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## **Tenfu (Cayman) Holdings Company Limited**

**天福（開曼）控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 6868)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022**

#### **Financial Highlights**

- Revenue for the six months ended 30 June 2022 was approximately RMB802.4 million, decreased by 14.8% as compared with approximately RMB942.1 million for the corresponding period in 2021;
- The gross profit of the Group decreased by 17.9% from RMB538.4 million for the six months ended 30 June 2021 to RMB441.9 million for the six months ended 30 June 2022;
- Gross profit margin for the six months ended 30 June 2022 decreased from approximately 57.1% for the six months ended 30 June 2021 to 55.1%;
- Profit for the six months ended 30 June 2022 decreased from RMB158.6 million for the corresponding period in 2021 to RMB75.1 million;
- Basic earnings per share for the six months ended 30 June 2022 amounted to RMB0.07; and
- The Board resolved to pay an interim dividend of HKD0.04 (equivalent to RMB0.03) 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 2022, together with the comparative figures for the corresponding period in 2021 as below.

## FINANCIAL INFORMATION

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		<b>Six months ended 30 June</b>	
		<b>2022</b>	<b>2021</b>
	<i>Note</i>	<b>Unaudited RMB'000</b>	<b>Unaudited RMB'000</b>
Revenue	5	<b>802,411</b>	942,069
Cost of sales		<b>(360,492)</b>	(403,686)
<b>Gross profit</b>		<b>441,919</b>	538,383
Distribution costs		<b>(203,409)</b>	(199,858)
Administrative expenses		<b>(142,348)</b>	(120,244)
Other income	6	<b>6,659</b>	15,254
Other (losses)/gains – net	7	<b>(1,130)</b>	670
<b>Operating profit</b>		<b>101,691</b>	234,205
Finance income		<b>16,332</b>	3,574
Finance costs		<b>(13,480)</b>	(14,170)
Finance income/(costs) – net		<b>2,852</b>	(10,596)
Share of net profit of investments accounted for using equity method		<b>3,019</b>	540
<b>Profit before income tax</b>		<b>107,562</b>	224,149
Income tax expense	8	<b>(32,497)</b>	(65,507)
<b>Profit for the period</b>		<b>75,065</b>	158,642
<b>Profit is attributable to :</b>			
Shareholders of the Company		<b>75,065</b>	158,642
Non-controlling interests		–	–
		<b>75,065</b>	158,642
Other comprehensive income for the period		–	–
<b>Total comprehensive income for the period</b>		<b>75,065</b>	158,642
<b>Total comprehensive income for the period attributable to :</b>			
Shareholders of the Company		<b>75,065</b>	158,642
Non-controlling interests		–	–
		<b>75,065</b>	158,642
<b>Earnings per share for profit attributable to the shareholders of the Company</b>			
– Basic earnings per share	9	<b>RMB0.07</b>	RMB0.14
– Diluted earnings per share	9	<b>RMB0.07</b>	RMB0.14

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		As at <b>30 June 2022</b>	As at 31 December 2021
	<i>Note</i>	<b>Unaudited RMB'000</b>	Audited RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>700,715</b>	693,684
Right-of-use assets	<i>11</i>	<b>431,891</b>	424,400
Investment properties		<b>24,974</b>	25,864
Intangible assets		<b>6,180</b>	4,592
Investments accounted for using equity method		<b>113,748</b>	112,797
Deferred income tax assets		<b>44,466</b>	46,753
Prepayments – non-current portion	<i>12(b)</i>	<b>9,862</b>	22,841
		<hr/> <b>1,331,836</b>	<hr/> 1,330,931
<b>Current assets</b>			
Inventories		<b>1,014,041</b>	1,061,873
Trade and other receivables	<i>12(a)</i>	<b>221,059</b>	380,895
Prepayments	<i>12(b)</i>	<b>59,947</b>	64,983
Financial assets at fair value through profit or loss		<b>4,404</b>	5,000
Long-term time deposits – current portion		–	130,000
Cash and cash equivalents		<b>341,385</b>	238,380
		<hr/> <b>1,640,836</b>	<hr/> 1,881,131
<b>Total assets</b>		<hr/> <b>2,972,672</b>	<hr/> <b>3,212,062</b>

		As at <b>30 June 2022</b> <b>Unaudited</b> <b>RMB'000</b>	As at 31 December 2021 Audited RMB'000
	<i>Note</i>		
<b>EQUITY</b>			
<b>Capital and reserves attributable to the shareholders of the Company</b>			
Share capital	<i>13</i>	<b>89,899</b>	90,025
Treasury shares		<b>(117)</b>	(2,897)
Other reserves	<i>14</i>	<b>821</b>	7,420
Retained earnings		<b>1,595,759</b>	1,738,271
		<hr/>	<hr/>
<b>Total equity</b>		<b>1,686,362</b>	1,832,819
		<hr/>	<hr/>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	<i>16</i>	<b>19,800</b>	–
Lease liabilities	<i>11</i>	<b>105,965</b>	101,098
Deferred income of government grants		<b>43,266</b>	44,049
Deferred income tax liabilities		<b>50,926</b>	46,704
		<hr/>	<hr/>
		<b>219,957</b>	191,851
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade and other payables	<i>15</i>	<b>261,341</b>	403,965
Dividends payable		<b>390</b>	243
Current income tax liabilities		<b>34,060</b>	52,407
Borrowings	<i>16</i>	<b>652,900</b>	619,400
Contract liabilities	<i>17</i>	<b>77,667</b>	74,252
Lease liabilities	<i>11</i>	<b>39,995</b>	37,125
		<hr/>	<hr/>
		<b>1,066,353</b>	1,187,392
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>1,286,310</b>	1,379,243
		<hr/>	<hr/>
<b>Total equity and liabilities</b>		<b>2,972,672</b>	3,212,062
		<hr/> <hr/>	<hr/> <hr/>

# 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, Guangxi Zhuang Autonomous Region, Zhejiang Province and Guizhou Province, the People's Republic of China (the "PRC") and sells mainly to customers located in the PRC.

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

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

This interim condensed consolidated financial information is presented in Renminbi ("RMB"), unless otherwise stated. This interim condensed consolidated financial information has been approved for issue by the Company's board of directors (the "Board") on 16 August 2022.

This interim condensed consolidated financial information has not been audited.

## 2 BASIS OF PREPARATION

This financial information is extracted from the full set of interim condensed consolidated financial statements for the six months ended 30 June 2022 which has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 'Interim Financial Reporting' issued by the Hong Kong Institute of Certified Public Accountants. The interim condensed consolidated financial information should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2021, 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 2021, as described in those annual financial statements.

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

**(a) New and amended standards adopted by the Group**

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

		<b>Effective for annual periods beginning on or after</b>
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
AG 5 (Revised)	Merger Accounting for Common Control Combinations	1 January 2022
Annual Improvements to HKFRS Standards 2018–2020		1 January 2022

**(b) New standards and amendments to standards that have been issued but are not effective**

Standards and amendments that have been issued but not yet effective for the financial year beginning on 1 January 2022 and not been early adopted by the Group are as follows:

		<b>Effective for annual periods beginning on or after</b>
HKFRS 17	Insurance contracts	1 January 2023
HKFRS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HK Int 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint ventures	To be determined

The Group has already commenced an assessment of the impact of these new or amended standards and annual improvements. According to the preliminary assessment made by the Group, no significant impact on the financial performance and position of the Group is expected when the aforesaid new or amended standard and annual improvements become effective.

#### **4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

## 5 REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. The Board has determined the operating segments based on these reports.

The Board considers the business from a product perspective. The Board assesses the performance of the operating segments based on a measure of segment profit or loss.

The reportable operating segments derive their revenue primarily from the classification, packaging and sales of tea leaves, manufacture and sales of tea snacks, and sales of tea ware.

Others include revenue from restaurants, hotels, tourists, management services and catering management, beverage production and sales of pre-packaged food and liquor. These are not included within the reportable operating segments as they are not presented separately in the reports provided to the Board.

No geographical segment information is presented as almost all the sales and operating profits of the Group are derived within the PRC and almost all the operating assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns.

The Board assesses the performance of the operating segments based on a measure of adjusted operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the interim condensed consolidated financial information. The common administrative expenses, other gains or losses, other income, financing (including finance costs and interest income), share of results of investments accounted for using equity method and income taxes are managed on a group basis and are not allocated to operating segments.

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

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

## Revenue

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

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

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

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

Other segment items included in the interim condensed consolidated statement of comprehensive income for the six months ended 30 June 2022:

	Unaudited					Total RMB'000
	Tea leaves RMB'000	Tea snacks RMB'000	Tea ware RMB'000	Others RMB'000	Unallocated RMB'000	
Depreciation of property, plant and equipment	21,166	6,931	3,908	1,316	6,485	39,806
Depreciation of investment properties	211	51	54	-	574	890
Depreciation and amortisation of right-of-use assets	28,420	5,002	4,485	782	-	38,689
Amortisation of intangible assets	151	24	26	5	173	379
Losses on disposal of property, plant and equipment, net	159	36	12	-	-	207
	<u>159</u>	<u>36</u>	<u>12</u>	<u>-</u>	<u>-</u>	<u>207</u>

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

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

The segment results for the six months ended 30 June 2021:

	Unaudited					Total RMB'000
	Tea leaves RMB'000	Tea snacks RMB'000	Tea ware RMB'000	Others RMB'000		
Segment revenue	<u>670,646</u>	<u>119,555</u>	<u>106,740</u>	<u>45,128</u>		942,069
Segment results	<u>184,345</u>	<u>26,071</u>	<u>12,375</u>	<u>6,085</u>		228,876
Unallocated administrative expenses						(10,595)
Other income						15,254
Other gains – net						670
Finance costs – net						(10,596)
Share of net profit of investments accounted for using equity method						<u>540</u>
Profit before income tax						224,149
Income tax expense						<u>(65,507)</u>
Profit for the period						<u>158,642</u>

Other segment items included in the interim condensed consolidated statement of comprehensive income for the six months ended 30 June 2021:

	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	17,646	6,239	3,268	1,827	6,466	35,446
Depreciation of investment properties	177	42	46	–	599	864
Depreciation and amortisation of right-of-use assets	28,196	5,037	4,375	625	–	38,233
Amortisation of intangible assets	276	48	60	16	158	558
Gains on disposal of property, plant and equipment, net	72	13	30	6	–	121
	<u>72</u>	<u>13</u>	<u>30</u>	<u>6</u>	<u>–</u>	<u>121</u>

The segment assets and liabilities as at 31 December 2021 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	<u>2,074,333</u>	<u>300,018</u>	<u>298,044</u>	<u>316,055</u>	<u>223,612</u>	<u>3,212,062</u>
Segment liabilities	<u>667,305</u>	<u>107,082</u>	<u>96,956</u>	<u>50,124</u>	<u>457,776</u>	<u>1,379,243</u>

## 6 OTHER INCOME

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

## 7 OTHER (LOSSES)/GAINS – NET

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

## 8 INCOME TAX EXPENSE

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

### (i) Cayman Islands profits tax

The Company is not subject to any taxation in the Cayman Islands.

### (ii) Hong Kong profits tax

For the six months ended 30 June 2022 and 2021, Hong Kong profits tax has not been provided for subsidiaries incorporated in Hong Kong as these subsidiaries did not have estimated assessable profit for the period.

### (iii) PRC corporate income tax (“CIT”)

For the six months ended 30 June 2022 and 2021, CIT is provided at the rate of 25% on the assessable income of entities within the Group incorporated in Mainland China.

### (iv) PRC withholding income tax

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

Such withholding tax is recorded under deferred income tax. For the six months ended 30 June 2022, Tenfu (Hong Kong) Holdings Co., Ltd., a subsidiary of the Company, applied 5% withholding tax rate (the six months ended 30 June 2021: 10%), on its estimate of deferred income tax. Ten Rui (Hong Kong) Sales Holdings Co., Ltd., a subsidiary of the Company, applied 5% withholding tax rate (the six months ended 30 June 2021: 5%), on its estimate of deferred income tax.

## 9 EARNINGS PER SHARE

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

	Six months ended 30 June	
	2022 Unaudited	2021 Unaudited
Profit attributable to the shareholders of the Company (RMB'000)	<u>75,065</u>	<u>158,642</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,094,162</u>	<u>1,098,485</u>
Basic earnings per share (RMB)	<u>0.07</u>	<u>0.14</u>

Diluted earnings per share for the six months ended 30 June 2022 and 2021 were the same as the basic earnings per share as there were no dilutive instruments during the periods.

## 10 DIVIDENDS

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

An interim dividend for 2022 of Hong Kong Dollar (“HKD”) 4 cents (equivalent to RMB3.4 cents) (interim dividend for 2021: HKD8 cents (equivalent to RMB7 cents)) per share was declared by the Board on 16 August 2022 using RMB37,182,000 of the retained earnings (interim dividend for 2021: RMB73,574,000). This interim dividend, amounting to HKD43,744,000 (equivalent to RMB37,182,000) (interim dividend for 2021: HKD87,850,000 (equivalent to RMB73,574,000)), has not been recognised as liability in these interim condensed consolidated financial information. It will be reflected as an appropriation of retained earnings for the year ending 31 December 2022. Similarly, the interim dividend for 2021 declared by the Board on 17 August 2021 was reflected as an appropriation of retained earnings for the year ended 31 December 2021 after 30 June 2021.

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

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

## 11 LEASES

### (i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

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

### (ii) Amounts recognised in the statement of comprehensive income

The statement of comprehensive income shows the following amounts relating to leases:

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

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

## 12 TRADE RECEIVABLES AND PREPAYMENTS

### (a) Trade and other receivables

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

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

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

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

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

**(b) Prepayments**

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

**13 SHARE CAPITAL AND TREASURY SHARES**

	Number of authorised shares (thousands)	Number of issued shares (thousands)	Unaudited Ordinary shares (nominal value) RMB'000	Treasury shares RMB'000	Total RMB'000
At 1 January 2021	8,000,000	1,101,812	90,571	(11,871)	78,700
Repurchase of shares	–	–	–	(9,468)	(9,468)
Cancellation of shares	–	(3,689)	(301)	18,292	17,991
At and 30 June 2021	<u>8,000,000</u>	<u>1,098,123</u>	<u>90,270</u>	<u>(3,047)</u>	<u>87,223</u>
At 1 January 2022	<b>8,000,000</b>	<b>1,095,126</b>	<b>90,025</b>	<b>(2,897)</b>	<b>87,128</b>
Repurchase of shares	–	–	–	(4,048)	(4,048)
Cancellation of shares	–	(1,537)	(126)	6,828	6,702
At and 30 June 2022	<u><b>8,000,000</b></u>	<u><b>1,093,589</b></u>	<u><b>89,899</b></u>	<u><b>(117)</b></u>	<u><b>89,782</b></u>

(i) **Details of treasury shares**

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

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

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

The Company repurchased 2,032,000 ordinary shares of its own through the Stock Exchange from 1 January 2021 to 30 June 2021. The total value of shares repurchased was approximately HKD11,350,000 (approximately RMB9,468,000) and has been deducted from shareholders' equity, and the actual payment made for the repurchase was RMB9,443,000 due to the dividends received by the Company for shares repurchased before ex-dividend date.

As at 30 June 2021, the Company cancelled 3,689,000 shares. After the cancellation, the Company's ordinary shares in issue were reduced from 1,101,812,460 to 1,098,123,460. The amount of share capital was deducted accordingly.

**14 OTHER RESERVES**

	<b>Merger reserve RMB'000</b>	<b>Capital reserve RMB'000</b>	<b>Unaudited Statutory reserves RMB'000</b>	<b>Other RMB'000</b>	<b>Total RMB'000</b>
At 1 January 2021	278,811	231	295,843	(555,610)	19,275
Cancellation of shares	—	—	—	(17,966)	(17,966)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2021	<u>278,811</u>	<u>231</u>	<u>295,843</u>	<u>(573,576)</u>	<u>1,309</u>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 1 January 2022	<b>278,811</b>	<b>231</b>	<b>314,877</b>	<b>(586,499)</b>	<b>7,420</b>
Cancellation of shares	—	—	—	<b>(6,599)</b>	<b>(6,599)</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2022	<u><b>278,811</b></u>	<u><b>231</b></u>	<u><b>314,877</b></u>	<u><b>(593,098)</b></u>	<u><b>821</b></u>

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

## 15 TRADE AND OTHER PAYABLES

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

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

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

## 16 BORROWINGS

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

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

The Group has the following undrawn borrowing facilities:

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

## 17 CONTRACT LIABILITIES

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

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

In the first half of 2022, it was very challenging under the impact of the COVID-19, coupled with the impact of the global economy, geopolitics and a slowdown in its economic growth in China, with customers' daily-life consumption tightened. Under this environment, the Group has made the best endeavor to ensure the operation of its stores in China and follow up closely with its suppliers and customers for stable supply of products and recoverability of receivables, respectively, and continue to maintain its market position, pursue further development and adjust its marketing strategies to protect and expand its market share, and achieved good performance in results.

- 1. Leading brand position.** The Company has been awarded the title of “China's Tea Industry Comprehensive Top 100 Enterprises” by the China Tea Marketing Association from 2013 to 2021. Pursuant to the data of Chinese Enterprises Brands Research Centre (中國企業品牌研究中心), Tenfu ranked first among 2019 China's chain stores of tea in terms of brand index, the “Tenfu” (天福) brand has one of the highest levels of brand awareness amongst tea product consumers in the PRC. Mr. Lee Rie-Ho, the chairman of the Board, obtained the honorary title of Outstanding Chinese Tea People (Lifetime Achievement) in November 2020. The tea mooncakes of the Group have been awarded the honorable titles of Golden Mooncakes and China Popular Mooncakes for the six consecutive years from 2016 to 2022, the title of National Classic Mooncakes for 2018, the titles of Quality Mooncakes for 2019 and the title of Chinese Speciality Mooncakes for the three consecutive years from 2019 to 2021. The tea mooncakes of the Group also won the first prize for China Mooncake Quality in 2019. With its high level of brand awareness and more than 25 years of presence in the market, as well as its diversified product range, the Group believes that it is in a good position to continue to occupy a large market share of branded traditional Chinese tea leaves and wait for the market re-bounce.
- 2. Adjusting and optimising sales network.** The Group has continued adjusting retail outlets and retail points with a view to optimising the reach of its sales network for its tea products in the PRC. As at 30 June 2022, the Group had a total of 1,320 self-owned and third-party owned retail outlets and retail points, up a net of 7 retail stores and retail points from a total of 1,313 as at 31 December 2021.

3. **Adjustment in each tea product category and development of diversified product lines.** In the first half of 2022, the Group adjusted its tea product categories, increasing the sales percentage of middle- and higher-ended products to meet Chinese consumers' need and the sales income of green tea increased in the period. Additionally, the Group established cooperation with Kinmen Kaoliang Liquor Inc. of Taiwan to sell the sorghum liquor with double brands, i.e., Tenfu and Kinmen Kaoliang Liquor Inc. in the PRC from mid of 2019. The Group also established a food research and development department to develop diversified traditional food, such as Buddha Jumping over the Wall and Instant Bird's Nest.
4. **Anti-counterfeiting effort.** The Group has implemented a security code for each product, which has covered most of the products. The customers can easily check and confirm the product authenticity.

In the second half of 2022, the Group will cater its plans to keep its market share, continue with its expansion, optimise its network of self-owned and third-party owned retail outlets and retail points although there are still uncertainties in the retail market. In particular, the Group plans to:

1. **Continue to adjust and optimise its retail sales network.** The Group will further adjust retail outlets and retail points, including both self-owned and third-party owned retail outlets and retail points, according to the economic development of the PRC. As part of this goal, the Group plans to identify, establish and keep new retail outlets on high-traffic streets in the central business districts of selected cities, as well as retail points in popular shopping malls, actively expand networks in third-tier and fourth-tier and small cities, and develop quality distributors to increase sales of its tea products. To capture more customers who prefer to buy their tea products on-line, the Group continues to promote internet sales through its subsidiary, namely, Xiamen Tianyu Commerce and Trading Co., Limited (廈門天鈺商貿有限公司). The Group will continue to monitor other opportunities for multi-channel sales and distribution network, which enables the Group to access a broad market audience and penetrate into different regions in the PRC, and continue to rapidly expand their sales. The COVID-19 pandemic unexpectedly swept across the world and influenced the retail industry, bringing about continuous uncertainties and ups and downs. The pandemic boosted the "Stay-at-home Economy", which resulted in a significant increase in customer stickiness to online consumption. The accelerated development of digital economy continued to drive the upgrading of online consumption and the online and offline integration speeded up, accelerating the development of emerging consumption models such as food delivery and delivery-to-home services. Consumer demands showed a trend of diversified, personalised and rational development and the Group will follow the trend.

2. **Continue to enhance brand reputation and consumer awareness.** The Group plans to maintain and promote its high level of brand awareness through targeted marketing and promotional activities. As part of these promotional activities, the Group plans to make further efforts to promote its products and brands during traditional Chinese festivals, and actively hold tea ware exhibition, pu'er tea expo, new tea tasting events and tea art education activities for communication and interactions with customers in order to maintain and promote the well-known “Tenfu” (天福) brand. The Group also plans to continue the promotion of an enhanced rewards program for its customers in order to encourage repeating business and increase customer loyalty.
3. **Continue to develop new concepts for tea-related products.** The Group believes that a broad portfolio of products will help it maintain its leading brand position and keep pace with constantly changing consumer preferences and trends. To this end, the Group will continue the development of tea and tea-related products to meet market requirements, as well as creating the trend and leading the trend. Xiamen Tianqia Catering Management Co., Limited (廈門天洽餐飲管理有限公司), a subsidiary of the Group, offers the tea drink (including milk tea) with the trademark of “放牛斑”. Xiamen Daily Plus Food Beverage Management Co., Ltd. (廈門天天佳盈餐飲管理有限公司), a joint venture company with Ten Ren Tea Co., Ltd. (天仁茶業股份有限公司), further developed the tea drink business with the trademark of “喫茶趣 TO GO”. The Group will further monitor the opportunity and expand its market share in other tea products once available.
4. **Expand production capacity through the increase of the number of processing facilities.** The Group currently has two packaging facilities in Fujian province and one packaging facility in each of Sichuan province, Zhejiang province, Guangxi Zhuang Autonomous Region and Guizhou province for tea leaves and two production facilities in Fujian province and one production facility in Sichuan province for tea snacks. The Group plans to cater for future growth and anticipated increases in the demand for tea and tea-related products by expanding production capacity when suitable acquisition opportunities arise or suitable construction sites can be acquired. The Group has production facilities strategically located in different parts of China, which would achieve optimisation in procurement costs.
5. **Quality control.** The Group considers product quality control to be essential to its operations, and places particular emphasis on inspecting and controlling the quality of raw materials in its supply chain. The Group will continue its commitment to quality assurance going forward by further enhancing its internal testing capabilities. In October 2015, the Group got the qualification certification for its egg roll and candy production line and related auxiliary areas, reaching the consolidated standards for prerequisite and food safety programs of American Institute of Baking. Tea mooncakes of the Group have obtained the titles of “high quality mooncakes” and “China mooncakes” of China Mooncakes Culture Festival since 2012 for nine consecutive years.

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

## FINANCIAL REVIEW

### Revenue

During the six months ended 30 June 2022, the Group was engaged in the sales and marketing of a comprehensive range of tea products and the development of product concepts, tastes and packaging designs. The Group has manufacturing plants in Fujian province, Sichuan province, Zhejiang province, Guangxi Zhuang Autonomous Region and Guizhou province, the PRC. The Group's key products are tea leaves, tea snacks and tea ware, which it sells through a nationwide network of self-owned and third-party owned retail outlets and retail points. The Group has started the sales of tea drink (including milk tea, with the trademarks of “放牛斑” and “喫茶趣 TO GO”).

During the six months ended 30 June 2022, the Group derived substantially all of its revenue from the sales of tea leaves, tea snacks and tea ware. The revenue of the Group decreased by 14.8% from RMB942.1 million for the six months ended 30 June 2021 to RMB802.4 million for the six months ended 30 June 2022. The following table sets forth a breakdown of revenue by product category for the periods indicated:

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

#### Notes:

- (1) “Others” include revenue from restaurants, hotels, tourists, management services and catering management, beverage production and sales of pre-packaged food. The Group derived its revenue from these operations through the provision of accommodation, food and beverages and other ancillary services and ticket sales from its tea museums.
- (2) Each of the figures is rounded up to one decimal place and may not add up due to rounding.

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

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

### **Cost of sales**

Cost of sales of the Group primarily comprises costs of inventory (mainly including costs of raw materials) and labour costs. Cost of sales of the Group decreased by 10.7% from RMB403.7 million for the six months ended 30 June 2021 to RMB360.5 million for the six months ended 30 June 2022, primarily due to a decrease in sales.

### **Gross profit and gross profit margin**

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

### **Distribution costs**

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

### **Administrative expenses**

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

## **Other income**

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

## **Other losses/gains – net**

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

## **Finance income**

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

## **Finance costs**

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

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

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

## **Income tax expense**

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

## **Profit for the period**

As a result of the foregoing factors, profit of the Group, all of which was attributable to the owners of the Company, decreased by RMB83.5 million, or 52.6%, from RMB158.6 million for the six months ended 30 June 2021 to RMB75.1 million for the six months ended 30 June 2022. Net profit margin of the Group decreased from 16.8% for the six months ended 30 June 2021 to 9.4% for the six months ended 30 June 2022, primarily due to a decrease in revenue.

## **Liquidity and capital resources**

### ***Cash position***

The operations of the Group are capital intensive, and its liquidity requirements arise principally from the need for working capital to finance its operations and expansions. The Group has historically met its working capital and other capital requirements principally from cash generated from its operations, bank borrowings and capital contributions by its shareholders (the “Shareholders”).

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

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

### ***Bank borrowings and gearing ratio***

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

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

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

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

### ***Working capital***

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

#### *Notes:*

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

The Group's trade and other receivables represent primarily balances due from third-party retailers. The Group's trade and other receivables decreased by RMB159.8 million from RMB380.9 million as at 31 December 2021 to RMB221.1 million as at 30 June 2022, primarily due to a decrease of sales to the third parties.

The Group's trade and other payables principally comprise payables to its raw material suppliers, employee benefit payables, other taxes payable, accrued operating expenses and advances from customers. The Group's trade and other payables decreased from RMB404.0 million as at 31 December 2021 to RMB261.3 million as at 30 June 2022, primarily due to (i) advances from customers have been presented as contract liabilities as at 30 June 2022; and (ii) a decrease in trade payables due to third parties and other taxes payable.

The Group's inventories comprise raw materials (including packaging materials), work-in-progress and finished goods. The Group's inventories decreased from RMB1,061.9 million as at 31 December 2021 to RMB1,014.0 million as at 30 June 2022, because of a decrease in purchase volume.

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

## **Foreign exchange risk**

The Group's normal operating activities are principally conducted in RMB, since all of its operating subsidiaries are based in the PRC. As at 30 June 2022, most of the operating entities' revenues, expenses, assets and liabilities were denominated in RMB. The Group's foreign exchange risk mainly arises from the portion of its sales and purchases of products denominated in USD and financing activities denominated in USD and HKD. The Directors are of the view that the Group does not have significant foreign currency risk.

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 2022.

## **EMPLOYEE AND REMUNERATION POLICY**

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

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

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

## **OTHER INFORMATION**

### **Purchase, Sales or Redemption of Shares**

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

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

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

The Board considers that the current trading price of the Shares does not reflect their intrinsic value. The Board believes that the share repurchases reflected the Company's confidence in its long-term business prospects and would ultimately benefit the Company and create value for the Shareholders. The Board also believes that the Company's strong financial position will enable it to conduct the share repurchases while maintaining a solid financial position for the continuation of the Company's business and growth in the current financial year.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2022.

### Corporate Governance

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

### 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 2022.

## **Interim Dividend**

At the Board meeting held on 16 August 2022, it was resolved that an interim dividend of HK\$0.04 (equivalent to RMB0.03) per share (2021 interim dividend: HK\$0.08 (equivalent to RMB0.07) per share) be paid on or around 26 September 2022 to the Shareholders whose names appear on the Company's register of members on 6 September 2022. The dividend is intended to be ordinary in nature. The total amount of the dividend to be paid is approximately 50% of the consolidated after tax net profit of the Group for the six months ended 30 June 2022, which is similar to the basis of dividend paid for the same period last year.

## **Closure of Register of Members**

For determining the entitlement to the interim dividend, the register of members of the Company will be closed from 2 September 2022 to 6 September 2022, both days inclusive, during which period no transfer of shares 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 1 September 2022.

## **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 2022. The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2022 have also been reviewed by PricewaterhouseCoopers, the external auditor of the Company, in accordance with Hong Kong Standard on Review 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 2022 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, 16 August 2022

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