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 2020

Financial Highlights

- Revenue for the six months ended 30 June 2020 was approximately RMB750.9 million, decreased by 10.6% as compared with approximately RMB839.8 million for the corresponding period in 2019;
- The gross profit of the Group decreased by 9.4% from RMB514.4 million for the six months ended 30 June 2019 to RMB465.9 million for the six months ended 30 June 2020;
- Gross profit margin for the six months ended 30 June 2020 increased from approximately 61.3% for the six months ended 30 June 2019 to 62.0%;
- Profit for the six months ended 30 June 2020 decreased from RMB124.8 million for the corresponding period in 2019 to RMB109.3 million;
- Basic earnings per share for the six months ended 30 June 2020 amounted to RMB0.10; and
- The Board resolved to pay an interim dividend of HKD0.06 (equivalent to RMB0.054) 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 2020, together with the comparative figures for the corresponding period in 2019 as below.

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June 2020 Unaudited *RMB'000*	2019 Unaudited *RMB'000*
Revenue	*5*	**750,897**	839,774
Cost of sales		**(284,994)**	(325,411)
Gross profit		**465,903**	514,363
Distribution costs		**(177,441)**	(212,213)
Administrative expenses		**(119,304)**	(119,632)
Other income	*6*	**12,844**	11,501
Other gains/(losses) – net	*7*	**99**	(385)
Operating profit		**182,101**	193,634
Finance income		**3,727**	4,072
Finance costs		**(18,363)**	(18,426)
Finance costs – net		**(14,636)**	(14,354)
Share of net (loss)/profit of investments accounted for using equity method		**(2,010)**	1,659
Profit before income tax		**165,455**	180,939
Income tax expense	*8*	**(56,173)**	(56,130)
Profit for the period		**109,282**	124,809
Profit attributable to:			
Owners of the Company		**112,589**	124,809
Non-controlling interests		**(3,307)**	–
		109,282	124,809
Other comprehensive income for the period		**–**	–
Total comprehensive income for the period		**109,282**	124,809
Total comprehensive income for the period attributable to:			
Owners of the Company		**112,589**	124,809
Non-controlling interests		**(3,307)**	–
		109,282	124,809
Earnings per share for profit attributable to the owners of the Company			
– Basic earnings per share	*9*	**RMB0.10**	RMB0.11
– Diluted earnings per share	*9*	**RMB0.10**	RMB0.11

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**As at 30 June 2020 Unaudited** ***RMB'000***	As at 31 December 2019 Audited *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**657,645**	681,568
Right-of-use assets	*11*	**408,539**	427,643
Investment properties		**6,650**	6,942
Intangible assets		**3,033**	3,442
Investments accounted for using equity method		**109,839**	117,594
Deferred income tax assets		**50,245**	50,866
Prepayments – non-current portion	*12(b)*	**158**	467
Restricted cash		**110,000**	110,000
Long-term time deposits		**20,000**	20,000
		1,366,109	1,418,522
Current assets			
Inventories		**816,634**	782,635
Trade and other receivables	*12(a)*	**252,056**	320,000
Prepayments	*12(b)*	**51,663**	61,090
Financial assets at fair value through profit or loss		**–**	2,714
Time deposits		**–**	123,185
Restricted cash		**4,000**	4,000
Cash and cash equivalents		**447,682**	190,966
		1,572,035	1,484,590
Total assets		**2,938,144**	2,903,112

	Note	As at 30 June 2020 Unaudited *RMB'000*	As at 31 December 2019 Audited *RMB'000*
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	*13*	**91,071**	91,274
Treasury shares		**(5,258)**	(8,336)
Other reserves	*14*	**30,299**	41,926
Retained earnings		**1,540,046**	1,569,434
		1,656,158	1,694,298
Non-controlling interests		**493**	–
Total equity		**1,656,651**	1,694,298
LIABILITIES			
Non-current liabilities			
Borrowings	*16*	**5,445**	5,877
Lease liabilities	*11*	**99,050**	95,770
Deferred income of government grants		**32,860**	33,925
Deferred income tax liabilities		**24,665**	27,937
		162,020	163,509
Current liabilities			
Trade and other payables	*15*	**239,272**	345,502
Current income tax liabilities		**45,225**	54,084
Borrowings		**713,450**	510,826
Contract liabilities	*17*	**77,918**	85,831
Lease liabilities	*11*	**43,608**	49,062
		1,119,473	1,045,305
Total liabilities		**1,281,493**	1,208,814
Total equity and liabilities		**2,938,144**	2,903,112

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, catering management, beverage production and sales of pre-packaged food. The Group has manufacturing plants in Fujian Province, Sichuan Province, Zhejiang Province and Guizhou Province, the People's Republic of China (the "PRC") and sells mainly to customers located in the PRC.

The Company was incorporated in the Cayman Islands on 22 April 2010 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company's ordinary shares have been listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 26 September 2011.

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Company's board of directors (the "Board") on 18 August 2020.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This financial information is extracted from the full set of condensed consolidated interim financial information for the six months ended 30 June 2020 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 condensed consolidated interim financial information should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants.

3 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 2019, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

		Effective for annual periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform	1 January 2020
HKFRS 16 (Amendments)	Coronavirus Disease ("COVID-19") related Rent Concessions	1 June 2020

(b) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2020 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2022
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKFRS 17	Insurance contracts	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Annual Improvements to HKFRS Standards 2018-2020		1 January 2022

The Group will apply the new standards and amendments of HKFRSs described above when they become effective. The Group is in the process of making an assessment on the impact of these new standards and amendments of HKFRSs and does not anticipate that the adoption when they become effective will result in any material impact on the Group's results of operations and financial position.

4 ESTIMATES

The preparation of condensed consolidated interim 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 expenses. Actual results may differ from these estimates.

In preparing this condensed consolidated interim 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 annual financial statements for the year ended 31 December 2019.

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 condensed consolidated interim 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 2020 and 2019. All revenue is derived from external customers.

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Sales of tea leaves	**542,711**	583,989
Sales of tea snacks	**84,459**	108,035
Sales of tea ware	**85,765**	104,221
Others	**37,962**	43,529
	750,897	839,774

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

			Unaudited		
	Tea leaves	**Tea snacks**	**Tea ware**	**All other segments**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Segment revenue	**542,711**	**84,459**	**85,765**	**37,962**	**750,897**
Segment results	**153,193**	**16,257**	**16,294**	**(5,313)**	**180,431**
Unallocated administrative expenses					**(11,273)**
Other income					**12,844**
Other gains – net					**99**
Finance costs – net					**(14,636)**
Share of profits less losses of investments accounted for using equity method					**(2,010)**
Profit before income tax					**165,455**
Income tax expense					**(56,173)**
Profit for the period					**109,282**

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

	Unaudited					
	Tea leaves	Tea snacks	Tea ware	All other segments	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Depreciation of property, plant and equipment	13,812	6,719	2,861	3,619	6,350	33,361
Depreciation of investment properties	–	–	–	–	292	292
Depreciation and amortisation of right-of-use assets	31,425	4,988	4,847	1,051	–	42,311
Amortisation of intangible assets	239	35	33	12	185	504
Losses on disposal of property, plant and equipment, net	125	26	36	3	–	190

The segment assets and liabilities as at 30 June 2020 are as follows:

	Unaudited					
	Tea leaves	Tea snacks	Tea ware	All other segments	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets	1,659,657	250,017	332,604	358,931	336,935	2,938,144
– Investments in associates and joint ventures	605	–	1,180	108,054	–	109,839
– Additions to non-current assets	30,526	4,598	6,117	7,345	–	48,586
Segment liabilities	565,621	93,010	88,311	54,119	480,432	1,281,493

The segment results for the six months ended 30 June 2019:

	Unaudited				
	Tea leaves	Tea snacks	Tea ware	All other segments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	583,989	108,035	104,221	43,529	839,774
Segment results	163,166	14,379	18,151	(1,092)	194,604
Unallocated administrative expenses					(12,086)
Other income					11,501
Other losses – net					(385)
Finance costs – net					(14,354)
Share of profits less losses of investments accounted for using equity method					1,659
Profit before income tax					180,939
Income tax expense					(56,130)
Profit for the period					124,809

Other segment items included in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2019:

	Unaudited					
	Tea leaves	Tea snacks	Tea ware	All other segments	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Depreciation of property, plant and equipment	17,700	4,772	2,036	4,765	4,686	33,959
Depreciation of investment properties	–	–	–	–	306	306
Amortisation of land use rights	23,021	4,349	4,295	920	–	32,585
Amortisation of intangible assets	333	57	51	9	169	619
Losses on disposal of property, plant and equipment, net	163	53	61	8	–	285

The segment assets and liabilities as at 31 December 2019 are as follows:

	Audited					
	Tea leaves	Tea snacks	Tea ware	All other segments	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets	1,712,498	251,208	314,088	356,623	268,695	2,903,112
– Investments in associates and joint ventures	461	–	1,320	115,813	–	117,594
– Additions to non-current assets	198,150	29,067	36,343	16,234	–	279,794
Segment liabilities	615,982	105,854	89,664	65,306	332,008	1,208,814

6 OTHER INCOME

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Government grants	**9,636**	8,357
Amortisation of deferred income	**1,066**	1,066
Income from investment properties	**1,152**	1,359
Others	**990**	719
	12,844	11,501

7 OTHER GAINS/(LOSSES) – NET

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Losses on disposal of property, plant and equipment, net	**(190)**	(285)
Net foreign exchange gains/(losses)	**116**	(100)
Gains from sale of financial assets at fair value through profit or loss	**173**	–
	99	(385)

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Current income tax		
– PRC corporate income tax	**48,824**	49,871
Deferred income tax	**7,349**	6,259
Income tax expense	**56,173**	56,130

(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 2020 and 2019, 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 2020 and 2019, CIT is provided at the rate of 25% on the assessable income of entities within the Group incorporated in mainland China.

(iv) PRC withholding income tax

According to the CIT Law, starting from 1 January 2008, a 10% withholding tax will be levied on the immediate holding companies established outside the PRC when their PRC subsidiaries declare dividends out of their profits earned after 1 January 2008. A lower withholding tax rate of 5% may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign immediate holding companies, including those incorporated in Hong Kong.

Such withholding tax is recorded under deferred income tax. During the year ended 31 December 2017, Tenfu (Hong Kong) Holdings Co., Ltd., a subsidiary of the Company, acquired qualification for the lower tax rate of 5% for dividend received from its subsidiaries in mainland China. During the year ended 31 December 2018, the Company and Ten Rui (Hong Kong) Sales Holdings Co., Ltd., a subsidiary of the Company, acquired qualification for the lower tax rate of 5% for dividend received from its subsidiaries in mainland China. During the six months ended 30 June 2020, the Group applied the 5% withholding tax rate on its estimate of deferred income tax.

9 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
Profit attributable to the owners of the Company (RMB'000)	**112,589**	124,809
Weighted average number of ordinary shares in issue ('000)	**1,107,628**	1,172,397
Basic earnings per share (RMB)	**0.10**	0.11

Diluted earnings per share for the six months ended 30 June 2020 and 2019 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	
	2020	2019
	Unaudited	Unaudited
	RMB'000	*RMB'000*
Interim dividend declared	**59,828**	61,971

An interim dividend for 2020 of Hong Kong Dollar ("HKD") 6 cents (equivalent to RMB5.4 cents) (interim dividend for 2019: HKD6 cents (equivalent to RMB5.4 cents)) per share was declared by the Board on 18 August 2020 using RMB59,828,000 of the retained earnings (interim dividend for 2019: RMB61,971,000). This interim dividend, amounting to HKD66,476,000 (equivalent to RMB59,828,000) (interim dividend for 2019: HKD69,011,000 (equivalent to RMB61,971,000)), has not been recognised as liability in this condensed consolidated interim financial information. It will be reflected as an appropriation of retained earnings for the year ending 31 December 2020. Similarly, the interim dividend for 2019 declared by the Board on 20 August 2019 was reflected as an appropriation of retained earnings for the year ended 31 December 2019 after 30 June 2019.

The final dividend for 2019 of HKD155,457,000 (equivalent to RMB141,977,000) and the one for 2018 of HKD167,950,000 (equivalent to RMB146,329,000) had been reflected as an appropriation of retained earnings for the six months ended 30 June 2020 and 2019 respectively after obtaining the approval from the shareholders at the Company's annual general meeting held on 14 May 2020 and 14 May 2019 respectively.

The dividend paid in the six months ended 30 June 2020 were RMB141,977,000 (six months ended 30 June 2019: RMB146,329,000).

11 LEASES

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at 30 June 2020 Unaudited ***RMB'000***	As at 31 December 2019 Audited *RMB'000*
Right-of-use assets		
– Land use rights	**267,222**	274,318
– Retail shops	**141,317**	153,325
	408,539	427,643
Lease liabilities		
– Current	**43,608**	49,062
– Non-current	**99,050**	95,770
	142,658	144,832

(ii) Amounts recognised in the statement of comprehensive income

The statement of profit or loss shows the following amounts relating to leases:

	Unaudited					
	2020			2019		
	Retail shops ***RMB'000***	**Land use rights** ***RMB'000***	**Total** ***RMB'000***	Retail shops *RMB'000*	Land use rights *RMB'000*	Total *RMB'000*
Depreciation and amortisation charge of right-of-use assets						
Distribution costs	**32,812**	**5,968**	**38,780**	23,440	6,184	29,624
Administrative expenses	**2,403**	**156**	**2,559**	1,812	157	1,969
Cost of sales	**–**	**972**	**972**	–	992	992
	35,215	**7,096**	**42,311**	25,252	7,333	32,585
Interest expense (including in finance cost)			**3,855**			3,551
Expense relating to short-term leases			**14,012**			26,171
Exemption of lease expenses due to COVID-19			**(5,726)**			–
Total charges to the statement of comprehensive income			**54,452**			62,307

The total cash outflow for leases in 2020 was RMB19,655,000.

12 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

(a) Trade and other receivables

	As at 30 June 2020 Unaudited *RMB'000*	As at 31 December 2019 Audited *RMB'000*
Trade receivables due from third parties	**241,221**	307,289
Less: provision for impairment	**(2,399)**	–
Trade receivables, net	**238,822**	307,289
Interest receivable on time deposits	**6,456**	6,048
Others	**6,778**	6,663
	13,234	12,711
Trade and other receivables	**252,056**	320,000

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 2020 Unaudited *RMB'000*	As at 31 December 2019 Audited *RMB'000*
Up to 140 days	**200,663**	299,189
141 days to 6 months	**32,025**	5,432
6 months to 1 year	**7,672**	1,357
1 year to 2 years	**6**	606
2 years to 3 years	**855**	705
	241,221	307,289

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 2020 Unaudited *RMB'000*	As at 31 December 2019 Audited *RMB'000*
Non-current		
Prepayments for property, plant and equipment	**158**	467
Current		
Prepayments for lease of property and lease deposits	**21,107**	23,520
Prepayments to related parties	**–**	549
Prepayments for raw materials and packaging materials	**11,714**	15,398
Prepaid taxes	**18,842**	21,623
	51,663	61,090
	51,821	61,557

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 2020	**8,000,000**	**1,110,410**	**91,274**	**(8,336)**	**82,938**
Repurchase of shares	**–**	**–**	**–**	**(8,838)**	**(8,838)**
Cancellation of shares	**–**	**(2,482)**	**(203)**	**11,916**	**11,713**
At 30 June 2020	**8,000,000**	**1,107,928**	**91,071**	**(5,258)**	**85,813**
At 1 January 2019	8,000,000	1,199,997	98,593	(1,735)	96,858
Repurchase of shares	–	–	–	(216,234)	(216,234)
Cancellation of shares	–	(49,774)	(4,067)	217,785	213,718
At 30 June 2019	8,000,000	1,150,223	94,526	(184)	94,342

The Company repurchased 1,995,000 its own ordinary shares through the Stock Exchange from 1 January 2020 to 30 June 2020. The total value of shares repurchased was approximately HKD11,421,000 (approximately RMB8,838,000) and has been deducted from shareholders' equity. The payment made for the repurchase was RMB8,752,000 due to the dividends received by the Company for shares repurchased before ex-dividend date.

During the six months ended 30 June 2020, the Company cancelled 2,482,000 shares. After the cancellation, the Company's ordinary shares in issue were reduced from 1,110,410,460 to 1,107,928,460. The amount of share capital was deducted accordingly.

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 2020	**278,811**	**231**	**276,253**	**(513,369)**	**41,926**
Cancellation of shares	**–**	**–**	**–**	**(11,627)**	**(11,627)**
At 30 June 2020	**278,811**	**231**	**276,253**	**(524,996)**	**30,299**
At 1 January 2019	278,811	231	255,785	(125,511)	409,316
Cancellation of shares	–	–	–	(207,821)	(207,821)
At 30 June 2019	278,811	231	255,785	(333,332)	201,495

During the six months ended 30 June 2020, the Company cancelled 2,482,000 shares (six months ended 30 June 2019: 49,774,000 shares) repurchased, resulted in a reduction to other reserve by RMB11,627,000 (six months ended 30 June 2019: RMB207,821,000) including the expenses attributable to the cancellation.

15 TRADE AND OTHER PAYABLES

	As at 30 June 2020 Unaudited ***RMB'000***	As at 31 December 2019 Audited *RMB'000*
Trade payables – due to third parties	**65,430**	160,246
Trade payables – due to related parties	**51,565**	47,919
Total trade payables	**116,995**	208,165
Notes payable	**10,000**	10,000
Payables for property, plant and equipment	**5,805**	2,567
Other taxes payable	**18,055**	25,938
Employee benefit payables	**19,286**	28,091
Others	**69,131**	70,741
	239,272	345,502

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 2020 Unaudited ***RMB'000***	As at 31 December 2019 Audited *RMB'000*
Up to 6 months	**115,016**	207,510
6 months to 1 year	**1,706**	204
1 year to 2 years	**29**	28
Over 2 years	**244**	423
	116,995	208,165

16 BORROWINGS

	As at 30 June 2020 Unaudited ***RMB'000***	As at 31 December 2019 Audited *RMB'000*
Long-term bank borrowing		
– Secured (i)	**6,295**	6,703
Less: Current portion	**(850)**	(826)
	5,445	5,877
Short-term bank borrowings		
– Secured (ii)	**110,000**	110,000
– Unsecured (iii)	**602,600**	400,000
Add: Current portion of long-term bank borrowing	**850**	826
	713,450	510,826
Total borrowings	**718,895**	516,703

(i) The long-term bank borrowing represented the mortgage loan of original amount of RMB9,000,000 for the purchase of a store premise under construction. The borrowing bears interest at the rates quoted by People's Bank of China from time to time and requires monthly instalment of repayment up to November 2026. As at 30 June 2020, the remaining balance of the loan was RMB6,295,000.

(ii) As at 30 June 2020, short-term bank borrowings of RMB110,000,000 (31 December 2019: RMB110,000,000) were secured by the pledge of time deposits of RMB110,000,000 (31 December 2019: RMB110,000,000) as collateral.

(iii) As at 30 June 2020, short-term bank borrowings of RMB576,000,000 (31 December 2019: RMB380,000,000) were guaranteed by Mr. Lee Rie-Ho, Mr. Lee Chia Ling and Mr. Lee Kuo-Lin, all of them are directors of the Company, either separately or jointly.

The Group has the following undrawn borrowing facilities:

	As at 30 June 2020 Unaudited *RMB'000*	As at 31 December 2019 Audited *RMB'000*
Fixed rate:		
– expiring within one year (bank borrowings)	**282,578**	238,810
– expiring over one year and within three years (bank borrowings)	**–**	34,000
	282,578	272,810

17 CONTRACT LIABILITIES

	As at 30 June 2020 Unaudited *RMB'000*	As at 31 December 2019 Audited *RMB'000*
Advance from customers	**63,033**	72,978
Customer loyalty programme	**14,885**	12,853
	77,918	85,831

The Group operates a loyalty programme where customers accumulate reward points for purchases made and the points would entitle them to redeem products of the Group in the future. Accordingly, certain portion of the revenue from sale transaction is required to be deferred. Revenue from the reward points is recognised when the points are redeemed. Unused reward points will expire after one year.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

In the first half of 2020, the Group achieved revenue of RMB750.9 million, down 10.6% from the corresponding period in 2019, and recorded profit for the period of RMB109.3 million, down 12.4% from the corresponding period in 2019. The decrease in the Group's revenue for the period was mainly due to the general market conditions affected by COVID-19.

In the first half of 2020, it was extremely challenging, exacerbated by the significant negative impact of COVID-19 and U.S.-China trade war. Under this environment, the Group has strived its best to ensure the operation of its stores in China and follow up closely with its suppliers and customers for stable supply of products and recoverability of receivables, respectively, and continue to maintain its market position, pursue further development and adjust its marketing strategies to protect and expand its market share, and achieved good performance in results.

1. **Leading brand position.** Pursuant to the data of Chinese Enterprises Brands Research Centre (中國企業品牌研究中心), Tenfu ranked first among 2019 China's chain stores of tea in terms of brand index, the "Tenfu" (天福) brand has one of the highest levels of brand awareness amongst tea product consumers in the PRC. With its high level of brand awareness and more than 25 years of presence in the market, as well as its diversified product range, the Group believes that it is in a good position to continue to occupy a large market share of branded traditional Chinese tea leaves and wait for the market re-bounce. The tea mooncakes of the Group have been awarded the honorable titles of Golden Mooncakes and China Mooncakes for the three consecutive years from 2016 to 2018, the title of National Classic Mooncakes for 2018 and the titles of Quality Mooncakes and China Mooncakes for 2019. The tea mooncakes of the Group also won the first prize for China Mooncake Quality in 2019.

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 2020, the Group had a total of 1,198 self-owned and third-party owned retail outlets and retail points, up a net of 26 retail stores and retail points from a total of 1,172 as at 31 December 2019.

3. **Adjustment in each tea product category and development of diversified product lines.** In the first half of 2020, the Group adjusted its tea product categories, increasing the sales percentage of middle- and higher-ended products to meet Chinese consumers' need. 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.

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 addition, the successful initial public offering on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 26 September 2011 (the "**Listing**") provided the Company with a fully-integrated financial platform to support its future development. The Company raised net proceeds of RMB933.3 million from the Listing. The table below sets out the Company's planned use of the net proceeds at the time of Listing and its use of such net proceeds as at 30 June 2020:

	Planned use of net proceeds at the Listing		**Net proceeds used as at 30 June 2020**		**Remaining balance as at 30 June 2020**		**Expected time of full utilisation of remaining balance**
	Amount * *(million RMB)*	**Percentage *** *(%)*	**Amount *** *(million RMB)*	**Percentage *** *(%)*	**Amount *** *(million RMB)*	**Percentage *** *(%)*	
Expand and optimize network of self-owned retail outlets and retail points	373.3	40.0	368.7	39.5	4.6	0.5	By 31 December 2024
Acquire store premises for self-owned retail outlets	233.3	25.0	233.3	25.0	–	–	–
Working capital and other general corporate purposes	93.3	10.0	93.3	10.0	–	–	–
Maintain and promote brands	140.0	15.0	118.2	12.7	21.8	2.3	By 31 December 2022
Expand production capacity	93.3	10.0	93.3	10.0	–	–	–
Total	933.3	100.0	906.8	97.2	26.4	2.8	

* *Each of the figures is rounded up to one decimal place and may not add up due to rounding.*

In the second half of 2020, it is expected that the retail industry in China will continue to be quite challenging with 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 establish new retail outlets on high-traffic streets in the central business districts of selected cities, as well as retail points in popular shopping malls. In addition, the Group plans to continue to strengthen its business relationships with major department stores and hypermarkets by entering into further cooperation agreements to expand the circulation of its tea products. To capture more customers who prefer to buy their tea products on-line, the Group continues to promote internet sales through its subsidiary, namely, Xiamen Tianyu Commerce and Trading Co., Limited (廈門天鈺商貿有限公司). The Group will continue to monitor other opportunities for multi-channel sales and distribution network, which enables the Group to access a broad market audience and penetrate into different regions in the PRC, and continue to rapidly expand their sales.

2. **Continue to enhance brand reputation and consumer awareness.** The Group plans to maintain and promote its high level of brand awareness through targeted marketing and promotional activities. The Group will devote further efforts to promote its products and brands during major traditional Chinese festivals, and continue opening tea cultural flagship stores 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 awareness and keep pace with constantly changing consumer preferences and trends. To this end, the Group plans to develop and introduce new concepts for tea-related products and expand its product portfolio. Xiamen Tianqia Catering Management Co., Limited (廈門天洽餐飲管理有限公司), a subsidiary of the Group, offers the tea drink (including milk tea) with the trademark of "放牛斑". Xiamen Daily Plus Food Beverage Management Co., Ltd. (廈門天天佳盈餐飲管理有限公司), a joint venture company with Ten Ren Tea (Hong Kong) Limited (天仁茶業股份有限公司), further developed the tea drink business with the trademark of "喫茶趣 TO GO". The Group will further monitor the opportunity and expand its market share in other tea products once available.

4. **Expand production capacity through the increase of the number of processing facilities.** The Group 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 eight consecutive years. The Group has also added the anti-counterfeiting labels to the products to enhance the quality control.

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 2020, the Group was engaged in the sales and marketing of a comprehensive range of tea products and the development of product concepts, tastes and packaging designs. The Group has manufacturing plants in Fujian province, Sichuan province, Zhejiang province and Guizhou province, the PRC. The Group's key products are tea leaves, tea snacks and tea ware, which it sells through a nationwide network of self-owned and third-party owned retail outlets and retail points. The Group has started the sales of tea drink (including milk tea) with the trademark of "放牛斑" and "喫茶趣 TO GO".

During the six months ended 30 June 2020, the Group derived substantially all of its revenue from the sales of tea leaves, tea ware and tea snacks. The revenue of the Group decreased by 10.6% from RMB839.8 million for the six months ended 30 June 2019 to RMB750.9 million for the six months ended 30 June 2020. The following table sets forth a breakdown of revenue by product category for the periods indicated:

	Six months ended 30 June			
	2020		2019	
	RMB'000	*%*	*RMB'000*	*%*
Revenue contributed from:				
Sales of tea leaves	**542,711**	**72.3**	583,989	69.5
Sales of tea snacks	**84,459**	**11.2**	108,035	12.9
Sales of tea ware	**85,765**	**11.4**	104,221	12.4
Others(1)	**37,962**	**5.1**	43,529	5.2
Total	**750,897**	**100.0**	839,774	100.0

Note:

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

Revenue from sales of the Group's tea leaves decreased by 7.1% from RMB584.0 million for the six months ended 30 June 2019 to RMB542.7 million for the six months ended 30 June 2020. Revenue from sales of the Group's tea snacks decreased by 21.8% from RMB108.0 million for the six months ended 30 June 2019 to RMB84.5 million for the six months ended 30 June 2020. Revenue from sales of the Group's tea ware decreased by 17.7% from RMB104.2 million for the six months ended 30 June 2019 to RMB85.8 million for the six months ended 30 June 2020. The decrease in revenue across all three product categories were mainly due to the overall economic development trend and a downturn of consumer market affected by COVID-19.

As at 30 June 2020, the Group had approximately 245 self-owned retail outlets and 496 wholesalers throughout Mainland China accounted for approximately 49.1% and 46.8% of the total revenue respectively, compared with approximately 251 self-owned retail outlets and 458 wholesalers as at 31 December 2019.

Cost of sales

Cost of sales of the Group primarily comprises costs of inventory (mainly including costs of raw materials) and labour costs. Cost of sales of the Group decreased by 12.4% from RMB325.4 million for the six months ended 30 June 2019 to RMB285.0 million for the six months ended 30 June 2020, primarily due to a decrease in sales.

Gross profit and gross profit margin

As a result of decrease in sales, gross profit of the Group decreased by 9.4% from RMB514.4 million for the six months ended 30 June 2019 to RMB465.9 million for the six months ended 30 June 2020, with gross profit margin increasing from 61.3% for the six months ended 30 June 2019 to 62.0% for the six months ended 30 June 2020.

Distribution costs

The distribution costs of the Group decreased by 16.4% from RMB212.2 million for the six months ended 30 June 2019 to RMB177.4 million for the six months ended 30 June 2020. The decrease of distribution costs was primarily due to the rent concessions and a decrease in employee benefit expenses during the period affected by COVID-19.

Administrative expenses

Administrative expenses for the Group decreased by 0.3% from RMB119.6 million for the six months ended 30 June 2019 to RMB119.3 million for the six months ended 30 June 2020. The expenses was relatively stable compared to the corresponding period in 2019.

Other income

Other income of the Group increased by 11.3% from RMB11.5 million for the six months ended 30 June 2019 to RMB12.8 million for the six months ended 30 June 2020. The increase was primarily due to an increase in the PRC government grants which were recognised as income immediately.

Other gains/losses – net

Other gains of the Group was RMB0.1 million for the six months ended 30 June 2020, as compared to other losses of RMB0.4 million for the six months ended 30 June 2019, primarily due to an increase in gains from sale of financial assets at fair value through profit of loss.

Finance income

Finance income of the Group decreased from RMB4.1 million for the six months ended 30 June 2019 to RMB3.7 million for the six months ended 30 June 2020, primarily due to a decrease in interest income.

Finance costs

Finance costs of the Group is RMB18.4 million for the six months ended 30 June 2020 approximately comparable with that for the six months ended 30 June 2019.

Share of profits less losses of investments accounted for using the equity method

Share of profits less losses of investments accounted for using the equity method of the Group was a net loss amounting to RMB2.0 million and a net profit amounting to RMB1.7 million for the six months ended 30 June 2020 and 2019, respectively. The decrease was primarily due to the impact of COVID-19.

Income tax expense

Income tax expense of the Group is RMB56.2 million for the six months ended 30 June 2020 approximately comparable with that for the six months ended 30 June 2019.

Profit for the period

As a result of the foregoing factors, profit of the Group, all of which was attributable to the owners of the Company, decreased by RMB15.5 million, or 12.4%, from RMB124.8 million for the six months ended 30 June 2019 to RMB109.3 million for the six months ended 30 June 2020. Net profit margin of the Group decreased from 14.9% for the six months ended 30 June 2019 to 14.6% for the six months ended 30 June 2020, primarily due to a decrease in revenue.

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 Group's cash and cash equivalents increased by RMB256.7 million, or 134.4%, from RMB191.0 million as at 31 December 2019 to RMB447.7 million as at 30 June 2020, primarily due to cash generated from operations and investing activities.

The Group had net cash inflow from operating activities of RMB105.8 million, net cash inflow from investing activities of RMB116.2 million and net cash inflow from financing activities of RMB35.6 million for the six months ended 30 June 2020.

Bank borrowings and gearing ratio

The Group had total bank borrowings of RMB718.9 million as at 30 June 2020 compared to RMB516.7 million as at 31 December 2019. As at 30 June 2020, the weighted average effective interest rate of the Group's bank borrowings was 3.6%, and 100% of the Group's bank borrowings were denominated in RMB.

The long-term bank borrowings represented the mortgage loan of original amount of RMB9,000,000 for the purchase of a store premise under construction. The borrowing bears interest at the rates quoted by People's Bank of China from time to time and requires monthly instalment of repayment up to November 2026. As at 30 June 2020, the remaining balance of the loan was RMB6,295,000. As at 30 June 2020, short-term bank borrowings of RMB110,000,000 (31 December 2019: RMB110,000,000) were secured by the pledge of time deposits of RMB110,000,000 (31 December 2019: RMB110,000,000) as collateral. As at 30 June 2020, short-term bank borrowings of RMB576,000,000 (31 December 2019: RMB380,000,000) were guaranteed by Mr. Lee Rie-Ho, Mr. Lee Chia Ling and Mr. Lee Kuo-Lin, all of them are Directors, either separately or jointly.

The Directors are of the view that the guarantee of bank borrowings of RMB576 million as at 30 June 2020 by Mr. Lee Rie-Ho, Mr. Lee Chia Ling and Mr. Lee Kuo-Lin, being a form of financial assistance (as defined in the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange) for the benefit of the Group, was on normal commercial terms where no security over the assets of the Group was granted in respect of such financial assistance provided by Mr. Lee Rie-Ho, Mr. Lee Chia Ling and Mr. Lee Kuo-Lin. Accordingly, such guarantee is exempt from all reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

The Group regularly monitors its gearing ratio, which represents total debt as a percentage of total capital. Total debt is calculated as total borrowings and total lease liabilities. Total capital is calculated as total equity plus total debt. As at 30 June 2020, the gearing ratio of the Group was 34.2%, compared to 28.1% as at 31 December 2019. The increase during the first half of 2020 was primarily due to an increase in total borrowings.

Working capital

	As at 30 June 2020 *RMB'000*	As at 31 December 2019 *RMB'000*
Trade and other receivables	**252,056**	320,000
Trade and other payables	**239,272**	345,502
Inventories	**816,634**	782,635
Trade receivables turnover days[(1)]	**112**	94
Trade payables turnover days[(2)]	**103**	86
Inventories turnover days[(3)]	**505**	349

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 RMB67.9 million from RMB320.0 million as at 31 December 2019 to RMB252.1 million as at 30 June 2020, primarily due to a decrease 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 RMB345.5 million as at 31 December 2019 to RMB239.3 million as at 30 June 2020, primarily due to a decrease in trade payables due to third parties, other taxes payable and employee benefit payables.

The Group's inventories comprise raw materials (including packaging materials), work-in-progress and finished goods. The Group's inventories increased from RMB782.6 million as at 31 December 2019 to RMB816.6 million as at 30 June 2020, because of the change of the inventory structure and the sales decrease due to the COVID-19.

As at 30 June 2020, the Group has sufficient working capital and financial resources to support for 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 2020, most of the operating entities' revenues, expenses, assets and liabilities were denominated in RMB. The Group's foreign exchange risk mainly arises from the portion of its sales and purchases of products denominated in USD and financing activities denominated in USD and HKD. The Directors are of the view that the Group does not have significant foreign currency risk.

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

Contingent liabilities

The Group had no material contingent liabilities as at 30 June 2020.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2020, the Group had a total of 3,915 employees with 3,911 employees based in the PRC and 4 employees based in Hong Kong. For the six months ended 30 June 2020, the labour cost of the Group was RMB135.7 million.

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

The Group also provides continuous learning and training programs to its employees to enhance their skills and knowledge, so as to maintain their competitiveness and improve customer service. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or any material labour dispute during the six months ended 30 June 2020.

The Company adopted a share option scheme on 17 December 2010. During the years ended 31 December 2010 and 2011, no share options were granted. Subsequently, the Company granted share options to subscribe for an aggregate of 7,046,000 shares on 6 January 2012 to certain Directors, employees and independent third party distributors of the Group and an aggregate of 1,307,000 shares options on 12 January 2012 to certain Directors. On 18 March 2013, the Company granted share options to certain Directors, employees and independent third party distributors of the Group to subscribe for an aggregate of 8,353,000 shares. These share options vest in tranches over a period of up to 3 years. During the three years ended 31 December 2014, 2015 and 2016, no share options were granted. During the year ended 31 December 2015, 8,133,000 and 61,000 share options were lapsed due to unfulfillment of vesting conditions, i.e., unrealisation of performance targets set out for the three years ended 31 December 2014 and the resignation of the employees, respectively, and none of the share options were exercised by the grantees, or cancelled by the Company during the year ended 31 December 2015. During the year ended 31 December 2016, 8,191,000 and 10,000 share options were lapsed due to unfulfilment of vesting conditions, i.e., unrealisation of performance targets set out for the three years ended on 31 December 2015 and the resignation of the employees, respectively, and none of the share options were exercised by the grantees, or cancelled by the Company during the year ended 31 December 2016. During the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020, the Company did not grant any options to subscribe for shares of the Company (the "**Shares**"). The Company has no outstanding share options as at 30 June 2020.

OTHER INFORMATION

Purchase, Sales or Redemption of Shares

During the six months ended 30 June 2020, the Company repurchased a total of 1,995,000 Shares on the Stock Exchange at an aggregate consideration of HK$11,386,090. 2,482,000 Shares repurchased were cancelled on 17 March 2020. Subsequently, the Company had repurchased a total of 333,000 Shares at the aggregate consideration of HK$1,791,190 in July 2020.

Details of the Share repurchases during the six months ended 30 June 2020 are as follows:

		Purchase price paid per Share		
Month	**Total number of Shares repurchased**	**Highest** *(HK$)*	**Lowest** *(HK$)*	**Aggregate consideration** *(HK$)*
2020				
January	941,000	6.05	5.95	5,645,660
March	207,000	5.42	5.19	1,098,080
April	408,000	5.80	5.40	2,266,670
May	228,000	5.54	5.35	1,238,140
June	211,000	5.41	5.30	1,137,540
	1,995,000			11,386,090

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 of the Company (the "**Shareholders**"). The Board also believes that the Company's strong financial position will enable it to conduct the share repurchases while maintaining a solid financial position for the continuation of the Company's business and growth in the current financial year.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2020.

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 2020, the Company has complied with the code provisions included in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules and there has been no deviation from the code provisions as set forth under the CG Code for the six months ended 30 June 2020.

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 10 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 2020.

Interim Dividend

At the Board meeting held on 18 August 2020, it was resolved that an interim dividend of HKD0.06 (equivalent to RMB0.054) per share (2019 interim dividend: HKD0.06 (equivalent to RMB0.054) per share) be paid on or around 24 September 2020 to the Shareholders whose names appear on the Company's register of members on 8 September 2020. 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 2020, which is similar to the basis of dividend paid for the same period last year.

Closure of Register of Members

For determining the entitlement to the interim dividend, the register of members of the Company will be closed from 4 September 2020 to 8 September 2020, 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 3 September 2020.

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 2020. The condensed consolidated interim financial statements of the Group for the six months ended 30 June 2020 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 2020 containing all the information required by the Listing Rules will be despatched to the Shareholders and 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, 18 August 2020

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