,404	5,000
Long-term time deposits – current portion	11	–	130,000
Cash and cash equivalents	11	341,385	238,380
		1,640,836	1,881,131
Total assets		2,972,672	3,212,062

Interim condensed consolidated balance sheet

As at 30 June 2022

		As at 30 June 2022 Unaudited RMB'000	As at 31 December 2021 Audited RMB'000
	Note		
EQUITY			
Capital and reserves attributable to the shareholders of the Company			
Share capital	12	89,899	90,025
Treasury shares	12	(117)	(2,897)
Other reserves	13	821	7,420
Retained earnings		1,595,759	1,738,271
Total equity		1,686,362	1,832,819
LIABILITIES			
Non-current liabilities			
Borrowings	15	19,800	–
Lease liabilities	8	105,965	101,098
Deferred income of government grants		43,266	44,049
Deferred income tax liabilities		50,926	46,704
		219,957	191,851
Current liabilities			
Trade and other payables	14	261,341	403,965
Dividends payable		390	243
Current income tax liabilities		34,060	52,407
Borrowings	15	652,900	619,400
Contract liabilities	16	77,667	74,252
Lease liabilities	8	39,995	37,125
		1,066,353	1,187,392
Total liabilities		1,286,310	1,379,243
Total equity and liabilities		2,972,672	3,212,062

The notes on pages 30 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 2022

	Note	Six months ended 30 June	
		2022 Unaudited RMB'000	2021 Unaudited RMB'000
Revenue	6	802,411	942,069
Cost of sales		(360,492)	(403,686)
Gross profit		441,919	538,383
Distribution costs		(203,409)	(199,858)
Administrative expenses		(142,348)	(120,244)
Other income	17	6,659	15,254
Other (losses)/gains – net	18	(1,130)	670
Operating profit		101,691	234,205
Finance income	19	16,332	3,574
Finance costs	19	(13,480)	(14,170)
Finance income/(costs) – net	19	2,852	(10,596)
Share of net profit of investments accounted for using equity method		3,019	540
Profit before income tax		107,562	224,149
Income tax expense	21	(32,497)	(65,507)
Profit for the period		75,065	158,642
Profit is attributable to :			
Shareholders of the Company		75,065	158,642
Non-controlling interests		–	–
		75,065	158,642
Other comprehensive income for the period		–	–
Total comprehensive income for the period		75,065	158,642
Total comprehensive income for the period is attributable to :			
Shareholders of the Company		75,065	158,642
Non-controlling interests		–	–
		75,065	158,642
Earnings per share for profit attributable to the shareholders of the Company			
– Basic earnings per share	22	RMB0.07	RMB0.14
– Diluted earnings per share	22	RMB0.07	RMB0.14

The notes on pages 30 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 2022 (unaudited)

	Unaudited							Total equity	
	Attributable to the shareholders of the Company								
	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Total	Non-controlling interests		
Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2021		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)
Balance at 30 June 2021		90,270	–	(3,047)	1,309	1,629,485	1,718,017	–	1,718,017
Balance at 1 January 2022		90,025	–	(2,897)	7,420	1,738,271	1,832,819	–	1,832,819
Profit and total comprehensive income for the six months ended 30 June 2022		–	–	–	–	75,065	75,065	–	75,065
Repurchase of shares	12	–	–	(4,048)	–	–	(4,048)	–	(4,048)
Cancellation of shares	12,13	(126)	–	6,828	(6,599)	–	103	–	103
Final dividend for 2021	23	–	–	–	–	(217,577)	(217,577)	–	(217,577)
Balance at 30 June 2022		89,899	–	(117)	821	1,595,759	1,686,362	–	1,686,362

The notes on pages 30 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 2022 (unaudited)

		Six months ended 30 June	
		2022	2021
	Note	Unaudited RMB'000	Unaudited RMB'000
Cash flows from operating activities			
Cash generated from operations		332,344	318,231
Interest paid		(10,627)	(7,735)
Income tax paid		(44,334)	(60,869)
Net cash inflow from operating activities		277,383	249,627
Cash flows from investing activities			
Payments for acquisition of subsidiary		(92,183)	–
Purchase of property, plant and equipment	7	(46,876)	(34,825)
Purchase of intangible assets	7	(1,967)	(253)
Changes in investments in time deposits with maturity more than 3 months	11	130,000	–
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
Proceeds from disposal of property, plant and equipment		2,424	909
Interest received		16,651	966
Dividends received from joint ventures		2,068	2,590
Net cash inflow/(outflow) from investing activities		10,117	(35,033)
Cash flows from financing activities			
Repurchase of shares of the Company		(3,945)	(9,443)
Proceeds from borrowings		743,800	391,600
Repayments of borrowings		(690,500)	(447,400)
Principal elements of lease payments		(30,428)	(35,663)
Changes in restricted cash pledged for letter of guarantee		–	4,000
Dividends paid to the shareholders of the Company	23	(217,431)	(182,709)
Net cash outflow from financing activities		(198,504)	(279,615)
Net increase/(decrease) in cash and cash equivalents			
Effect of foreign exchange rate changes		84,996	(65,021)
Cash and cash equivalents at beginning of the period		14,009	(2,252)
		238,380	360,999
Cash and cash equivalents at end of the period	11	337,385	293,726

The notes on pages 30 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 2022 (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, Guangxi Zhuang Autonomous Region, 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 Act, Cap 22 (Act 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 25 to 64 have been approved for issue by the Company’s board of directors (the “Board”) on 16 August 2022.

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 2022 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 2021, 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 2022 (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 2021, 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.

		Effective for annual periods beginning on or after
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
AG 5 (Revised)	Merger Accounting for Common Control Combinations	1 January 2022
Annual Improvements to HKFRS Standards 2018-2020		1 January 2022

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2022 (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 2022 and not been early adopted by the Group are as follows:

		Effective for annual periods beginning on or after
HKFRS 17	Insurance contracts	1 January 2023
HKFRS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HK Int 5 (2020)	Presentation of Financial Statements-Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	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 2022 (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 2021.

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 2021.

There have been no changes in the risk management department since 2021 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 2022 (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.

As at 30 June 2022	Less than	Between	Between	Over 5	Total
	1 year	1 and 2	2 and 5	years	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	652,900	–	19,800	–	672,700
Interest payments on borrowings (note)	11,816	715	533	–	13,064
Lease liabilities	41,475	41,359	49,589	20,911	153,334
Trade and other payables	207,895	–	–	–	207,895
	914,086	42,074	69,922	20,911	1,046,993

As at 30 June 2021	Less than	Between	Between	Over 5	Total
	1 year	1 and 2	2 and 5	years	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	619,400	–	–	–	619,400
Interest payments on borrowings (note)	6,714	–	–	–	6,714
Lease liabilities	38,462	39,360	46,014	21,057	144,893
Trade and other payables	352,141	–	–	–	352,141
	1,016,717	39,360	46,014	21,057	1,123,148

Note: The interest payments on borrowings are calculated based on borrowings held as at 30 June 2022 and 31 December 2021 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 2022 (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 2022 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 2022 and 31 December 2021.

	As at 30 June 2022 Unaudited RMB'000	As at 31 December 2021 Audited RMB'000
FVPL		
– Level 3	4,404	5,000

During the six months ended 30 June 2022, 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 2022 and 31 December 2021, 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 2022 (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.

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.

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2022 (unaudited)

6 REVENUE AND SEGMENT INFORMATION (continued)

Segment assets consist primarily of right-of-use assets, property, plant and equipment, intangible assets, inventories, trade and other receivables, prepayments, as well as time deposits, cash and cash equivalents and restricted cash held by subsidiaries in mainland China. They exclude investment properties, deferred income tax assets and prepaid tax, as well as time deposits, cash and cash equivalents and restricted cash held by the Company and overseas subsidiaries.

Segment liabilities comprise operating liabilities. They exclude borrowings, deferred income tax liabilities, current income tax liabilities, dividends payable and other payables due to related parties and directors' and senior management's emoluments payable.

Revenue of the Group consists of the following revenue for the six months ended 30 June 2022 and 2021. All revenue is derived from external customers.

	Six months ended 30 June	
	2022 Unaudited RMB'000	2021 Unaudited RMB'000
Sales of tea leaves	584,720	670,646
Sales of tea snacks	101,919	119,555
Sales of tea ware	95,250	106,740
Others	20,522	45,128
	802,411	942,069

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2022 (unaudited)

6 REVENUE AND SEGMENT INFORMATION (continued)

The segment results for the six months ended 30 June 2022:

	Unaudited				
	Tea leaves	Tea snacks	Tea ware	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	584,720	101,919	95,250	20,522	802,411
Segment results	91,720	11,612	5,950	(671)	108,611
Unallocated administrative expenses					(12,449)
Other income					6,659
Other losses – net					(1,130)
Finance gains – net					2,852
Share of net profit of investments accounted for using equity method					3,019
Profit before income tax					107,562
Income tax expense					(32,497)
Profit for the period					75,065

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2022 (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 2022:

	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	21,166	6,931	3,908	1,316	6,485	39,806
Depreciation of investment properties	211	51	54	–	574	890
Depreciation and amortisation of right-of-use assets	28,420	5,002	4,485	782	–	38,689
Amortisation of intangible assets	151	24	26	5	173	379
Losses on disposal of property, plant and equipment, net	159	36	12	–	–	207

The segment assets and liabilities as at 30 June 2022 are as follows:

	Unaudited					Total RMB'000
	Tea leaves RMB'000	Tea snacks RMB'000	Tea ware RMB'000	Others RMB'000	Unallocated RMB'000	
Segment assets	1,805,441	305,798	292,510	318,922	250,001	2,972,672
Segment liabilities	566,497	95,289	98,468	64,999	461,057	1,286,310

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2022 (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 net profit					
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 2022 (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 RMB'000	Tea snacks RMB'000	Tea ware RMB'000	Others RMB'000	Unallocated RMB'000	Total 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 31 December 2021 are as follows:

	Audited					
	Tea leaves RMB'000	Tea snacks RMB'000	Tea ware RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Segment assets	2,074,333	300,018	298,044	316,055	223,612	3,212,062
Segment liabilities	667,305	107,082	96,956	50,124	457,776	1,379,243

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2022 (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
Six months ended			
30 June 2022 (unaudited)			
Opening net book amount as at 1 January 2022	693,684	25,864	4,592
Additions	60,845	–	1,967
Transfer	(11,377)	–	–
Disposals	(2,631)	–	–
Depreciation and amortisation	(39,806)	(890)	(379)
Closing net book amount as at 30 June 2022	700,715	24,974	6,180
Six months ended			
30 June 2021 (unaudited)			
Opening net book amount as at 1 January 2021	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)
Closing net book amount as at 30 June 2021	621,866	26,821	3,698

As at 30 June 2022, the fair value of the investment properties is RMB47,107,000 (31 December 2021: RMB47,107,000), with carrying amount of RMB24,974,000 (31 December 2021: RMB25,864,000). 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 2022 (unaudited)

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

Impairment tests for goodwill

The intangible assets as at 30 June 2022 and 31 December 2021 include goodwill of RMB1,078,000 which arose from the acquisition of Anxi Tianfu Tea Co., Ltd. (“Anxi Tianfu”) during the year 2021, as well as goodwill of RMB1,740,000 which arose from the acquisition of Xiamen Tianqia Catering Management Co., Limited (“Tian Qia”) during the year 2013.

Management reviews the business performance based on type of business. Goodwill is monitored by the management at the operating segment level.

In the year ended 31 December 2021 and the six months ended 30 June 2022, goodwill which arose from the acquisition of Anxi Tianfu is allocated to tea leaves segment, and goodwill which arose from the acquisition of Tian Qia is allocated to the business of catering management, beverage production and sales of pre-packaged food, which did not qualify as a reportable operating segment.

The recoverable amount of a CGU is determined based on value-in-use calculations. Management believes that the tea leaves business requires continued investment in brand building as well as enlarging the sales network to achieve long term profit growth. 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.

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2022 (unaudited)

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

Impairment tests for goodwill *(continued)*

Key assumptions used for value-in-use calculations for the six months ended 30 June 2022 and the year 2021 are as follows:

	Tea leaves	Others
– Gross margin	58%	34%
– Long term growth rate	3%	3%
– Discount rate	20%	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 2022, no impairment charge was made on the goodwill.

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2022 (unaudited)

8 LEASES

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at 30 June 2022 Unaudited RMB'000	As at 31 December 2021 Audited RMB'000
Right-of-use assets		
– Land use rights	294,283	290,635
– Retail shops	137,608	133,765
	431,891	424,400
Lease liabilities		
– Current	39,995	37,125
– Non-current	105,965	101,098
	145,960	138,223

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2022 (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					
	2022			2021		
	Retail Shops	Land use rights	Total	Retail Shops	Land use rights	Total
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Depreciation and amortisation charge of right-of-use assets (Note 20)						
Distribution costs	30,466	6,216	36,682	29,791	6,148	35,939
Administrative expenses	489	156	645	1,546	156	1,702
Cost of sales	–	1,362	1,362	–	592	592
	30,955	7,734	38,689	31,337	6,896	38,233
Interest expense (including in finance cost) (Note 19)			3,818			3,993
Expense relating to short-term leases			10,709			13,947
Exemption of lease expenses due to COVID-19			(376)			–
Total charges to the statement of comprehensive income			52,840			56,173

The total cash outflow for leases during the period was RMB30,428,000(30 June 2021: RMB35,663,000).

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2022 (unaudited)

9 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

(i) Trade and other receivables

	As at 30 June 2022 Unaudited RMB'000	As at 31 December 2021 Audited RMB'000
Trade receivables due from third parties	219,297	360,843
Less: provision for impairment	(4,332)	(4,041)
Trade receivables, net	214,965	356,802
Other receivables due from related parties (Note 24(b))	–	3,135
Interest receivable on time deposits	–	14,328
Others	6,094	6,630
	6,094	24,093
Trade and other receivables	221,059	380,895

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.

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2022 (unaudited)

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

(i) Trade and other receivables *(continued)*

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

	As at 30 June 2022 Unaudited RMB'000	As at 31 December 2021 Audited RMB'000
Up to 140 days	198,202	338,012
141 days to 6 months	13,186	15,925
6 months to 1 year	6,069	5,574
1 year to 2 years	1,019	449
Over 2 years	821	883
	219,297	360,843

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 2022 (unaudited)

9 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (continued)

(ii) Prepayments

	As at 30 June 2022 Unaudited RMB'000	As at 31 December 2021 Audited RMB'000
Non-current		
Prepayments for property, plant and equipment and right-of-use assets	9,862	22,841
Current		
Prepayments for lease of property and lease deposits	22,519	23,159
Prepayments to related parties (Note 24(b))	150	–
Prepayments for raw materials and packaging materials	15,533	12,404
Prepaid taxes	21,745	29,420
	59,947	64,983
	69,809	87,824

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2022 (unaudited)

10 INVENTORIES

	As at 30 June 2022 Unaudited RMB'000	As at 31 December 2021 Audited RMB'000
Raw materials and packaging materials	329,717	353,504
Work in progress	245,057	251,615
Finished goods	439,267	456,754
	1,014,041	1,061,873

11 CASH AND CASH EQUIVALENTS, TIME DEPOSITS AND RESTRICTED CASH

	As at 30 June 2022 Unaudited RMB'000	As at 31 December 2021 Audited RMB'000
Time deposits, with original maturity over one year	–	130,000
Cash and cash equivalents	341,385	238,380
Total cash at bank and on hand	341,385	368,380

The weighted average effective interest rate on cash placed with banks and deposits for the six months ended 30 June 2022 was 1.32% per annum (six months ended 30 June 2021: 1.56% per annum).

As at 31 December 2021, the corresponding restricted cash – long-term time deposits for issuing bank receipt note 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 2022 (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 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
At 1 January 2022	8,000,000	1,095,126	90,025	(2,897)	87,128
Repurchase of shares	–	–	–	(4,048)	(4,048)
Cancellation of shares	–	(1,537)	(126)	6,828	6,702
At and 30 June 2022	8,000,000	1,093,589	89,899	(117)	89,782

(i) Details of treasury shares

	Number of issued shares (thousands)
At 1 January 2021	2,334
Repurchase of shares	2,032
Cancellation of shares	(3,689)
At 30 June 2021	677
At 1 January 2022	640
Repurchase of shares	923
Cancellation of shares	(1,537)
At 30 June 2022	26

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2022 (unaudited)

12 SHARE CAPITAL AND TREASURY SHARES *(continued)*

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

The Company repurchased 923,000 ordinary shares of its own through the Stock Exchange from 1 January 2022 to 30 June 2022. The total value of shares repurchased was approximately HKD4,858,000 (approximately RMB4,048,000) and has been deducted from shareholders' equity, and the actual payment made for the repurchase was RMB3,945,000 due to the dividends received by the Company for shares repurchased before ex-dividend date.

As at 30 June 2022, the Company cancelled 1,537,000 shares. After the cancellation, the Company's ordinary shares in issue were reduced from 1,095,126,460 to 1,093,589,460. The amount of share capital was deducted accordingly.

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.

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2022 (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 2021	278,811	231	295,843	(555,610)	19,275
Cancellation of shares	-	-	-	(17,966)	(17,966)
At 30 June 2021	278,811	231	295,843	(573,576)	1,309
At 1 January 2022	278,811	231	314,877	(586,499)	7,420
Cancellation of shares	-	-	-	(6,599)	(6,599)
At 30 June 2022	278,811	231	314,877	(593,098)	821

During the six months ended 30 June 2022, the Company cancelled 1,537,000 shares (six months ended 30 June 2021: 3,689,000 shares) repurchased, resulted in a reduction to other reserve by RMB6,599,000 (six months ended 30 June 2021: RMB17,966,000) including the expenses attributable to the cancellation.

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2022 (unaudited)

14 TRADE AND OTHER PAYABLES

	As at 30 June 2022 Unaudited RMB'000	As at 31 December 2021 Audited RMB'000
Trade payables – due to third parties	60,875	113,975
Trade payables – due to related parties (Note 24(b))	55,688	52,612
Total trade payables	116,563	166,587
Payables for property, plant and equipment	2,076	2,463
Other taxes payable	21,818	23,256
Employee benefit payables	29,406	28,568
Other payables for acquisition (Note 24(b))	–	92,183
Others	91,478	90,908
	261,341	403,965

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

	As at 30 June 2022 Unaudited RMB'000	As at 31 December 2021 Audited RMB'000
Up to 6 months	115,837	155,369
6 months to 1 year	75	10,465
1 year to 2 years	39	113
Over 2 years	612	640
	116,563	166,587

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2022 (unaudited)

15 BORROWINGS

	As at 30 June 2022 Unaudited RMB'000	As at 31 December 2021 Audited RMB'000
Long-term bank borrowings		
– Others (i)	19,800	–
Short-term bank borrowings		
– Unsecured	109,600	64,000
– Others (ii)	543,300	555,400
Total borrowings	672,700	619,400

- (i) As at 30 June 2022, long-term bank borrowings of RMB19,800,000 (31 December 2021: Nil) 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 borrowing bears interest at the rates quoted by People's Bank of China from time to time and requires one time repayment at March 2025.
- (ii) As at 30 June 2022, short-term bank borrowings of RMB543,300,000 (31 December 2021: RMB555,400,000) 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 interim condensed consolidated financial statements

For the six months ended 30 June 2022 (unaudited)

15 BORROWINGS (continued)

The Group had the following undrawn borrowing facilities:

	As at 30 June 2022 Unaudited RMB'000	As at 31 December 2021 Audited RMB'000
Fixed rate:		
– expiring within one year (bank borrowings)	501,664	427,172
– expiring over one year and within three years	–	100,000
	501,664	527,172

16 CONTRACT LIABILITIES

	As at 30 June 2022 Unaudited RMB'000	As at 31 December 2021 Audited RMB'000
Advances from customers	65,912	64,020
Customer loyalty programme	11,755	10,232
	77,667	74,252

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 interim condensed consolidated financial statements

For the six months ended 30 June 2022 (unaudited)

17 OTHER INCOME

	Six months ended 30 June	
	2022	2021
	Unaudited RMB'000	Unaudited RMB'000
Government grants	4,148	11,164
Income from investment properties	1,678	3,744
Others	833	346
	6,659	15,254

18 OTHER (LOSSES)/GAINS – NET

	Six months ended 30 June	
	2022	2021
	Unaudited RMB'000	Unaudited RMB'000
(Losses)/gains on disposal of property, plant and equipment, net	(207)	121
Net foreign exchange losses	(211)	(15)
Gains from sale of financial assets at fair value through profit or loss	–	72
Net fair value (losses)/gains on financial assets at fair value through profit or loss	(712)	492
	(1,130)	670

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2022 (unaudited)

19 FINANCE INCOME/(COSTS) – NET

	Six months ended 30 June	
	2022	2021
	Unaudited RMB'000	Unaudited RMB'000
Finance income		
– Interest income on bank deposits	2,323	3,574
– Net foreign exchange gains	14,009	–
Total finance income	16,332	3,574
Finance costs		
– Interest expenses on bank borrowings	(11,038)	(8,263)
– Less: amounts capitalised in qualifying assets	1,376	338
– Interest expenses on lease liabilities (Note 8)	(3,818)	(3,993)
– Net foreign exchange losses	–	(2,252)
Total finance costs	(13,480)	(14,170)
Net finance income/(costs)	2,852	(10,596)

20 DEPRECIATION AND AMORTISATION EXPENSES

	Six months ended 30 June	
	2022	2021
	Unaudited RMB'000	Unaudited RMB'000
Depreciation of investment properties	890	864
Depreciation and amortisation of right-of-use assets	38,689	38,233
Depreciation of property, plant and equipment	39,806	35,446
Amortisation of intangible assets	379	558

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2022 (unaudited)

21 INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	Unaudited	Unaudited
	RMB'000	RMB'000
Current income tax		
– PRC corporate income tax	25,987	49,734
Deferred income tax	6,510	15,773
Income tax expense	32,497	65,507

(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 2022 and 2021, 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 2022 and 2021, 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 interim condensed consolidated financial statements

For the six months ended 30 June 2022 (unaudited)

21 INCOME TAX EXPENSE (continued)

(iv) PRC withholding income tax (continued)

Such withholding tax is recorded under deferred income tax. For the six months ended 30 June 2022, Tenfu (Hong Kong) Holdings Co., Ltd., a subsidiary of the Company, applied 5% withholding tax rate (the six months ended 30 June 2021: 10%), 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 2021: 5%), 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	
	2022	2021
	Unaudited	Unaudited
Profit attributable to the shareholders of the Company (RMB'000)	75,065	158,642
Weighted average number of ordinary shares in issue ('000)	1,094,162	1,098,485
Basic earnings per share (RMB)	0.07	0.14

Diluted earnings per share for the six months ended 30 June 2022 and 2021 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 2022 (unaudited)

23 DIVIDENDS

	Six months ended 30 June	
	2022	2021
	Unaudited	Unaudited
	RMB'000	RMB'000
Interim dividend declared	37,182	73,574

An interim dividend for 2022 of HKD4 cents (equivalent to RMB3.4 cents) (interim dividend for 2021: HKD8 cents (equivalent to RMB7 cents)) per share was declared by the Board on 16 August 2022 using RMB37,182,000 of the retained earnings (interim dividend for 2021: RMB73,574,000). This interim dividend, amounting to HKD43,744,000 (equivalent to RMB37,182,000) (interim dividend for 2021: HKD87,850,000 (equivalent to RMB73,574,000)), 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 2022. Similarly, the interim dividend for 2021 declared by the Board on 17 August 2021 was reflected as an appropriation of retained earnings for the year ended 31 December 2021 after 30 June 2021.

The final dividend for 2021 of HKD251,879,000 (equivalent to RMB217,577,000) and the one for 2020 of HKD220,362,000 (equivalent to RMB182,706,000) had been reflected as an appropriation of retained earnings for the six months ended 30 June 2022 and 2021 respectively after obtaining the approval from the shareholders at the Company's annual general meeting held on 17 May 2022 and 13 May 2021 respectively.

The dividend paid in the six months ended 30 June 2022 were RMB217,431,000 (six months ended 30 June 2021: RMB182,709,000).

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 2022 (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	
	2022	2021
	Unaudited	Unaudited
	RMB'000	RMB'000
(i) Purchases of goods and services		
– Subsidiaries of SAMOA	43,624	49,152
– A company controlled by the Controlling Shareholders	10,925	9,694
	54,549	58,846
(ii) Processing fee expenses		
– Subsidiaries of SAMOA	–	622
(iii) Rental expenses		
– The Controlling Shareholders and their affiliates	1,345	1,452
– A subsidiary of SAMOA	–	473
– A company controlled by an affiliate of the Controlling Shareholders	1,221	1,396
	2,566	3,321
(iv) Right-of-use assets		
– The Controlling Shareholders and their affiliates	7,438	7,751
– A subsidiary of SAMOA	–	1,728
– A company controlled by an affiliate of the Controlling Shareholders	6,974	6,905
	14,412	16,384
(v) Key management compensation	2,553	2,413

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2022 (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 2022 and 31 December 2021:

	As at 30 June 2022 Unaudited RMB'000	As at 31 December 2021 Audited RMB'000
(i) Other receivables due from related parties (Note 9(i))		
– Subsidiaries of SAMOA	–	3,135
(ii) Prepayments to related parties (Note 9(ii))		
– The Controlling Shareholders and their affiliates	150	–
(iii) Due to related parties (Note 14)		
Trade related		
– Subsidiaries of SAMOA	55,016	52,612
– A company controlled by the Controlling Shareholders	672	–
Other payables for acquisition		
– Subsidiaries of SAMOA	–	92,183
	55,688	144,795

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

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2022 (unaudited)

24 RELATED-PARTY TRANSACTIONS *(continued)*

(c) Borrowings guaranteed by related parties

As at 30 June 2022, long-term bank borrowings of RMB19,800,000 (31 December 2021: Nil) 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 30 June 2022, short-term bank borrowings of RMB543,300,000 (31 December 2021: RMB555,400,000) 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.