



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 2024



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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

Environmental, Social and Governance Committee

FAN Ren Da, Anthony (*Chairman*)

LO Wah Wai

HUANG Wei

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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Email: tenfu@tenfu.com

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

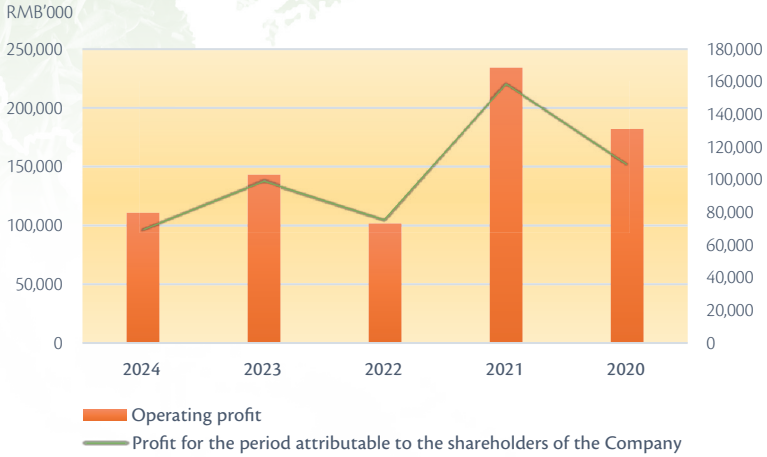
PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central, Hong Kong

WEBSITE

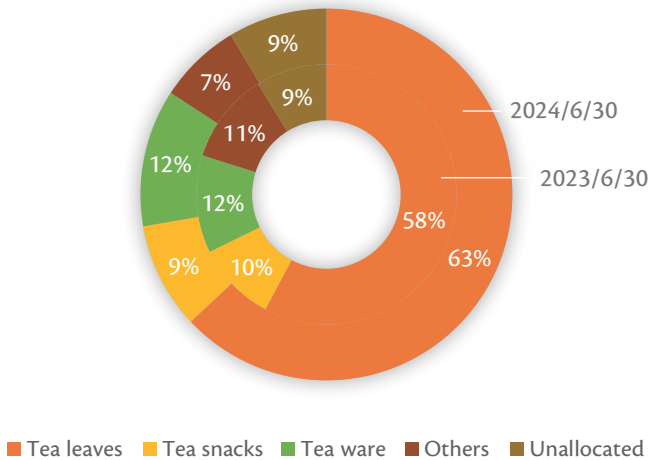
www.tenfu.com

Financial Highlights

Profit (First 6 month)



Assets by segment



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

Management Discussion and Analysis

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.

Management Discussion and Analysis

- 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.
- 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:

- 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

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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	811,278	100.0	842,760	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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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 million 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 on the Stock Exchange (the "**Listing Rules**")) 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.

Management Discussion and Analysis

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.*

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

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 of the Company 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 interim report, 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 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.

Other Information

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

As at 30 June 2024, 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 C3 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)	17.38%
Mr. Lee Chia Ling ⁽²⁾	Settlor of The KCL Trust	378,273,000 (L)	34.83%
	Personal interest/individual	76,926,028 (L)	7.08%
Mr. Lee Kuo-Lin ⁽²⁾	Beneficiary of The KCL Trust	378,273,000 (L)	34.83%
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 1,086,130,460 Shares in issue as at 30 June 2024, including 35,000 Shares repurchased for cancellation but not yet cancelled.*

(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 2024, 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)	17.38%
Ms. Lee Tsai Li-Li ⁽¹⁾	Interest as a spouse	188,789,000 (L)	17.38%
UBS TC (Jersey) Ltd. ^{(2) (3)}	Trustee	378,273,000 (L)	34.83%
Trackson Investments Limited ⁽²⁾	Registered owner	378,273,000 (L)	34.83%
Tiger Nature Holdings Limited ⁽²⁾	Interest in a controlled corporation	378,273,000 (L)	34.83%
The KCL Trust ⁽²⁾	Interest in a controlled corporation	378,273,000 (L)	34.83%
Mr. Lee John L ⁽²⁾	Beneficiary of The KCL Trust	378,273,000 (L)	34.83%
Ms. Zhou Nan-Nan ⁽²⁾	Interest as a spouse	455,199,028 (L)	41.91%
Spring Cheers Overseas Ltd.	Registered owner	90,379,023 (L)	8.32%
Mr. Tsai Shan Jen ⁽⁴⁾	Beneficial owner	9,449,028 (L)	
	Interest in a controlled corporation	46,731,649 (L)	
		56,180,677 (L)	5.17%

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 1,086,130,460 Shares in issue as at 30 June 2024, including 35,000 Shares repurchased for cancellation but not yet cancelled.*

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 2024, the Board is of the view that the Company has complied with 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 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 2024.

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

Save as disclosed in the 2023 annual report of the Company, Dr. Fan Ren Da, Anthony has been resigned as an independent non-executive Director of China Development Bank International Investment Limited on 20 March 2024.

Save as mentioned above, there is no change in 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 2023 annual report of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2024, the Company repurchased a total of 248,000 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 interim report.

Other Information

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
	248,000			1,048,450

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.

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 2024.

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 2024 have been reviewed by the Audit Committee. 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 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 made available for review on the aforesaid websites in due course.

For and on behalf of the Board

Tenfu (Cayman) Holdings Company Limited

Lee Rie-Ho

Chairman

Hong Kong, 19 August 2024

Interim condensed consolidated balance sheet

As at 30 June 2024

		As at 30 June 2024 Unaudited RMB'000	As at 31 December 2023 Audited RMB'000
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	7	672,503	668,748
Right-of-use assets	8	426,162	413,577
Investment properties	7	68,995	74,557
Intangible assets	7	3,929	4,449
Investments accounted for using equity method	9	9,114	120,505
Deferred income tax assets		46,801	47,336
Prepayments – non-current portion	10	12,905	8,199
Long-term time deposits	12	88,000	58,000
		1,328,409	1,395,371
Current assets			
Inventories	11	1,011,194	1,015,959
Trade and other receivables	10	181,427	248,268
Prepayments	10	82,583	61,995
Financial assets at fair value through profit or loss		3,327	3,324
Restricted cash	12	3,380	1,800
Cash and cash equivalents	12	346,131	275,127
		1,628,042	1,606,473
Total assets		2,956,451	3,001,844

Interim condensed consolidated balance sheet

As at 30 June 2024

		As at 30 June 2024 Unaudited RMB'000	As at 31 December 2023 Audited RMB'000
	Note		
EQUITY			
Capital and reserves attributable to the shareholders of the Company			
Share capital	13	89,290	89,474
Treasury shares	13	(147)	(9,112)
Other reserves	14	(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	16	69,960	39,960
Lease liabilities	8	137,717	118,163
Deferred income on government grants		43,124	42,882
Deferred income tax liabilities		73,229	69,488
Other payables		6,000	–
		330,030	270,493

Interim condensed consolidated balance sheet

As at 30 June 2024

		As at 30 June 2024 Unaudited RMB'000	As at 31 December 2023 Audited RMB'000
Current liabilities			
Trade and other payables	15	231,368	299,477
Dividends payable		2	270
Current income tax liabilities		37,023	46,968
Borrowings	16	515,760	481,100
Contract liabilities	17	64,565	75,606
Lease liabilities	8	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

The notes on pages 33 to 70 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 2024

		Six months ended 30 June	
		2024	2023
	Note	Unaudited RMB'000	Unaudited RMB'000
Revenue	6	811,278	842,760
Cost of sales		(387,228)	(380,400)
Gross profit		424,050	462,360
Distribution costs		(184,470)	(187,042)
Administrative expenses		(143,245)	(137,705)
Other income	18	14,678	7,504
Other losses – net	19	(246)	(1,963)
Operating profit		110,767	143,154
Finance income	20	3,069	6,355
Finance costs	20	(11,963)	(14,016)
Finance costs – net	20	(8,894)	(7,661)
Share of net (losses)/profits of investments accounted for using equity method		(2,054)	2,078
Profit before income tax		99,819	137,571
Income tax expense	22	(30,705)	(38,661)
Profit for the period attributable to the shareholders of the Company		69,114	98,910
Other comprehensive income for the period		–	–
Total comprehensive income for the period attributable to the shareholders of the Company		69,114	98,910
Earnings per share for profit attributable to the shareholders of the Company			
– Basic earnings per share	23	RMB0.06	RMB0.09
– Diluted earnings per share	23	RMB0.06	RMB0.09

The notes on pages 33 to 70 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 2024

		Unaudited					
	Note	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2023		89,784	–	(3,747)	7,405	1,676,624	1,770,066
Profit and total comprehensive income for the six months ended 30 June 2023		–	–	–	–	98,910	98,910
Repurchase of shares	13	–	–	(944)	–	–	(944)
Cancellation of shares	13,14	(78)	–	4,384	(4,306)	–	–
Final dividend for 2022	24	–	–	–	–	(126,232)	(126,232)
Balance at 30 June 2023		89,706	–	(307)	3,099	1,649,302	1,741,800
Balance at 1 January 2024		89,474	–	(9,112)	6,257	1,699,093	1,785,712
Profit and total comprehensive income for the six months ended 30 June 2024		–	–	–	–	69,114	69,114
Repurchase of shares	13	–	–	(957)	–	–	(957)
Cancellation of shares	13,14	(184)	–	9,922	(9,740)	–	(2)
Final dividend for 2023	24	–	–	–	–	(120,669)	(120,669)
Balance at 30 June 2024		89,290	–	(147)	(3,483)	1,647,538	1,733,198

The notes on pages 33 to 70 are an integral part of these interim condensed consolidated financial statements.

Interim condensed consolidated cash flow statement

For the six months ended 30 June 2024 (unaudited)

	Note	Six months ended 30 June	
		2024 Unaudited RMB'000	2023 Unaudited RMB'000
Cash flows from operating activities			
Cash generated from operations		172,208	270,997
Interest paid		(9,277)	(9,965)
Income tax paid		(36,374)	(38,752)
Net cash inflow from operating activities		126,557	222,280
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(45,332)	(31,497)
Purchase of intangible assets	7	–	(104)
Purchase of land use rights	8	–	(7,797)
Changes in investments in time deposits with maturity more than 3 months	12	(30,000)	(50,000)
Proceeds from disposal of property, plant and equipment and investment properties		120	968
Interest received		1,246	1,962
Proceeds from disposal of joint ventures		100,000	–
Dividends received from joint ventures		8,710	2,730
Asset-related government grants received		1,067	–
Net cash inflow/(outflow) from investing activities		35,811	(83,738)
Cash flows from financing activities			
Repurchase of shares of the Company		(959)	(946)
Proceeds from borrowings		312,100	310,900
Repayments of borrowings		(247,440)	(349,400)
Principal elements of lease payments		(33,269)	(34,195)
Changes in restricted cash pledged for letter of credit	12	(1,580)	(2,400)
Dividends paid to the shareholders of the Company	24	(120,669)	(126,232)
Net cash outflow from financing activities		(91,817)	(202,273)
Net increase/(decrease) in cash and cash equivalents			
		70,551	(63,731)
Effect of foreign exchange rate changes		453	4,393
Cash and cash equivalents at beginning of the period		275,127	348,443
Cash and cash equivalents at end of the period	12	346,131	289,105

The notes on pages 33 to 70 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 2024 (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 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 70 have been approved for issue by the Company’s board of directors (the “Board”) on 19 August 2024.

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 2024 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 2023, 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 2024 (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 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

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2024 (unaudited)

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

- (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 standards and interpretations.

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 2023.

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2024 (unaudited)

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 2023.

There have been no changes in the risk management department since 2023 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.

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.

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2024 (unaudited)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Liquidity risk (continued)

As at 30 June 2024	Less	Between	Between	Over	Total
	than 1 year	1 and 2 years	2 and 5 years	5 years	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	515,760	69,960	–	–	585,720
Interest payments on borrowings (note)	10,094	346	–	–	10,440
Lease liabilities	46,097	46,007	63,414	33,969	189,487
Trade and other payables	188,776	–	–	–	188,776
	760,727	116,313	63,414	33,969	974,423

As at 31 December 2023	Less	Between	Between	Over	Total
	than 1 year	1 and 2 years	2 and 5 years	5 years	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Borrowings	481,100	39,960	–	–	521,060
Interest payments on borrowings (note)	8,915	694	–	–	9,609
Lease liabilities	43,223	42,380	47,699	34,593	167,895
Trade and other payables	234,564	–	–	–	234,564
	767,802	83,034	47,699	34,593	933,128

Note: The interest payments on borrowings are calculated based on borrowings held as at 30 June 2024 and 31 December 2023 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 2024 (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 2024 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 2024 (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 2024 and 31 December 2023.

	As at 30 June 2024 Unaudited RMB'000	As at 31 December 2023 Audited RMB'000
FVPL		
– Level 1	200	183
– Level 3	3,127	3,141

During the six months ended 30 June 2024, 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 2024 and 31 December 2023:

	Wealth management product
Opening balance as at 1 January 2023	3,961
Losses recognised in other losses	(820)
Closing balance 31 December 2023	3,141
Losses recognised in other losses	(14)
Closing balance as at 30 June 2024	3,127

As at 30 June 2024 and 31 December 2023, 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 2024 (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 2024 (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 2024 and 2023. All revenue is derived from external customers.

	Six months ended 30 June	
	2024	2023
	Unaudited	Unaudited
	RMB'000	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
	811,278	842,760

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2024 (unaudited)

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

	Unaudited				
	Tea leaves	Tea snacks	Tea ware	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	571,793	110,100	101,728	27,657	811,278
Segment results	91,056	11,463	8,717	(1,778)	109,458
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					(2,054)
Profit before income tax					99,819
Income tax expense					(30,705)
Profit for the period					69,114

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2024 (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 2024:

	Unaudited					
	Tea leaves	Tea snacks	Tea ware	Others	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation of property, plant and equipment	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					
	Tea leaves	Tea snacks	Tea ware	Others	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	1,863,016	273,252	353,337	212,608	254,238	2,956,451
Segment liabilities	556,504	98,909	79,777	11,575	476,488	1,223,253

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2024 (unaudited)

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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	Others 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 profits 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 2024 (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 31 December 2023 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	1,734,458	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

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2024 (unaudited)

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

	Property, plant and equipment RMB'000	Investment properties RMB'000	Intangible assets RMB'000
Six months ended 30 June 2024			
(unaudited)			
Opening net book amount as at			
1 January 2024	668,748	74,557	4,449
Additions	41,680	–	–
Transfer	3,029	(3,029)	–
Disposals	(280)	–	–
Depreciation and amortisation	(40,674)	(2,533)	(520)
Closing net book amount as at			
30 June 2024	672,503	68,995	3,929
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

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2024 (unaudited)

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

As at 30 June 2024, the fair value of the investment properties is RMB88,481,000 (31 December 2023: RMB92,309,000), with carrying amount of RMB68,995,000 (31 December 2023: RMB74,557,000). 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.

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 2024 and 31 December 2023 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.

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2024 (unaudited)

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

Impairment tests for goodwill (continued)

In the year ended 31 December 2023 and the six months ended 30 June 2024, goodwill which arose from the acquisition of Anxi Tianfu is allocated to tea leaves segment, and goodwill which arose from the acquisition of Tian Qia is allocated to the business of catering management, beverage production and sales of pre-packaged food, which did not qualify as a reportable operating segment.

The recoverable amount of a CGU is determined based on value-in-use calculations. Management believes that the tea leaves business requires continued investment in brand building as well as enlarging the sales network to achieve long term profit growth. These calculations use cash flow projections based on financial forecast approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the retail businesses in which the CGU operates.

Key assumptions used for value-in-use calculations for the six months ended 30 June 2024 and the year 2023 are as follows:

	Tea leaves	Others
– Gross margin	56%	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 2024, no impairment charge was made on the goodwill.

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2024 (unaudited)

8 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
	426,162	413,577
Lease liabilities		
– Current	44,505	42,218
– Non-current	137,717	118,163
	182,222	160,381

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2024 (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					
	2024			2023		
	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 21)						
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
	30,967	7,608	38,575	32,379	7,869	40,248
Interest expense (including in finance cost) (Note 20)			3,949			4,574
Expense relating to short- term leases			12,293			10,543
Total charges to the statement of comprehensive income			54,817			55,365

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

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2024 (unaudited)

9 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

According to the agreement dated on 14 December 2023, Zhangpu Tian Fu Tea Garden Co., Ltd. a subsidiary of the Group and the other shareholder decided to liquidate Jiangxi Changtai Tianfu Tea Industry Co., Ltd. (“Jiangxi Changtai”). The cancellation procedure was completed in May 2024, then Jiangxi Changtai ceased to be the joint venture of the Group.

The carrying amount of equity-accounted investments has changed as follows in the six months to June 2024:

	Six months ended 30 June 2024 RMB'000
Beginning of the period	120,505
Disposal	(100,000)
Share of losses	(2,054)
Cash dividends declared	(9,337)
End of the period	9,114

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2024 (unaudited)

10 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

(i) 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 (Note 25(b))	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	181,427	248,268

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 2024 (unaudited)

10 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 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
	172,878	244,170

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 2024 (unaudited)

10 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

(ii) 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	12,905	8,199
Current		
Prepayments for lease of property and lease deposits	17,636	20,107
Prepayments to related parties (Note 25(b))	16,376	3,498
Prepayments for raw materials and packaging materials	31,346	18,833
Prepaid taxes	17,225	19,557
	82,583	61,995
	95,488	70,194

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2024 (unaudited)

11 INVENTORIES

	As at 30 June 2024 Unaudited RMB'000	As at 31 December 2023 Audited RMB'000
Raw materials and packaging materials	334,529	322,407
Work in progress	265,639	267,480
Finished goods	411,026	426,072
	1,011,194	1,015,959

12 CASH AND CASH EQUIVALENTS, TIME DEPOSITS AND RESTRICTED CASH

	As at 30 June 2024 Unaudited RMB'000	As at 31 December 2023 Audited RMB'000
Long-term time deposits, with original maturity over one year	88,000	58,000
Short-term restricted cash	3,380	1,800
Cash and cash equivalents	346,131	275,127
Total cash at bank and on hand	437,511	334,927

The weighted average effective interest rate on cash placed with banks and deposits for the six months ended 30 June 2024 was 1.35% per annum (six months ended 30 June 2023: 1.14% per annum).

As at 30 June 2024, a subsidiary of the Group pledged time deposits of RMB3,380,000 as collateral for issue of letter of credit amounting to RMB33,800,000.

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2024 (unaudited)

13 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 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
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 and 30 June 2024	8,000,000	1,086,130	89,290	(147)	89,143

(i) Details of treasury shares

	Number of issued shares (thousands)
At 1 January 2023	816
Repurchase of shares	222
Cancellation of shares	(966)
At 30 June 2023	72
At 1 January 2024	2,034
Repurchase of shares	248
Cancellation of shares	(2,247)
At 30 June 2024	35

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2024 (unaudited)

13 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 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.

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2024 (unaudited)

14 OTHER RESERVES

	Unaudited				
	Merger reserve	Capital reserve	Statutory reserve	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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
At 1 January 2024	278,811	231	342,056	(614,841)	6,257
Cancellation of shares	-	-	-	(9,740)	(9,740)
At 30 June 2024	278,811	231	342,056	(624,581)	(3,483)

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.

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2024 (unaudited)

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 (Note 25(b))	17,571	16,385
Total trade payables	80,713	116,733
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
	231,368	299,477

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
	80,713	116,733

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2024 (unaudited)

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: 39,960,000) 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.

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2024 (unaudited)

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.

18 OTHER INCOME

	Six months ended 30 June	
	2024 Unaudited RMB'000	2023 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

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2024 (unaudited)

19 OTHER LOSSES – NET

	Six months ended 30 June	
	2024	2023
	Unaudited	Unaudited
	RMB'000	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

20 FINANCE COSTS – NET

	Six months ended 30 June	
	2024	2023
	Unaudited	Unaudited
	RMB'000	RMB'000
Finance income		
– Interest income on bank deposits	2,616	1,962
– Net foreign exchange gains	453	4,393
Total finance income	3,069	6,355
Finance costs		
– Interest expenses on bank borrowings	(9,068)	(10,638)
– Less: amounts capitalised in qualifying assets	1,054	1,196
– Interest expenses on lease liabilities (Note 8)	(3,949)	(4,574)
Total finance costs	(11,963)	(14,016)
Net finance costs	(8,894)	(7,661)

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2024 (unaudited)

21 DEPRECIATION AND AMORTISATION EXPENSES

	Six months ended 30 June	
	2024	2023
	Unaudited	Unaudited
	RMB'000	RMB'000
Depreciation of investment properties	2,533	1,721
Depreciation and amortisation of right-of-use assets	38,575	40,248
Depreciation of property, plant and equipment	40,674	38,204
Amortisation of intangible assets	520	696

22 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
Income tax expense	30,705	38,661

(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.

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2024 (unaudited)

22 INCOME TAX EXPENSE (CONTINUED)

(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.

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2024 (unaudited)

23 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	2023
	Unaudited	Unaudited
Profit attributable to the shareholders of the Company (RMB'000)	69,114	98,910
Weighted average number of ordinary shares in issue ('000)	1,086,241	1,091,242
Basic earnings per share (RMB)	0.06	0.09

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.

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2024 (unaudited)

24 DIVIDENDS

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

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).

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2024 (unaudited)

25 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.

(a) Transactions with related parties

The following transactions are carried out by the Group with related parties:

	Six months ended 30 June	
	2024	2023
	Unaudited	Unaudited
	RMB'000	RMB'000
(i) Purchases of goods and services		
– Subsidiaries of SAMOA	52,673	50,702
– A company controlled by the Controlling Shareholders	6,440	5,865
– Joint ventures	11,933	–
	71,046	56,567

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2024 (unaudited)

25 RELATED-PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (continued)

	Six months ended 30 June	
	2024	2023
	Unaudited	Unaudited
	RMB'000	RMB'000
(ii) Sales of goods		
– Subsidiaries of SAMOA	2,073	–
– Joint ventures	1,861	–
	3,934	–
(iii) Rental expenses		
– The Controlling Shareholders and their affiliates	1,825	1,437
– A company controlled by an affiliate of the Controlling Shareholders	1,064	1,157
	2,889	2,594
(iv) Right-of-use assets		
– The Controlling Shareholders and their affiliates	10,249	8,991
– A company controlled by an affiliate of the Controlling Shareholders	6,639	6,356
	16,888	15,347
(v) Key management compensation	3,256	2,507

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2024 (unaudited)

25 RELATED-PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties

The Group has the following balances with its related parties as at 30 June 2024 and 31 December 2023:

	As at 30 June 2024 Unaudited RMB'000	As at 31 December 2023 Audited RMB'000
(i) Prepayments to related parties (Note 10(ii))		
– Subsidiaries of SAMOA	16,376	3,498
(ii) Due to related parties (Note 15)		
Trade related		
– Subsidiaries of SAMOA	16,993	16,385
– Joint ventures	578	–
	17,571	16,385
(iii) Due from related parties (Note 10(i))		
Trade related		
– Subsidiaries of SAMOA	2,073	–
– Joint ventures	359	–
	2,432	–

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

Notes to the interim condensed consolidated financial statements

For the six months ended 30 June 2024 (unaudited)

25 RELATED-PARTY TRANSACTIONS (CONTINUED)

(c) Borrowings guaranteed by related parties

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 and Mr. Lee Kuo-Lin, all of them are directors of the Company, either separately or jointly.

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 and Mr. Lee Kuo-Lin, all of them are directors of the Company, either separately or jointly.