



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 2023



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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

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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Xiamen

the PRC

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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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 OF THE SHARES ("SHARES")

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

BUSINESS REVIEW AND OUTLOOK

In the first half of 2023, the Group achieved revenue of RMB842.8 million, up 5.0% from the corresponding period in 2022, and recorded profit for the period of RMB98.9 million, up 31.7% from the corresponding period in 2022. The increase in the Group's revenue for the period was mainly due to the gradual recovery from the negative impact of coronavirus disease ("COVID-19").

In the first half of 2023, it was still 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. However, under the macro environment established by the PRC Government with domestic circulation as the main focus and domestic and international dual circulation as the driving force, policies such as stabilizing employment, protecting people's livelihood, stimulating consumption, etc. will continue to be in force, and the consumer and retail markets are expected to propel a continued rebound. Under this environment, the Group has further strengthened its market position and the efficiency of its operations, including further expanding its network, actively promoting the customer loyalty programme, consolidating and developing customer base, increasing release of marketing program and education and training for the employees, improving employees' benefits, while controlling expenditures.

Management Discussion and Analysis

- 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 and listed as one of the tea industry influencers in 2022 by Chinese Tea Association and China Tea Industry Alliance. 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. 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.
- 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 2023, the Group had a total of 1,340 self-owned and third-party owned retail outlets and retail points, up a net of 8 retail stores and retail points from a total of 1,332 as at 31 December 2022.
- Growth in net profit margin.** In the first half of 2023, net profit margin increased to 11.7% from 9.4% for the six months ended 30 June 2022 mainly due to the increase of sales and cost control policy.

Management Discussion and Analysis

4. **Adjustment in each tea product category and development of diversified product lines.** In the first half of 2023, 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 during 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.
5. **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 aggregate of distribution costs and administrative expenses decreased as compared with the corresponding period in 2022 while each of revenue and profit increased as compared with the corresponding period in 2022.
6. **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.

Management Discussion and Analysis

In the second half of 2023, it is expected that the retail industry in China will recover gradually 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 online, 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.

Management Discussion and Analysis

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”. 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 acquired land in Xiapu county, Ningde, Fujian Province, for construction of a packaging facility of white tea. 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.

Management Discussion and Analysis

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 ten consecutive years.

Looking forward, the Group’s primary goal is to continue growing its business and increasing its market share by leveraging on its strong market position and sales network and the anticipated long-term growth in the PRC tea market.

FINANCIAL REVIEW

Revenue

During the six months ended 30 June 2023, 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 trademark of “放牛斑”).

Management Discussion and Analysis

During the six months ended 30 June 2023, 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 5.0% from RMB802.4 million for the six months ended 30 June 2022 to RMB842.8 million for the six months ended 30 June 2023. The following table sets forth a breakdown of revenue by product category for the periods indicated:

	Six months ended 30 June			
	2023		2022	
	RMB'000	%	RMB'000	%
Revenue contributed from:				
Sales of tea leaves	611,059	72.5	584,720	72.8
Sales of tea snacks	107,771	12.8	101,919	12.7
Sales of tea ware	93,020	11.0	95,250	11.9
Others ⁽¹⁾	30,910	3.7	20,522	2.6
Total	842,760	100.0	802,411	100.0

Note:

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

Revenue from sales of the Group's tea leaves increased by 4.5% from RMB584.7 million for the six months ended 30 June 2022 to RMB611.1 million for the six months ended 30 June 2023. Revenue from sales of the Group's tea snacks increased by 5.8% from RMB101.9 million for the six months ended 30 June 2022 to RMB107.8 million for the six months ended 30 June 2023. Revenue from sales of the Group's tea ware decreased by 2.4% from RMB95.3 million for the six months ended 30 June 2022 to RMB93.0 million for the six months ended 30 June 2023. The increase in revenue for sales of tea leaves and tea snacks were mainly due to (i) the overall economic recovery development trend with an gradual upturn of consumer market, and (ii) a change in product structure and a success in sales promotion of the Group. The decrease in revenue for sales of tea ware was mainly due to consumption downgrade.

Management Discussion and Analysis

As at 30 June 2023, the Group had approximately 164 self-owned retail outlets and 1,176 distributors' stores throughout Mainland China accounted for approximately 37.6% and 58.7% of the total revenue respectively, compared with approximately 176 self-owned retail outlets and 1,156 distributors' stores as at 31 December 2022.

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 5.5% from RMB360.5 million for the six months ended 30 June 2022 to RMB380.4 million for the six months ended 30 June 2023, 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 4.6% from RMB441.9 million for the six months ended 30 June 2022 to RMB462.4 million for the six months ended 30 June 2023, with gross profit margin decreasing from 55.1% for the six months ended 30 June 2022 to 54.9% for the six months ended 30 June 2023 due to adjustment of its tea product categories and decrease of retail percentage.

Distribution costs

The distribution costs of the Group decreased by 8.1% from RMB203.4 million for the six months ended 30 June 2022 to RMB187.0 million for the six months ended 30 June 2023. The decrease of distribution costs was primarily due to a decrease in employee benefit expenses and advertising expenses caused by cost control measures of the Group.

Administrative expenses

Administrative expenses for the Group decreased by 3.2% from RMB142.3 million for the six months ended 30 June 2022 to RMB137.7 million for the six months ended 30 June 2023. The decrease was primarily due to a decrease in employee benefit expenses caused by cost control measures of the Group.

Management Discussion and Analysis

Other income

Other income of the Group increased by 11.9% from RMB6.7 million for the six months ended 30 June 2022 to RMB7.5 million for the six months ended 30 June 2023. The increase was primarily due to an increase in income from investment properties.

Other losses – net

Other losses of the Group was RMB2.0 million for the six months ended 30 June 2023, as compared to other losses of RMB1.1 million for the six months ended 30 June 2022, primarily due to an increase in losses on disposal of property plant and equipment and investment properties.

Finance income

Finance income of the Group decreased from RMB16.3 million for the six months ended 30 June 2022 to RMB6.4 million for the six months ended 30 June 2023, primarily due to a decrease in net foreign exchange gains.

Finance costs

Finance costs of the Group is RMB14.0 million for the six months ended 30 June 2023 approximately comparable with that for the six months ended 30 June 2022.

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 RMB2.1 million and a net profit amounting to RMB3.0 million for the six months ended 30 June 2023 and 2022, respectively.

Income tax expense

Income tax expense of the Group increased by 19.1% from RMB32.5 million for the six months ended 30 June 2022 to RMB38.7 million for the six months ended 30 June 2023, primarily due to an increase in the Group's profit before tax from RMB107.6 million for the six months ended 30 June 2022 to RMB137.6 million for the six months ended 30 June 2023. In addition, the effective tax rate of the Group decreased from 24.9% to 22.8%, primarily due to the decrease in the accumulated loss of unrecognised deferred income tax assets.

Management Discussion and Analysis

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, increased by RMB23.8 million, or 31.7%, from RMB75.1 million for the six months ended 30 June 2022 to RMB98.9 million for the six months ended 30 June 2023. Net profit margin of the Group increased from 9.4% for the six months ended 30 June 2022 to 11.7% for the six months ended 30 June 2023, primarily due to an increase in revenue and cost control measures.

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 RMB59.3 million, or 17.0%, from RMB348.4 million as at 31 December 2022 to RMB289.1 million as at 30 June 2023, primarily due to cash outflow from investing and financing activities.

The Group had net cash inflow from operating activities of RMB222.3 million, net cash outflow from investing activities of RMB83.7 million and net cash outflow from financing activities of RMB202.3 million for the six months ended 30 June 2023.

Bank borrowings and gearing ratio

The Group had total bank borrowings of RMB639.6 million as at 30 June 2023 as compared to RMB678.1 million as at 31 December 2022. As at 30 June 2023, the weighted average effective interest rate of the Group’s bank borrowings was 3.17%, and 100% of the Group’s bank borrowings were denominated in RMB.

Management Discussion and Analysis

As at 30 June 2023, long-term bank borrowings of RMB9,800,000 (31 December 2022: RMB19,700,000) 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. 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 2023, short-term bank borrowings of RMB477,400,000 (31 December 2022: RMB535,300,000) 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.

The Directors are of the view that the guarantee of bank borrowings of RMB487.2 million as at 30 June 2023 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 (including current and non-current borrowings). Total capital is calculated as total equity plus total debt. As at 30 June 2023, the gearing ratio of the Group was 26.9%, compared to 27.7% as at 31 December 2022. The decrease during the first half of 2023 was primarily due to a decrease in total borrowings.

Management Discussion and Analysis

Working capital

	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
Trade and other receivables	212,018	282,301
Trade and other payables	230,918	294,309
Inventories	1,024,027	1,063,367
Trade receivables turnover days ⁽¹⁾	78	98
Trade payables turnover days ⁽²⁾	47	66
Inventories turnover days ⁽³⁾	494	481

Notes:

- (1) *Trade receivables turnover days = the average of the beginning and ending trade receivables balances for the period, divided by revenue from wholesales to third-party retailers plus sales from the Group's self-owned retail points located in hypermarkets and department stores and sales through other sales channels mainly representing wholesales to other end customers for the period, multiplied by the number of days in the period.*
- (2) *Trade payables turnover days = the average of the beginning and ending trade payables balances for the period, divided by cost of sales for the period, multiplied by the number of days in the period.*
- (3) *Inventories turnover days = the average of the beginning and ending inventory balances for the period, divided by the cost of sales for the period, multiplied by the number of days in the period.*

The Group's trade and other receivables represent primarily balances due from third-party retailers. The Group's trade and other receivables decreased by RMB70.3 million from RMB282.3 million as at 31 December 2022 to RMB212.0 million as at 30 June 2023, primarily due to settlement of trade receivables from the third parties.

Management Discussion and Analysis

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 RMB294.3 million as at 31 December 2022 to RMB230.9 million as at 30 June 2023, primarily due to a decrease in trade payables due to third parties.

The Group's inventories comprise raw materials (including packaging materials), work-in-progress and finished goods. The Group's inventories decreased from RMB1,063.4 million as at 31 December 2022 to RMB1,024.0 million as at 30 June 2023, because of a decrease of procurement.

As at 30 June 2023, 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 2023, 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 the Shareholders. There are limited hedging instruments available in the PRC to reduce the Group's 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 2023.

Management Discussion and Analysis

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2023, the Group had a total of 3,580 employees with 3,575 employees based in the PRC and 5 employees based in Hong Kong. For the six months ended 30 June 2023, the labour cost of the Group was RMB161 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 2023.

INTERIM DIVIDEND

At the Board meeting held on 17 August 2023, it was resolved that an interim dividend of HK\$0.05 (equivalent to RMB0.046) per Share (2022 interim dividend: HK\$0.04 (equivalent to RMB0.03) per Share) be paid on or around 27 September 2023 to the Shareholders whose names appear on the Company's register of members on 7 September 2023. 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 2023, 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 5 September 2023 to 7 September 2023, 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 4 September 2023.

Other Information

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

As at 30 June 2023, 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)	17.30%
Mr. Lee Chia Ling ⁽²⁾	Settlor of The KCL Trust	378,273,000 (L)	34.67%
	Personal interest/individual	76,926,028 (L)	7.05%
Mr. Lee Kuo-Lin ⁽²⁾	Beneficiary of The KCL Trust	378,273,000 (L)	34.67%
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 1,091,215,460 Shares in issue as at 30 June 2023.*

(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 2023, to the best of the Directors' knowledge, the following persons (other than the Directors and chief executives of the Company) had or deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Capacity in which interests are held	Number of Shares⁽⁵⁾	Approximate percentage of shareholding⁽⁶⁾
Discerning Group Limited ⁽¹⁾	Registered owner	188,789,000 (L)	17.30%
Ms. Lee Tsai Li-Li ⁽¹⁾	Interest as a spouse	188,789,000 (L)	17.30%
UBS TC (Jersey) Ltd. ^{(2) (3)}	Trustee	378,273,000 (L)	34.67%
Trackson Investments Limited ⁽²⁾	Registered owner	378,273,000 (L)	34.67%
Tiger Nature Holdings Limited ⁽²⁾	Interest in a controlled corporation	378,273,000 (L)	34.67%
The KCL Trust ⁽²⁾	Interest in a controlled corporation	378,273,000 (L)	34.67%
Mr. Lee John L ⁽²⁾	Beneficiary of The KCL Trust	378,273,000 (L)	34.67%
Ms. Zhou Nan-Nan ⁽²⁾	Interest as a spouse	455,199,028 (L)	41.71%
Spring Cheers Overseas Ltd.	Registered owner	114,379,023 (L)	10.48%
Mr. Tsai Shan Jen ⁽⁴⁾	Beneficial owner	9,449,028 (L)	
	Interest in a controlled corporation	46,731,649 (L)	
		56,180,677 (L)	5.15%

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) *Mr. Tsai Shan Jen was interested in 56,180,677 Shares, through (i) his personal interests in 9,449,028 Shares; and (ii) Ming Feng Holdings Co., Limited, wholly and beneficially owned by Mr. Tsai Shan Jen, which was interested in 46,731,649 Shares.*
- (5) *The letter "L" denotes long position in such shares.*
- (6) *There were 1,091,215,460 Shares in issue as at 30 June 2023.*

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 2023, 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 2023.

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

Save as disclosed in the 2022 annual report of the Company, Dr. Huang Wai has been appointed as independent non-executive director of Beijing Capital Grand Limited (Stock code: 1329) with effect from 9 May 2023. Mr. Lee Kwan Hung, Eddie ceased to be an independent non-executive director of Red Star Macalline Group Corporation Ltd (Stock code: 1528) with effect from 15 August 2023.

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 2022 annual report of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2023, the Company repurchased a total of 222,000 Shares on the Stock Exchange at an aggregate consideration of HK\$1,064,520. On 19 April 2023 and 9 May 2023, 938,000 and 28,000 Shares repurchased were cancelled, respectively. There were 72,000 Shares outstanding (repurchased but not yet cancelled) as at 30 June 2023. Subsequently, the Company had repurchased a total of 21,000 Shares at the aggregate consideration of HK\$96,900 in July 2023 and 73,000 Shares repurchased were cancelled on 7 July 2023.

Details of the Share repurchases during the six months ended 30 June 2023 are as follows:

Month	Total number of Shares repurchased	Purchase price paid per Share		Aggregate consideration (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
2023				
January	99,000	5.15	4.68	487,860
March	12,000	4.70	4.63	56,200
April	33,000	4.70	4.60	154,620
May	36,000	4.70	4.69	169,140
June	42,000	4.90	4.63	196,700
	222,000			1,064,520

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 2023.

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 2023.

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 2023 have been reviewed by the Audit Committee. The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2023 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 of the Company and made available for review on the aforesaid websites.

For and on behalf of the Board

Tenfu (Cayman) Holdings Company Limited

Lee Rie-Ho

Chairman

Hong Kong, 17 August 2023

Interim condensed consolidated balance sheet

As at 30 June 2023

		As at 30 June 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	7	674,202	696,260
Right-of-use assets	8	445,460	439,742
Investment properties	7	69,242	52,057
Intangible assets	7	5,130	5,722
Investments accounted for using equity method		114,401	115,152
Deferred income tax assets		44,354	45,005
Prepayments – non-current portion	9	15,892	7,905
Long-term time deposits	11	50,000	–
		1,418,681	1,361,843
Current assets			
Inventories	10	1,024,027	1,063,367
Trade and other receivables	9	212,018	282,301
Prepayments	9	76,209	79,393
Financial assets at fair value through profit or loss		3,731	4,145
Restricted cash	11	2,400	–
Cash and cash equivalents	11	289,105	348,443
		1,607,490	1,777,649
Total assets		3,026,171	3,139,492

Interim condensed consolidated balance sheet

As at 30 June 2023

		As at 30 June 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
EQUITY			
Capital and reserves attributable to the shareholders of the Company			
Share capital	12	89,706	89,784
Treasury shares	12	(307)	(3,747)
Other reserves	13	3,099	7,405
Retained earnings		1,649,302	1,676,624
Total equity		1,741,800	1,770,066
LIABILITIES			
Non-current liabilities			
Borrowings	15	9,800	19,700
Lease liabilities	8	148,056	132,068
Deferred income on government grants		41,779	42,484
Deferred income tax liabilities		62,945	58,090
		262,580	252,342
Current liabilities			
Trade and other payables	14	230,918	294,309
Dividends payable		275	266
Current income tax liabilities		40,244	45,841
Borrowings	15	629,829	658,429
Contract liabilities	16	69,947	72,723
Lease liabilities	8	50,578	45,516
		1,021,791	1,117,084
Total liabilities		1,284,371	1,369,426
Total equity and liabilities		3,026,171	3,139,492

The notes on pages 32 to 66 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 2023

	Note	Six months ended 30 June	
		2023 Unaudited RMB'000	2022 Unaudited RMB'000
Revenue	6	842,760	802,411
Cost of sales		(380,400)	(360,492)
Gross profit		462,360	441,919
Distribution costs		(187,042)	(203,409)
Administrative expenses		(137,705)	(142,348)
Other income	17	7,504	6,659
Other losses – net	18	(1,963)	(1,130)
Operating profit		143,154	101,691
Finance income	19	6,355	16,332
Finance costs	19	(14,016)	(13,480)
Finance (costs)/income- net	19	(7,661)	2,852
Share of net profit of investments accounted for using equity method		2,078	3,019
Profit before income tax		137,571	107,562
Income tax expense	21	(38,661)	(32,497)
Profit for the period		98,910	75,065
Profit is attributable to :			
Shareholders of the Company		98,910	75,065
Non-controlling interests		–	–
		98,910	75,065
Other comprehensive income for the period		–	–
Total comprehensive income for the period		98,910	75,065
Total comprehensive income for the period is attributable to :			
Shareholders of the Company		98,910	75,065
Non-controlling interests		–	–
		98,910	75,065
Earnings per share for profit attributable to the shareholders of the Company			
– Basic earnings per share	22	RMB0.09	RMB0.07
– Diluted earnings per share	22	RMB0.09	RMB0.07

The notes on pages 32 to 66 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 2023

	Unaudited								
	Attributable to the shareholders of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Total			
Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
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
Balance at 1 January 2023		89,784	-	(3,747)	7,405	1,676,624	1,770,066	-	1,770,066
Profit and total comprehensive income for the six months ended 30 June 2023		-	-	-	-	98,910	98,910	-	98,910
Repurchase of shares	12	-	-	(944)	-	-	(944)	-	(944)
Cancellation of shares	12,13	(78)	-	4,384	(4,306)	-	-	-	-
Final dividend for 2022	23	-	-	-	-	(126,232)	(126,232)	-	(126,232)
Balance at 30 June 2023		89,706	-	(307)	3,099	1,649,302	1,741,800	-	1,741,800

The notes on pages 32 to 66 are an integral part of these interim condensed consolidated financial statements.

Interim condensed consolidated cash flow statement

For the six months ended 30 June 2023

	Note	Six months ended 30 June	
		2023 Unaudited RMB'000	2022 Unaudited RMB'000
Cash flows from operating activities			
Cash generated from operations		270,997	332,344
Interest paid		(9,965)	(10,627)
Income tax paid		(38,752)	(44,334)
Net cash inflow from operating activities		222,280	277,383
Cash flows from investing activities			
Payments for acquisition of subsidiary		–	(92,183)
Purchase of property, plant and equipment	7	(31,497)	(46,876)
Purchase of intangible assets	7	(104)	(1,967)
Purchase of land use rights	8	(7,797)	–
Changes in investments in time deposits with maturity more than 3 months	11	(50,000)	130,000
Proceeds from disposal of property, plant and equipment and investment properties		968	2,424
Interest received		1,962	16,651
Dividends received from joint ventures		2,730	2,068
Net cash (outflow)/inflow from investing activities		(83,738)	10,117
Cash flows from financing activities			
Repurchase of shares of the Company		(946)	(3,945)
Proceeds from borrowings		310,900	743,800
Repayments of borrowings		(349,400)	(690,500)
Principal elements of lease payments		(34,195)	(30,428)
Changes in restricted cash pledged for letter of credit	11	(2,400)	–
Dividends paid to the shareholders of the Company	23	(126,232)	(217,431)
Net cash outflow from financing activities		(202,273)	(198,504)
Net (decrease)/increase in cash and cash equivalents			
		(63,731)	88,996
Effect of foreign exchange rate changes		4,393	14,009
Cash and cash equivalents at beginning of the period		348,443	238,380
Cash and cash equivalents at end of the period	11	289,105	341,385

The notes on pages 32 to 66 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 2023 (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, Guizhou Province and Zhejiang Province, the People’s Republic of China (the “PRC”) and sells mainly to customers located in the PRC.

The Company was incorporated in the Cayman Islands on 22 April 2010 as an exempted company with limited liability under the Companies 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 27 to 66 have been approved for issue by the Company’s board of directors (the “Board”) on 17 August 2023.

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 2023 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 2022, 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 2023 (unaudited)

3 MATERIAL 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 2022, 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 and interpretations 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
HKFRS 17	Insurance Contracts	1 January 2023
HKAS 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 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2023 (unaudited)

3 MATERIAL ACCOUNTING POLICIES (continued)

- (b) The following new interpretations and amendments to standards and interpretations have been issued but were not mandatory for annual reporting periods ending on 31 December 2023 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendments)	Non-current liabilities with covenants	1 January 2024
HKFRS 16 (Amendments)	Lease liability in sale and leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	Applied when an entity applies Amendments to HKAS 1
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is assessing the full impact of the new standards, new interpretations and amendments to standards and interpretations.

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2023 (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 2022.

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 2022.

There have been no changes in the risk management department since 2022 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 2023 (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 2023	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	629,829	9,800	–	–	639,629
Interest payments on borrowings (note)	8,358	264	–	–	8,622
Lease liabilities	52,340	58,050	61,600	43,208	215,198
Trade and other payables	186,412	–	–	–	186,412
	876,939	68,114	61,600	43,208	1,049,861

As at 31 December 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	658,429	–	19,700	–	678,129
Interest payments on borrowings (note)	8,350	709	150	–	9,209
Lease liabilities	46,605	47,042	51,630	40,829	186,106
Trade and other payables	236,574	–	–	–	236,574
	949,958	47,751	71,480	40,829	1,110,018

Note: The interest payments on borrowings are calculated based on borrowings held as at 30 June 2023 and 31 December 2022 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 2023 (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 2023 by valuation method. The different levels have been defined as follows:

Level 1: The fair value of financial instruments traded in active markets (e.g. publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. The quoted market price already incorporates the market's assumptions with respect to changes in economic climate such as rising interest rates and inflation, as well as changes due to ESG risk. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (e.g. over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities and for instruments where ESG risk gives rise to a significant unobservable adjustment.

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2023 (unaudited)

5 FINANCIAL RISK MANAGEMENT (continued)

5.3 Fair value estimation (continued)

The following table presents the Group's financial assets that are measured at fair value at 30 June 2023 and 31 December 2022.

	As at 30 June 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
FVPL		
– Level 1	135	184
– Level 3	3,596	3,961

During the six months ended 30 June 2023, 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)

The following table presents the changes in level 3 items for the periods ended 30 June 2023 and 31 December 2022:

	Wealth management product
Opening balance as at 1 January 2022	5,000
Losses recognised in other losses	(1,039)
Closing balance 31 December 2022	3,961
Losses recognised in other losses	(365)
Closing balance as at 30 June 2023	3,596

As at 30 June 2023 and 31 December 2022, 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 2023 (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 2023 (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 2023 and 2022. All revenue is derived from external customers.

	Six months ended 30 June	
	2023 Unaudited RMB'000	2022 Unaudited RMB'000
Sales of tea leaves	611,059	584,720
Sales of tea snacks	107,771	101,919
Sales of tea ware	93,020	95,250
Others	30,910	20,522
	842,760	802,411

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2023 (unaudited)

6 REVENUE AND SEGMENT INFORMATION *(continued)*

The segment results for the six months ended 30 June 2023:

	Unaudited				
	Tea leaves	Tea snacks	Tea ware	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	611,059	107,771	93,020	30,910	842,760
Segment results	127,038	14,741	7,788	552	150,119
Unallocated					
administrative expenses					(12,506)
Other income					7,504
Other losses – net					(1,963)
Finance costs – net					(7,661)
Share of net profit					
of investments					
accounted for using					
equity method					2,078
Profit before income tax					137,571
Income tax expense					(38,661)
Profit for the period					98,910

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2023 (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 2023:

	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	20,333	6,416	3,547	1,520	6,388	38,204
Depreciation of investment properties	569	142	144	–	866	1,721
Depreciation and amortisation of right-of-use assets	30,083	5,277	4,407	481	–	40,248
Amortisation of intangible assets	229	37	41	7	382	696
Losses on disposal of property, plant and equipment and investment properties, net	817	147	176	6	–	1,146

The segment assets and liabilities as at 30 June 2023 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	1,855,507	277,210	306,908	320,974	265,572	3,026,171
Segment liabilities	595,989	101,478	98,538	39,549	448,817	1,284,371

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2023 (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 income – 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 2023 (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 31 December 2022 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	1,856,369	329,337	376,842	318,140	258,804	3,139,492
Segment liabilities	667,229	116,501	93,712	44,599	447,385	1,369,426

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2023 (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 2023 (unaudited)			
Opening net book amount as			
at 1 January 2023	696,260	52,057	5,722
Additions	32,374	–	104
Transfer	(14,404)	19,196	–
Disposals	(1,824)	(290)	–
Depreciation and amortisation	(38,204)	(1,721)	(696)
Closing net book amount as at			
30 June 2023	674,202	69,242	5,130
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

As at 30 June 2023, the fair value of the investment properties is RMB91,968,000 (31 December 2022: RMB76,020,000), with carrying amount of RMB69,242,000 (31 December 2022: RMB52,057,000). At the end of each reporting period, the Group updates the assessment of the fair value of each investment property, taking into account the most recent independent valuations.

The Group determines a property's value within a range of reasonable fair value estimates.

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2023 (unaudited)

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

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the Group considers information from a variety of sources including:

- current prices in an active market for properties of a different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences
- discounted cash flow projections based on reliable estimates of future cash flows
- capitalised income projections based on a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

Impairment tests for goodwill

The intangible assets as at 30 June 2023 and 31 December 2022 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 2022 and the six months ended 30 June 2023, 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.

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2023 (unaudited)

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

Impairment tests for goodwill (continued)

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.

Key assumptions used for value-in-use calculations for the six months ended 30 June 2023 and the year 2022 are as follows:

	Tea leaves	Others
– Gross margin	55%	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 2023, no impairment charge was made on the goodwill.

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2023 (unaudited)

8 LEASES

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at 30 June 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
Right-of-use assets		
– Land use rights	263,119	275,815
– Retail shops	182,341	163,927
	445,460	439,742
Lease liabilities		
– Current	50,578	45,516
– Non-current	148,056	132,068
	198,634	177,584

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2023 (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					
	2023			2022		
	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	30,506	6,387	36,893	30,466	6,216	36,682
Administrative expenses	1,873	156	2,029	489	156	645
Cost of sales	–	1,326	1,326	–	1,362	1,362
	32,379	7,869	40,248	30,955	7,734	38,689
Interest expense (including in finance cost) (Note 19)			4,574			3,818
Expense relating to short-term leases			10,543			10,709
Exemption of lease expenses due to COVID-19			–			(376)
Total charges to the statement of comprehensive income			55,365			52,840

The total cash outflow for leases during the period was RMB34,195,000(30 June 2022: RMB30,428,000).

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2023 (unaudited)

9 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

(i) Trade and other receivables

	As at 30 June 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
Trade receivables due from third parties	208,575	279,746
Less: provision for impairment	(2,796)	(3,850)
Trade receivables, net	205,779	275,896
Dividend receivable	100	–
Others	6,139	6,405
	6,239	6,405
Trade and other receivables	212,018	282,301

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 2023 (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 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
Up to 140 days	186,561	270,992
141 days to 6 months	12,703	3,415
6 months to 1 year	6,875	2,462
1 year to 2 years	1,812	2,877
Over 2 years	624	–
	208,575	279,746

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 2023 (unaudited)

9 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (continued)

(ii) Prepayments

	As at 30 June 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
Non-current		
Prepayments for property, plant and equipment	8,095	7,905
Prepayments for land use rights	7,797	–
	15,892	7,905
Current		
Prepayments for lease of property and lease deposits	21,151	24,406
Prepayments to related parties (Note 24(b))	14,192	10,163
Prepayments for raw materials and packaging materials	24,882	26,133
Prepaid taxes	15,984	18,691
	76,209	79,393
	92,101	87,298

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2023 (unaudited)

10 INVENTORIES

	As at 30 June 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
Raw materials and packaging materials	334,873	358,933
Work in progress	263,017	250,218
Finished goods	426,137	454,216
	1,024,027	1,063,367

11 CASH AND CASH EQUIVALENTS, TIME DEPOSITS AND RESTRICTED CASH

	As at 30 June 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
Time deposits, with original maturity over one year	50,000	–
Short-term restricted cash	2,400	–
Cash and cash equivalents	289,105	348,443
Total cash at bank and on hand	341,505	348,443

The weighted average effective interest rate on cash placed with banks and deposits for the six months ended 30 June 2023 was 1.14% per annum (six months ended 30 June 2022: 1.32% per annum).

As at 30 June 2023, a subsidiary of the Group pledged time deposits of RMB2,400,000 as collateral for issue of letter of credit amounting to RMB24,000,000.

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2023 (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 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
At 1 January 2023	8,000,000	1,092,181	89,784	(3,747)	86,037
Repurchase of shares	–	–	–	(944)	(944)
Cancellation of shares	–	(966)	(78)	4,384	4,306
At and 30 June 2023	8,000,000	1,091,215	89,706	(307)	89,399

(i) Details of treasury shares

	Number of issued shares (thousands)
At 1 January 2022	640
Repurchase of shares	923
Cancellation of shares	(1,537)
At 30 June 2022	26
At 1 January 2023	816
Repurchase of shares	222
Cancellation of shares	(966)
At 30 June 2023	72

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2023 (unaudited)

12 SHARE CAPITAL AND TREASURY SHARES (continued)

(i) Details of treasury shares (continued)

The Company repurchased 222,000 ordinary shares of its own through the Stock Exchange from 1 January 2023 to 30 June 2023. The total value of shares repurchased was approximately HKD1,070,000 (approximately RMB948,000) and has been deducted from shareholders' equity, and the actual payment made for the repurchase was RMB946,000 due to the dividends received by the Company for shares repurchased before ex-dividend date.

As at 30 June 2023, the Company cancelled 966,000 shares. After the cancellation, the Company's ordinary shares in issue were reduced from 1,092,181,460 to 1,091,215,460. The amount of share capital was deducted accordingly.

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.

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2023 (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 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
At 1 January 2023	278,811	231	327,597	(599,234)	7,405
Cancellation of shares	-	-	-	(4,306)	(4,306)
At 30 June 2023	278,811	231	327,597	(603,540)	3,099

During the six months ended 30 June 2023, the Company cancelled 966,000 shares (six months ended 30 June 2022: 1,537,000 shares) repurchased, resulted in a reduction to other reserve by RMB4,306,000 (six months ended 30 June 2022: RMB6,599,000) including the expenses attributable to the cancellation.

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2023 (unaudited)

14 TRADE AND OTHER PAYABLES

	As at 30 June 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
Trade payables – due to third parties	71,574	107,182
Trade payables – due to related parties (Note 24(b))	–	18,884
Total trade payables	71,574	126,066
Notes payable	10,000	10,000
Payables for property, plant and equipment	3,032	3,161
Other taxes payable	20,645	20,490
Employee benefit payables	23,861	37,245
Others	101,806	97,347
	230,918	294,309

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 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
Up to 6 months	70,436	125,206
6 months to 1 year	389	137
1 year to 2 years	125	116
Over 2 years	624	607
	71,574	126,066

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2023 (unaudited)

15 BORROWINGS

	As at 30 June 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
Long-term bank borrowings		
– Others (i)	9,800	19,700
Short-term bank borrowings		
– Unsecured	152,429	123,129
– Others (ii)	477,400	535,300
Total borrowings	639,629	678,129

- (i) As at 30 June 2023, long-term bank borrowings of RMB9,800,000 (31 December 2022: RMB19,700,000) 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 borrowing bears interest at the rates quoted by People's Bank of China from time to time and requires one time repayment at Mar 2025.
- (ii) As at 30 June 2023, short-term bank borrowings of RMB477,400,000 (31 December 2022: RMB535,300,000) 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 2023 (unaudited)

16 CONTRACT LIABILITIES

	As at 30 June 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
Advance receipts from customers	54,468	60,248
Deferred revenue: customer loyalty programme	15,479	12,475
	69,947	72,723

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	
	2023 Unaudited RMB'000	2022 Unaudited RMB'000
Government grants	2,261	4,148
Income from investment properties	4,033	1,678
Others	1,210	833
	7,504	6,659

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2023 (unaudited)

18 OTHER LOSSES – NET

	Six months ended 30 June	
	2023	2022
	Unaudited	Unaudited
	RMB'000	RMB'000
Losses on disposal of property, plant and equipment and investment properties, net	1,146	207
Net foreign exchange losses	403	211
Net fair value losses on financial assets at fair value through profit or loss	414	712
	1,963	1,130

19 FINANCE (COSTS)/INCOME – NET

	Six months ended 30 June	
	2023	2022
	Unaudited	Unaudited
	RMB'000	RMB'000
Finance income		
– Interest income on bank deposits	1,962	2,323
– Net foreign exchange gains	4,393	14,009
Total finance income	6,355	16,332
Finance costs		
– Interest expenses on bank borrowings	(10,638)	(11,038)
– Less: amounts capitalised in qualifying assets	1,196	1,376
– Interest expenses on lease liabilities (Note 8)	(4,574)	(3,818)
Total finance costs	(14,016)	(13,480)
Net finance (costs)/income	(7,661)	2,852

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2023 (unaudited)

20 DEPRECIATION AND AMORTISATION EXPENSES

	Six months ended 30 June	
	2023	2022
	Unaudited	Unaudited
	RMB'000	RMB'000
Depreciation of investment properties	1,721	890
Depreciation and amortisation of right-of-use assets	40,248	38,689
Depreciation of property, plant and equipment	38,204	39,806
Amortisation of intangible assets	696	379

21 INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	Unaudited	Unaudited
	RMB'000	RMB'000
Current income tax		
– PRC corporate income tax	33,156	25,987
Deferred income tax	5,505	6,510
Income tax expense	38,661	32,497

(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 2023 and 2022, 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 2023 (unaudited)

21 INCOME TAX EXPENSE (continued)

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

For the six months ended 30 June 2023 and 2022, the applicable corporate income tax rate for Mainland China subsidiaries is 25% except for subsidiaries which are qualified as small and micro enterprises and would be entitled to enjoy a beneficial tax rate of 2.5% or 5%.

(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 2023, Tenfu (Hong Kong) Holdings Co., Ltd., a subsidiary of the Company, applied 5% withholding tax rate (the six months ended 30 June 2022: 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 2022: 5%), on its estimate of deferred income tax.

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2023 (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	
	2023	2022
	Unaudited	Unaudited
Profit attributable to the shareholders of the Company (RMB'000)	98,910	75,065
Weighted average number of ordinary shares in issue ('000)	1,091,242	1,094,162
Basic earnings per share (RMB)	0.09	0.07

Diluted earnings per share for the six months ended 30 June 2023 and 2022 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 2023 (unaudited)

23 DIVIDENDS

	Six months ended 30 June	
	2023	2022
	Unaudited	Unaudited
	RMB'000	RMB'000
Interim dividend declared	50,196	37,182

An interim dividend for 2023 of HKD5 cents (equivalent to RMB4.6 cents) (interim dividend for 2022: HKD4 cents (equivalent to RMB3.4 cents)) per share was declared by the Board on 17 August 2023 using RMB50,196,000 of the retained earnings (interim dividend for 2022: RMB37,182,000). This interim dividend, amounting to HKD54,561,000 (equivalent to RMB50,196,000) (interim dividend for 2022: HKD43,744,000 (equivalent to RMB37,182,000)), 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 2023. Similarly, the interim dividend for 2022 declared by the Board on 16 August 2022 was reflected as an appropriation of retained earnings for the year ended 31 December 2022 after 30 June 2022.

The final dividend for 2022 of HKD141,984,000 (equivalent to RMB126,232,000) and the one for 2021 of HKD251,879,000 (equivalent to RMB217,577,000) had been reflected as an appropriation of retained earnings for the six months ended 30 June 2023 and 2022 respectively after obtaining the approval from the shareholders at the Company's annual general meeting held on 17 May 2023 and 17 May 2022 respectively.

The dividend paid in the six months ended 30 June 2023 were RMB126,232,000 (six months ended 30 June 2022: RMB217,431,000).

24 RELATED-PARTY TRANSACTIONS

The Group is controlled by Mr. Lee Rie-Ho 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 2023 (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	
	2023	2022
	Unaudited	Unaudited
	RMB'000	RMB'000
(i) Purchases of goods and services		
– Subsidiaries of SAMOA	50,702	43,624
– A company controlled by the Controlling Shareholders	5,865	10,925
	56,567	54,549
(ii) Rental expenses		
– The Controlling Shareholders and their affiliates	1,437	1,345
– A company controlled by an affiliate of the Controlling Shareholders	1,157	1,221
	2,594	2,566
(iii) Right-of-use assets		
– The Controlling Shareholders and their affiliates	8,991	7,438
– A company controlled by an affiliate of the Controlling	6,356	6,974
	15,347	14,412
(iv) Key management compensation	2,507	2,553

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2023 (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 2023 and 31 December 2022:

	As at 30 June 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
(i) Prepayments to related parties (Note 9(ii))		
– Subsidiaries of SAMOA	14,192	10,163
(ii) Due to related parties (Note 14)		
Trade related		
– Subsidiaries of SAMOA	–	18,884

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 2023, long-term bank borrowings of RMB9,800,000 (31 December 2022: RMB19,700,000) 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 30 June 2023, short-term bank borrowings of RMB477,400,000 (31 December 2022: RMB535,300,000) 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.