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Tenfu (Cayman) Holdings Company Limited

天福（開曼）控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6868)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

Financial Highlights

- Revenue for the six months ended 30 June 2024 was approximately RMB811.3 million, decreased by 3.7% as compared with approximately RMB842.8 million for the corresponding period in 2023;
- The gross profit of the Group decreased by 8.3% from RMB462.4 million for the six months ended 30 June 2023 to RMB424.1 million for the six months ended 30 June 2024;
- Gross profit margin for the six months ended 30 June 2024 decreased from approximately 54.9% for the six months ended 30 June 2023 to 52.3%;
- Profit for the six months ended 30 June 2024 decreased from RMB98.9 million for the corresponding period in 2023 to RMB69.1 million;
- Basic earnings per share for the six months ended 30 June 2024 amounted to RMB0.06; and
- The Board resolved to pay an interim dividend of HKD0.03 (equivalent to RMB0.027) per share.

The board (the “**Board**”) of directors (the “**Directors**”) of Tenfu (Cayman) Holdings Company Limited (the “**Company**” or “**Tenfu**”, together with its subsidiaries, the “**Group**”) is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 30 June 2024, together with the comparative figures for the corresponding period in 2023 as below.

FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	Six months ended 30 June	
		2024 Unaudited <i>RMB'000</i>	2023 Unaudited <i>RMB'000</i>
Revenue	5	811,278	842,760
Cost of sales		<u>(387,228)</u>	<u>(380,400)</u>
Gross profit		424,050	462,360
Distribution costs		(184,470)	(187,042)
Administrative expenses		(143,245)	(137,705)
Other income	6	14,678	7,504
Other losses – net	7	<u>(246)</u>	<u>(1,963)</u>
Operating profit		110,767	143,154
Finance income		3,069	6,355
Finance costs		<u>(11,963)</u>	<u>(14,016)</u>
Finance costs – net		<u>(8,894)</u>	<u>(7,661)</u>
Share of net (losses)/profits of investments accounted for using equity method		<u>(2,054)</u>	<u>2,078</u>
Profit before income tax		99,819	137,571
Income tax expense	8	<u>(30,705)</u>	<u>(38,661)</u>
Profit for the period attributable to the shareholders of the Company		<u>69,114</u>	<u>98,910</u>
Other comprehensive income for the period		<u>–</u>	<u>–</u>
Total comprehensive income for the period attributable to the shareholders of the Company		<u>69,114</u>	<u>98,910</u>
Earnings per share for profit attributable to the shareholders of the Company			
– Basic earnings per share	9	RMB0.06	RMB0.09
– Diluted earnings per share	9	<u>RMB0.06</u>	<u>RMB0.09</u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 June 2024 Unaudited RMB'000	As at 31 December 2023 Audited RMB'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		672,503	668,748
Right-of-use assets	<i>11</i>	426,162	413,577
Investment properties		68,995	74,557
Intangible assets		3,929	4,449
Investments accounted for using equity method		9,114	120,505
Deferred income tax assets		46,801	47,336
Prepayments – non-current portion	<i>12(b)</i>	12,905	8,199
Long-term time deposits		88,000	58,000
		1,328,409	1,395,371
Current assets			
Inventories		1,011,194	1,015,959
Trade and other receivables	<i>12(a)</i>	181,427	248,268
Prepayments	<i>12(b)</i>	82,583	61,995
Financial assets at fair value through profit or loss		3,327	3,324
Restricted cash		3,380	1,800
Cash and cash equivalents		346,131	275,127
		1,628,042	1,606,473
Total assets		2,956,451	3,001,844

		As at 30 June 2024 Unaudited RMB'000	As at 31 December 2023 Audited RMB'000
	<i>Note</i>		
EQUITY			
Capital and reserves attributable to the shareholders of the Company			
Share capital	<i>13</i>	89,290	89,474
Treasury shares		(147)	(9,112)
Other reserves	<i>14</i>	(3,483)	6,257
Retained earnings		1,647,538	1,699,093
Total equity		1,733,198	1,785,712
LIABILITIES			
Non-current liabilities			
Borrowings	<i>16</i>	69,960	39,960
Lease liabilities	<i>11</i>	137,717	118,163
Deferred income of government grants		43,124	42,882
Deferred income tax liabilities		73,229	69,488
Other payable		6,000	–
		330,030	270,493
Current liabilities			
Trade and other payables	<i>15</i>	231,368	299,477
Dividends payable		2	270
Current income tax liabilities		37,023	46,968
Borrowings	<i>16</i>	515,760	481,100
Contract liabilities	<i>17</i>	64,565	75,606
Lease liabilities	<i>11</i>	44,505	42,218
		893,223	945,639
Total liabilities		1,223,253	1,216,132
Total equity and liabilities		2,956,451	3,001,844

NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION

The Group is engaged in the classification, packaging and sales of tea leaves, manufacture and sales of tea snacks, sales of tea ware 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 has been listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 26 September 2011.

This interim condensed consolidated financial information is presented in Renminbi ("RMB"), unless otherwise stated. This interim condensed consolidated financial information has been approved for issue by the Company's board of directors (the "Board") on 19 August 2024.

This interim condensed consolidated financial information has not been audited.

2 BASIS OF PREPARATION

This financial information is extracted from the full set of interim condensed consolidated financial information for the six months ended 30 June 2024 which has 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 information should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants.

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 2023, 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
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 a Sale and Leaseback	1 January 2024
HKAS 7 and HKFRS 7 (Amendments)	Supplier finance arrangements	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	1 January 2024

(b) The following standards and interpretations have been issued but were not mandatory for annual reporting periods ending on 31 December 2024 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKAS 21 (Amendments)	Lack of Exchangeability	1 January 2025

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of interim condensed consolidated financial information 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 information, 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 2023.

5 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 information. The common administrative expenses, other gains or losses, other income, financing (including finance costs and interest income), share of results of investments accounted for using equity method and income taxes are managed on a group basis and are not allocated to operating segments.

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

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

Revenue

Revenue of the Group consists of the following revenue for the six months ended 30 June 2024 and 2023. All revenue is derived from external customers.

	Six months ended 30 June	
	2024 Unaudited RMB'000	2023 Unaudited RMB'000
Sales of tea leaves	571,793	611,059
Sales of tea snacks	110,100	107,771
Sales of tea ware	101,728	93,020
Others	27,657	30,910
	<u>811,278</u>	<u>842,760</u>

The segment results for the six months ended 30 June 2024:

	Unaudited				Total RMB'000
	Tea leaves RMB'000	Tea snacks RMB'000	Tea ware RMB'000	All other segments RMB'000	
Segment revenue	<u>571,793</u>	<u>110,100</u>	<u>101,728</u>	<u>27,657</u>	<u>811,278</u>
Segment results	<u>91,056</u>	<u>11,463</u>	<u>8,717</u>	<u>(1,778)</u>	<u>109,458</u>
Unallocated administrative expenses					(13,123)
Other income					14,678
Other losses – net					(246)
Finance costs – net					(8,894)
Share of net losses of investments accounted for using equity method					<u>(2,054)</u>
Profit before income tax					99,819
Income tax expense					<u>(30,705)</u>
Profit for the period					<u><u>69,114</u></u>

Other segment items included in the interim condensed consolidated statement of comprehensive income for the six months ended 30 June 2024:

	Unaudited					Total RMB'000
	Tea leaves RMB'000	Tea snacks RMB'000	Tea ware RMB'000	All other segments RMB'000	Unallocated RMB'000	
Depreciation of property, plant and equipment	21,991	6,896	3,724	1,532	6,531	40,674
Depreciation of investment properties	1,208	295	298	–	732	2,533
Depreciation and amortisation of right-of-use assets	27,844	5,334	4,780	617	–	38,575
Amortisation of intangible assets	101	17	24	5	373	520
Losses on disposal of property, plant and equipment, net	125	19	20	(4)	–	160

The segment assets and liabilities as at 30 June 2024 are as follows:

	Unaudited					Total RMB'000
	Tea leaves RMB'000	Tea snacks RMB'000	Tea ware RMB'000	All other segments RMB'000	Unallocated RMB'000	
Segment assets	<u>1,863,016</u>	<u>273,252</u>	<u>353,337</u>	<u>212,608</u>	<u>254,238</u>	<u>2,956,451</u>
Segment liabilities	<u>556,504</u>	<u>98,909</u>	<u>79,777</u>	<u>11,575</u>	<u>476,488</u>	<u>1,223,253</u>

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

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

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	All other segments 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 31 December 2023 are as follows:

	Audited					Total RMB'000
	Tea leaves RMB'000	Tea snacks RMB'000	Tea ware RMB'000	All other segments RMB'000	Unallocated RMB'000	
Segment assets	1,734,458	298,980	364,078	339,646	264,682	3,001,844
Segment liabilities	571,480	103,223	81,429	17,972	442,028	1,216,132

6 OTHER INCOME

	Six months ended 30 June	
	2024	2023
	Unaudited RMB'000	Unaudited RMB'000
Government grants	6,612	2,261
Income from investment properties	6,453	4,033
Others	1,613	1,210
	14,678	7,504

7 OTHER LOSSES – NET

	Six months ended 30 June	
	2024	2023
	Unaudited RMB'000	Unaudited RMB'000
Losses on disposal of property, plant and equipment and investment properties, net	160	1,146
Net foreign exchange losses	89	403
Net fair value (gains)/losses on financial assets at fair value through profit or loss	(3)	414
	246	1,963

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	Unaudited	Unaudited
	RMB'000	RMB'000
Current income tax		
– PRC corporate income tax	26,429	33,156
Deferred income tax	4,276	5,505
	<hr/>	<hr/>
Income tax expense	30,705	38,661
	<hr/> <hr/>	<hr/> <hr/>

(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 2024 and 2023, 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 2024 and 2023, 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 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 2024, Tenfu (Hong Kong) Holdings Co., Ltd., a subsidiary of the Company, applied 5% withholding tax rate (the six months ended 30 June 2023: 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 2023: 5%), on its estimate of deferred income tax.

9 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	
	2024 Unaudited	2023 Unaudited
Profit attributable to the shareholders of the Company (RMB'000)	<u>69,114</u>	<u>98,910</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,086,241</u>	<u>1,091,242</u>
Basic earnings per share (RMB)	<u>0.06</u>	<u>0.09</u>

Diluted earnings per share for the six months ended 30 June 2024 and 2023 were the same as the basic earnings per share as there were no dilutive instruments during the periods.

10 DIVIDENDS

	Six months ended 30 June	
	2024 Unaudited RMB'000	2023 Unaudited RMB'000
Interim dividend declared	<u>29,326</u>	<u>50,196</u>

An interim dividend for 2024 of HKD3 cents (equivalent to RMB2.7 cents) (interim dividend for 2023: HKD5 cents (equivalent to RMB4.6 cents)) per share was declared by the Board on 19 August 2024 using RMB29,326,000 of the retained earnings (interim dividend for 2023: RMB50,196,000). This interim dividend, amounting to HKD32,584,000 (equivalent to RMB29,326,000) (interim dividend for 2023: HKD54,561,000 (equivalent to RMB50,196,000)), 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 2024. Similarly, the interim dividend for 2023 declared by the Board on 17 August 2023 was reflected as an appropriation of retained earnings for the year ended 31 December 2023 after 30 June 2023.

The final dividend for 2023 of HKD130,605,000 (equivalent to RMB120,669,000) and the one for 2022 of HKD141,984,000 (equivalent to RMB126,232,000) had been reflected as an appropriation of retained earnings for the six months ended 30 June 2024 and 2023 respectively after obtaining the approval from the shareholders at the Company's annual general meeting held on 10 May 2024 and 17 May 2023 respectively.

The dividend paid in the six months ended 30 June 2024 were RMB120,669,000 (six months ended 30 June 2023: RMB126,232,000).

11 LEASES

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at 30 June 2024 Unaudited RMB'000	As at 31 December 2023 Audited RMB'000
Right-of-use assets		
– Land use rights	252,551	260,159
– Retail shops	173,611	153,418
	<u>426,162</u>	<u>413,577</u>
Lease liabilities		
– Current	44,505	42,218
– Non-current	137,717	118,163
	<u>182,222</u>	<u>160,381</u>

(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					
	Retail Shops RMB'000	2024 Land use rights RMB'000	Total RMB'000	Retail Shops RMB'000	2023 Land use rights RMB'000	Total RMB'000
Depreciation and amortisation charge of right-of-use assets						
Distribution costs	28,613	6,012	34,625	30,506	6,387	36,893
Administrative expenses	2,354	156	2,510	1,873	156	2,029
Cost of sales	–	1,440	1,440	–	1,326	1,326
	<u>30,967</u>	<u>7,608</u>	<u>38,575</u>	<u>32,379</u>	<u>7,869</u>	<u>40,248</u>
Interest expense (including in finance cost)			3,949			4,574
Expense relating to short-term leases			12,293			10,543
Total charges to the statement of comprehensive income			<u>54,817</u>			<u>55,365</u>

The total cash outflow for leases during the period was RMB33,269,000 (30 June 2023: RMB34,195,000).

12 TRADE RECEIVABLES AND PREPAYMENTS

(a) Trade and other receivables

	As at 30 June 2024 Unaudited RMB'000	As at 31 December 2023 Audited RMB'000
Trade receivables due from third parties	170,446	244,170
Trade receivables due from related parties	2,432	–
Total trade receivables	172,878	244,170
Less: provision for impairment	(2,137)	(2,956)
Trade receivables, net	170,741	241,214
Interest receivable on time deposits	2,549	1,178
Others	8,137	5,876
	10,686	7,054
Trade and other receivables	<u>181,427</u>	<u>248,268</u>

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

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

	As at 30 June 2024 Unaudited RMB'000	As at 31 December 2023 Audited RMB'000
Up to 140 days	169,074	241,558
141 days to 6 months	1,383	492
6 months to 1 year	1,172	548
1 year to 2 years	91	157
Over 2 years	1,158	1,415
	<u>172,878</u>	<u>244,170</u>

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

(b) Prepayments

	As at 30 June 2024 Unaudited RMB'000	As at 31 December 2023 Audited RMB'000
Non-current		
Prepayments for property, plant and equipment	<u>12,905</u>	<u>8,199</u>
Current		
Prepayments for lease of property and lease deposits	17,636	20,107
Prepayments to related parties	16,376	3,498
Prepayments for raw materials and packaging materials	31,346	18,833
Prepaid taxes	<u>17,225</u>	<u>19,557</u>
	<u>82,583</u>	<u>61,995</u>
	<u>95,488</u>	<u>70,194</u>

13 SHARE CAPITAL AND TREASURY SHARES

	Number of authorised shares (thousands)	Number of issued shares (thousands)	Unaudited Ordinary shares (nominal value) RMB'000	Treasury shares RMB'000	Total RMB'000
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 30 June 2023	<u>8,000,000</u>	<u>1,091,215</u>	<u>89,706</u>	<u>(307)</u>	<u>89,399</u>
At 1 January 2024	8,000,000	1,088,377	89,474	(9,112)	80,362
Repurchase of shares	–	–	–	(957)	(957)
Cancellation of shares	–	(2,247)	(184)	9,922	9,738
At 30 June 2024	<u>8,000,000</u>	<u>1,086,130</u>	<u>89,290</u>	<u>(147)</u>	<u>89,143</u>

(i) **Details of treasury shares**

	Number of issued shares (thousands)
At 1 January 2023	816
Repurchase of shares	222
Cancellation of shares	(966)
	<hr/>
At 30 June 2023	72
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At 1 January 2024	2,034
Repurchase of shares	248
Cancellation of shares	(2,247)
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At 30 June 2024	35
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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 248,000 ordinary shares of its own through the Stock Exchange from 1 January 2024 to 30 June 2024. The total value of shares repurchased was approximately HKD1,054,000 (approximately RMB957,000) and has been deducted from shareholders' equity, and the actual payment made for the repurchase was RMB959,000 due to the directly attributable incremental costs for shares repurchased before the shares are cancelled.

As at 30 June 2024, the Company cancelled 2,247,000 shares. After the cancellation, the Company's ordinary shares in issue were reduced from 1,088,377,460 to 1,086,130,460. The amount of share capital was deducted accordingly.

14 OTHER RESERVES

	Merger reserve RMB'000	Capital reserve RMB'000	Unaudited Statutory reserves RMB'000	Other RMB'000	Total RMB'000
At 1 January 2023	278,811	231	327,597	(599,234)	7,405
Cancellation of shares	—	—	—	(4,306)	(4,306)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2023	278,811	231	327,597	(603,540)	3,099
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 1 January 2024	278,811	231	342,056	(614,841)	6,257
Cancellation of shares	—	—	—	(9,740)	(9,740)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2024	278,811	231	342,056	(624,581)	(3,483)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

During the six months ended 30 June 2024, the Company cancelled 2,247,000 shares (six months ended 30 June 2023: 966,000 shares) repurchased, resulted in a reduction to other reserve by RMB9,740,000 (six months ended 30 June 2023: RMB4,306,000) including the expenses attributable to the cancellation.

15 TRADE AND OTHER PAYABLES

	As at 30 June 2024 Unaudited RMB'000	As at 31 December 2023 Audited RMB'000
Trade payables – due to third parties	63,142	100,348
Trade payables – due to related parties	17,571	16,385
	<hr/>	<hr/>
Total trade payables	80,713	116,733
	<hr/>	<hr/>
Notes Payable	–	11,000
Payables for property, plant and equipment	1,629	1,629
Other taxes payable	16,848	23,077
Employee benefit payables	25,745	41,836
Others	106,433	105,202
	<hr/>	<hr/>
	231,368	299,477
	<hr/> <hr/>	<hr/> <hr/>

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 2024 Unaudited RMB'000	As at 31 December 2023 Audited RMB'000
Up to 6 months	79,446	114,951
6 months to 1 year	1,018	1,057
1 year to 2 years	8	127
Over 2 years	241	598
	<hr/>	<hr/>
	80,713	116,733
	<hr/> <hr/>	<hr/> <hr/>

16 BORROWINGS

	As at 30 June 2024 Unaudited RMB'000	As at 31 December 2023 Audited RMB'000
Long-term bank borrowings		
– Guaranteed and unsecured (i)	69,960	39,960
Short-term bank borrowings		
– Unguaranteed and unsecured	6,000	15,400
– Guaranteed and unsecured (ii)	509,760	465,700
	515,760	481,100
Total borrowings	585,720	521,060

- (i) As at 30 June 2024, long-term bank borrowings of RMB69,960,000 (31 December 2023: RMB39,960,000) were guaranteed by Mr. Lee Rie-Ho, Mr. Lee Chia Ling, Mr. Lee Kuo-Lin, all of them are directors of the Company, and the subsidiaries of the Company, 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 2025.
- (ii) As at 30 June 2024, short-term bank borrowings of RMB509,760,000 (31 December 2023: RMB465,700,000) were guaranteed by Mr. Lee Rie-Ho, Mr. Lee Chia Ling, Mr. Lee Kuo-Lin, all of them are directors of the Company, and the subsidiaries of the Company, either separately or jointly.

17 CONTRACT LIABILITIES

	As at 30 June 2024 Unaudited RMB'000	As at 31 December 2023 Audited RMB'000
Advance receipts from customers	51,991	63,055
Deferred revenue: customer loyalty programme	12,574	12,551
	64,565	75,606

The Group operates a loyalty programme where customers accumulate points for purchases made which 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 within one year.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

In the first half of 2024, the Group achieved revenue of RMB811.3 million, down 3.7% from the corresponding period in 2023, and recorded profit for the period of RMB69.1 million, down 30.1% from the corresponding period in 2023. The decrease in the Group's revenue for the period was mainly due to the weak consumption market and overall economic conditions affected by multiple global factors.

In the first half of 2024, the global economy continued to face multiple risks such as rising inflation, geopolitical tensions and fluctuations in energy and commodity prices. Under the macro environment, the PRC government actively rolled out a series of policies and measures to promote consumption, focusing on expanding domestic demand and unleashing the potential of consumption. The consumer market demonstrated continuing and slow recovery. Consumers are increasing their concern about product quality, health and convenience, becoming more rational in consumption decisions, and focused on products with value, while paying attention to quality and practical demands. In response to the market development, the Group has further enhanced its organizational coordination, utilized its advantages in supply chain, maximized its resources utilization efficiency and strengthened its market position. The following measures have been taken to promote 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.

- 1. Leading brand position.** The Company has been awarded the title of “China's Tea Industry Comprehensive Top 100 Enterprises (茶業百強企業)” by the China Tea Marketing Association from 2013 to 2022. The Company was listed in the list of each of “Benchmark Brands for Tea Industry Competitiveness 2022(2022 年度茶業市場競爭力標桿品牌)”, “Leading Tea Enterprises for Comprehensive Strength 2023 (2023 年度綜合實力引領茶企業)” and “Key Tea Enterprises 2023 (2023 年度重點茶企)” by China Tea Marketing Association. 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. The Company was also granted the award of “2nd Zhangzhou Municipal Government Quality (第二屆漳州市政府品質獎稱號)” by Zhangzhou municipal government and “Enterprise with Outstanding Economic Contribution 2022 (2022 年度突出經濟貢獻企業)” by Zhangpu county government, respectively. 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 (金牌月餅) and China Mooncakes (中國名餅) for the five consecutive years from 2016 to 2020. The tea mooncakes of the Group also won the first prize for China Mooncake Quality (中華月餅品質一等獎) in 2019 and honorable titles of Golden Mooncakes (金牌月餅) and China Mooncakes (中國名餅) in the 28th China Mooncake Festival in 2022. With its high level of brand awareness and more than 25 years of presence in the market, the Group believes that it is in a strong 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 2024, the Group had a total of 1,368 self-owned and third-party owned retail outlets and retail points, down a net of 9 retail stores and retail points from a total of 1,377 as at 31 December 2023.
3. **Adjustment in each tea product category and development of diversified product lines.** In the first half of 2024, 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 Pork Crispy Strips 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 2024, 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 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. Consumption appeared more polarized, with high-end and affordable products each having their own market. The Group upholds a value-based marketing strategy, continues to cultivate both offline and online diversified channels, develop products with ingenuity and insist on innovation to satisfy consumers' demands.

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.
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. In the meantime, the Company also implemented one product, one bar-code anti-counterfeiting traceability system at all factories. Longjing tea of the Group was regarded as the raw materials of Longjing tea sensory grading standard samples developed according to GB/T18650-2008 geographical indication product Longjing tea.

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 2024, 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”).

During the six months ended 30 June 2024, 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 3.7% from RMB842.8 million for the six months ended 30 June 2023 to RMB811.3 million for the six months ended 30 June 2024. The following table sets forth a breakdown of revenue by product category for the periods indicated:

	Six months ended 30 June			
	2024		2023	
	RMB'000	%	RMB'000	%
Revenue contributed from:				
Sales of tea leaves	571,793	70.5	611,059	72.5
Sales of tea snacks	110,100	13.6	107,771	12.8
Sales of tea ware	101,728	12.5	93,020	11.0
Others ⁽¹⁾	27,657	3.4	30,910	3.7
Total	<u>811,278</u>	<u>100.0</u>	<u>842,760</u>	<u>100.0</u>

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 decreased by 6.4% from RMB611.1 million for the six months ended 30 June 2023 to RMB571.8 million for the six months ended 30 June 2024. Revenue from sales of the Group's tea snacks increased by 2.1% from RMB107.8 million for the six months ended 30 June 2023 to RMB110.1 million for the six months ended 30 June 2024. Revenue from sales of the Group's tea ware increased by 9.4% from RMB93.0 million for the six months ended 30 June 2023 to RMB101.7 million for the six months ended 30 June 2024. The decrease in revenue from sales of the Group's tea leaves was mainly due to the weak consumer market. The increases in revenue from sales of the Group's tea snacks and tea ware were mainly due to a change in product structure and a success in sales promotion of the Group.

As at 30 June 2024, the Group had approximately 159 self-owned retail outlets and 1,209 distributors' stores throughout Mainland China accounted for approximately 34.0% and 62.6% of the total revenue respectively, compared with approximately 166 self-owned retail outlets and 1,211 distributors' stores as at 31 December 2023.

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 1.8% from RMB380.4 million for the six months ended 30 June 2023 to RMB387.2 million for the six months ended 30 June 2024, primarily due to an increase of sales promotion and increase of sales to distributors.

Gross profit and gross profit margin

As a result of reduction in revenue, gross profit of the Group decreased by 8.3% from RMB462.4 million for the six months ended 30 June 2023 to RMB424.1 million for the six months ended 30 June 2024, with gross profit margin decreasing from 54.9% for the six months ended 30 June 2023 to 52.3% for the six months ended 30 June 2024 due to adjustment of its tea product categories and decrease of retail percentage.

Distribution costs

The distribution costs of the Group decreased by 1.3% from RMB187.0 million for the six months ended 30 June 2023 to RMB184.5 million for the six months ended 30 June 2024. The decrease of distribution costs was primarily due to a decrease in advertising expenses caused by cost control measures of the Group and a decrease of self-owned retail outlets.

Administrative expenses

Administrative expenses for the Group increased by 4.0% from RMB137.7 million for the six months ended 30 June 2023 to RMB143.2 million for the six months ended 30 June 2024. The increase was primarily due to increase in labour cost and depreciation cost of the Group.

Other income

Other income of the Group increased by 96.0% from RMB7.5 million for the six months ended 30 June 2023 to RMB14.7 million for the six months ended 30 June 2024. The increase was primarily due to the PRC government grants which were recognised as income, increased from RMB2.3 million for the six months ended 30 June 2023 to RMB6.6 million for the six months ended 30 June 2024.

Other losses – net

Other losses of the Group was RMB0.2 million for the six months ended 30 June 2024, as compared to other losses of RMB2.0 million for the six months ended 30 June 2023. The decrease was primarily due to a decrease in losses on disposal of property, plant and equipment and investment properties.

Finance income

Finance income of the Group decreased from RMB6.4 million for the six months ended 30 June 2023 to RMB3.1 million for the six months ended 30 June 2024. The decrease was primarily due to a decrease in net foreign exchange gains.

Finance costs

Finance costs of the Group decreased by 14.3% from RMB14.0 million for the six months ended 30 June 2023 to RMB12.0 million for the six months ended 30 June 2024, due to a decrease in interest expenses on the Group's bank borrowings.

Share of net (losses)/profits of investments accounted for using the equity method

Share of net (losses)/profits of investments accounted for using the equity method of the Group was a net loss amounting to RMB2.1 million and a net profit amounting to RMB2.1 million for the six months ended 30 June 2024 and 2023, respectively. The decrease of net profit was primarily due to the loss from invested business.

Income tax expense

Income tax expense of the Group decrease by 20.7% from RMB38.7 million for the six months ended 30 June 2023 to RMB30.7 million for the six months ended 30 June 2024, primarily due to a decrease in the Group's profit before tax from RMB137.6 million for the six months ended 30 June 2023 to RMB99.8 million for the six months ended 30 June 2024. In addition, the effective tax rate of the Group increased from 28.1% to 30.8%, primarily due to the increase in the accumulated loss of unrecognised deferred income tax assets.

Profit for the period

As a result of the foregoing factors, the profit of the Group, all of which was attributable to the owners of the Company, decreased by RMB29.8 million, or 30.1%, from RMB98.9 million for the six months ended 30 June 2023 to RMB69.1 million for the six months ended 30 June 2024. Net profit margin of the Group decreased from 11.7% for the six months ended 30 June 2023 to 8.5% for the six months ended 30 June 2024, primarily due to a decrease in revenue and gross profit margin.

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 RMB71.0 million, or 25.8%, from RMB275.1 million as at 31 December 2023 to RMB346.1 million as at 30 June 2024, primarily due to an increase in cash generated from operations and increase of debt.

The Group had net cash inflow from operating activities of RMB126.6 million, net cash inflow from investing activities of RMB35.8 million and net cash outflow from financing activities of RMB91.8 million for the six months ended 30 June 2024.

Bank borrowings and gearing ratio

The Group had total bank borrowings of RMB585.7 million as at 30 June 2024 as compared to RMB521.1 million as at 31 December 2023. As at 30 June 2024, the weighted average effective interest rate of the Group's long-term and short-term bank borrowings was 2.93%, and 2.82%, respectively; and the Group's bank borrowings in the amount of RMB585.7 were denominated in RMB. Bank borrowings as at 30 June 2024 and those in corresponding period last year were charged at variable interest rates.

As at 30 June 2024, long-term bank borrowings of RMB69,960,000 (31 December 2023: RMB39,960,000) were guaranteed by Mr. Lee Rie-Ho, Mr. Lee Chia Ling, Mr. Lee Kuo-Lin, all of them are the Directors, and the subsidiaries of the Company, 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 2025. As at 30 June 2024, short-term bank borrowings of RMB509,760,000 (31 December 2023: RMB465,700,000) were guaranteed by Mr. Lee Rie-Ho, Mr. Lee Chia Ling, Mr. Lee Kuo-Lin, all of them are the Directors, and the subsidiaries of the Company, either separately or jointly.

The Directors are of the view that the guarantee of bank borrowings of RMB579.7 million as at 30 June 2024 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 (including current and non-current borrowings). Total capital is calculated as total equity plus total debt. As at 30 June 2024, the gearing ratio of the Group was 25.3%, compared to 22.6% as at 31 December 2023. The increase during the first half of 2024 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 2024 RMB'000	As at 31 December 2023 RMB'000
Trade and other receivables	181,427	248,268
Trade and other payables	231,368	299,477
Inventories	1,011,194	1,015,959
Trade receivables turnover days ⁽¹⁾	67	80
Trade payables turnover days ⁽²⁾	46	55
Inventories turnover days ⁽³⁾	471	472

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 RMB66.9 million from RMB248.3 million as at 31 December 2023 to RMB181.4 million as at 30 June 2024, primarily due to settlement of trade receivables from the third parties.

The Group's trade and other payables principally comprise payables to its raw material suppliers, employee benefit payables, other taxes payable, accrued operating expenses and advances from customers. The Group's trade and other payables decreased from RMB299.5 million as at 31 December 2023 to RMB231.4 million as at 30 June 2024, primarily due to acceleration of payment.

The Group's inventories comprise raw materials (including packaging materials), work-in-progress and finished goods. The Group's inventories decreased from RMB1,016.0 million as at 31 December 2023 to RMB1,011.2 million as at 30 June 2024, because of a decrease in procurement volume.

As at 30 June 2024, 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 2024, 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 JPY and financing activities denominated in HKD. The Directors are of the view that the Group does not have significant foreign currency risk.

Any future depreciation of RMB could adversely affect the value of any dividends the Group pays to its Shareholders. There are limited hedging instruments available in the PRC to reduce our exposure to exchange rate fluctuations between the RMB and other currencies. The Group currently does not engage in hedging activities designed or intended to manage such exchange rate risk.

Contingent liabilities

The Group had no material contingent liabilities as at 30 June 2024.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2024, the Group had a total of 3,509 employees with 3,504 employees based in the PRC and 5 employees based in Hong Kong. For the six months ended 30 June 2024, the labour cost of the Group was RMB163.3 million, compared to RMB161.0 million for the corresponding period in 2023.

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 2024.

OTHER INFORMATION

Purchase, Sales or Redemption of Shares

During the six months ended 30 June 2024, the Company repurchased a total of 248,000 shares of the Company (the “Shares”) on the Stock Exchange at an aggregate consideration of HK\$1,048,450. On 9 April 2024 and 7 June 2024, respectively, 2,151,000 and 96,000 Shares repurchased were cancelled. There were 35,000 Shares repurchased for cancellation but not yet cancelled as at 30 June 2024. Subsequently, the Company had repurchased a total of 30,000 Shares at the aggregate consideration of HK\$137,900 in July 2024 and 65,000 Shares repurchased were cancelled on 24 July 2024. There are no treasury Shares held by the Company as at 30 June 2024 and the date of this announcement.

Details of the Share repurchases during the six months ended 30 June 2024 are as follows:

Month	Total number of Shares repurchased	Purchase price paid per Share		Aggregate consideration (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
2024				
January	13,000	4.79	4.60	60,970
March	89,000	3.90	3.65	335,790
April	68,000	4.60	4.00	293,480
May	39,000	4.70	4.55	179,180
June	39,000	4.61	4.50	179,030
	<u>248,000</u>			<u>1,048,450</u>

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 (including sale of treasury Shares) during the six months ended 30 June 2024.

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 2024, the Company has complied with the code provisions included in the Corporate Governance Code (the “CG Code”) as set out in Appendix C1 of the Listing Rules and there has been no deviation from the code provisions as set forth under the CG Code for the six months ended 30 June 2024.

Model Code for Securities Transactions by Directors

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 of the Listing Rules as the code for dealings in securities transactions by the Directors. Specific enquiries have been made with all Directors and they have confirmed their compliance with the required standard set out in the Model Code throughout the six months ended 30 June 2024.

Interim Dividend

At the Board meeting held on 19 August 2024, it was resolved that an interim dividend of HK\$0.03 (equivalent to RMB0.027) per Share (2023 interim dividend: HK\$0.05 (equivalent to RMB0.046) per Share) be paid on or around 30 September 2024 to the Shareholders whose names appear on the Company’s register of members on 9 September 2024. 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 2024, which is similar to the basis of dividend paid for the same period last year.

As at the date of this announcement, there are no treasury Shares held by the Company (whether held or deposited in the Central Clearing and Settlement System, or otherwise).

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 2024 to 9 September 2024, both days inclusive, during which period no transfer of Shares of the Company 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 2024.

Review of Accounts

The audit committee of the Company (the “**Audit Committee**”) comprises the three independent non-executive Directors and one non-executive Director. 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 including review of the unaudited interim results of the Group for the six months ended 30 June 2024. The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2024 have also been reviewed by PricewaterhouseCoopers, the external auditor of the Company, in accordance with Hong Kong Standard on Review Engagement 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 results announcement is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.tenfu.com>). The interim report of the Company for the six months ended 30 June 2024 containing all the information required by the Listing Rules will be made available for review on the aforesaid websites in due course.

By order of the Board
Tenfu (Cayman) Holdings Company Limited
Lee Chia Ling
Director

Hong Kong, 19 August 2024

As at the date of this announcement, the Board comprises nine members, of which Mr. Lee Rie-Ho, Mr. Lee Chia Ling, Mr. Lee Kuo-Lin, Dr. Fan Ren Da, Anthony and Mr. Zhang Honghai are the executive Directors; Mr. Tseng Ming-Sung is the non-executive Director; and Mr. Lo Wah Wai, Mr. Lee Kwan Hung, Eddie and Dr. Huang Wei are the independent non-executive Directors.