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)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2014

Financial Highlights

- Revenue for the year ended 31 December 2014 increased by 1.6% from RMB1,661.6 million for 2013 to RMB1,688.6 million;
- Gross profit for the year ended 31 December 2014 increased by 3.2% from RMB1,017.2 million for 2013 to RMB1,049.9 million, with an increase in gross profit margin from 61.2% for 2013 to 62.2% for the year ended 31 December 2014;
- Profit for the year ended 31 December 2014 increased by 1.1% from RMB267.1 million for 2013 to RMB270.2 million, net profit margin of 16.0% for the year ended 31 December 2014 was approximately same as net profit margin of 16.1% for 2013;
- Basic earnings per share for the year ended 31 December 2014 was RMB0.22; and
- The Board proposed a final dividend of HKD0.14 per share (equivalent to RMB0.11 per share).

The board of directors (the "**Board**") of Tenfu (Cayman) Holdings Company Limited (the "**Company**" or "**Tenfu**", together with its subsidiaries, the "**Group**") is pleased to announce the consolidated results of the Group for the year ended 31 December 2014, together with the comparative figures for the year ended 31 December 2013, as below.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2014 RMB'000	2013 RMB'000
Revenue	3	**1,688,589**	1,661,577
Cost of sales		**(638,720)**	(644,388)
Gross profit		**1,049,869**	1,017,189
Distribution costs		**(497,819)**	(487,639)
Administrative expenses		**(204,891)**	(192,443)
Other income	4	**15,371**	16,367
Other (losses)/gains – net	5	**(436)**	2,613
Operating profit		**362,094**	356,087
Finance income		**25,687**	13,079
Finance costs		**(10,537)**	(1,915)
Finance income – net	6	**15,150**	11,164
Share of profits less losses of joint ventures		**1,118**	1,784
Profit before income tax		**378,362**	369,035
Income tax expense	7	**(108,164)**	(101,902)
Profit for the year, all attributable to the owners of the Company		**270,198**	267,133
Other comprehensive income for the year		**–**	–
Total comprehensive income for the year, all attributable to the owners of the Company		**270,198**	267,133
Earnings per share for profit attributable to the owners of the Company			
– Basic earnings per share	8	**RMB0.22**	RMB0.22
– Diluted earnings per share	8	**RMB0.22**	RMB0.22

	Note	Year ended 31 December 2014 RMB'000	2013 RMB'000
Dividends	9	**203,310**	195,184

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2014	2013
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Land use rights		**240,885**	138,504
Investment properties		**4,169**	4,456
Property, plant and equipment		**636,674**	587,591
Intangible assets		**5,290**	3,902
Investments in joint ventures		**6,469**	4,791
Deferred income tax assets		**41,165**	43,354
Prepayments – non-current portion	*10(b)*	**79,094**	81,429
Long-term time deposits		**135,000**	–
		1,148,746	864,027
Current assets			
Inventories		**422,758**	423,691
Trade and other receivables	*10(a)*	**240,662**	239,893
Prepayments	*10(b)*	**94,853**	85,531
Restricted cash		**98,810**	45,975
Time deposits		**606,853**	480,000
Cash and cash equivalents		**231,925**	202,277
		1,695,861	1,477,367
Total assets		**2,844,607**	2,341,394

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital: nominal value	*11*	**100,816**	100,816
Share premium	*11*	**277,520**	472,704
Other reserves	*12*	**463,659**	437,069
Retained earnings		**1,121,790**	879,768
Total equity		**1,963,785**	1,890,357
LIABILITIES			
Non-current liabilities			
Borrowings	*15*	**122,380**	–
Deferred income tax liabilities		**20,445**	17,453
		142,825	17,453
Current liabilities			
Trade and other payables	*14*	**211,453**	271,692
Current income tax liabilities		**33,056**	26,491
Borrowings	*15*	**477,345**	121,454
Other liabilities	*16*	**16,143**	13,947
		737,997	433,584
Total liabilities		**880,822**	451,037
Total equity and liabilities		**2,844,607**	2,341,394
Net current assets		**957,864**	1,043,783
Total assets less current liabilities		**2,106,610**	1,907,810

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

The Company was incorporated in the Cayman Islands on 22 April 2010 as an exempted company with limited liability under the Companies 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 were listed on the main board of The Stock Exchange of Hong Kong Limited on 26 September 2011 ("the Listing").

The financial information is presented in Renminbi ("RMB"), unless otherwise stated. The financial information has been approved for issue by the board of directors (the "Board") of the Company on 23 March 2015.

2 BASIS OF PREPARATION

The financial information is extracted from the consolidated financial statements of the Company which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") under the historical cost convention.

Changes in accounting policies and disclosures

New amendments and interpretation of HKFRSs adopted by the Group in 2014

The following new amendments and interpretation of HKFRSs which are relevant to the Group's operations are effective for the first time for the financial year beginning on 1 January 2014.

- HK (IFRIC) Interpretation 21 'Levies'. This is an interpretation of HKAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. HKAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- Amendments to HKAS 32 'Financial Instruments: Presentation' on financial asset and liability offsetting. These amendments are to the application guidance in HKAS 32, 'Financial Instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

- Amendment to HKAS 36 'Impairment of Assets' on recoverable amount disclosures. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- Annual improvements 2012 include changes from the 2010-2012 cycle of the annual improvements project, that affect 7 standards, only the below are effective for relevant transactions executed on or after 1 July 2014:

  – Amendment to HKFRS 2 'Share-based Payment' clarifies the definition of a 'vesting condition' and separately define 'performance condition' and 'service condition'.

  – Amendments to HKFRS 3 'Business Combinations', and consequential amendments to HKFRS 9 'Financial Instruments', HKAS 37 'Provisions, Contingent Liabilities and Contingent Assets', and HKAS 39 'Financial Instruments – Recognition and Measurement' clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in HKAS 32 'Financial Instruments: Presentation'. All non-equity contingent consideration, both financial and nonfinancial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss.

The adoption of the above new amendments and interpretation of HKFRSs starting from 1 January 2014 did not give rise to any significant impact on the Group's results of operations and financial position for the year ended 31 December 2014.

3 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 restaurant, hotel, tourist, management services and catering management, beverage production and sales of pre-packaged food. 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.

During 2014 and 2013, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

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 consolidated financial statements. The common administrative expenses, other gains or losses, other income, financing (including finance costs and interest income), share of results of joint ventures and income taxes are managed on a group basis and are not allocated to operating segments.

Segment assets consist primarily of land use rights, 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, tax liabilities, dividends payable and other payables due to related parties and directors' and senior management's emoluments payable.

Revenue

Turnover of the Group consists of the following revenues for the years ended 31 December 2014 and 2013. All revenues are derived from external customers.

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Sales of tea leaves	**1,156,437**	1,198,155
Sales of tea snacks	**205,873**	222,942
Sales of tea ware	**267,738**	204,697
Others	**58,541**	35,783
	1,688,589	1,661,577

The segment results for the year ended 31 December 2014:

	Tea leaves	**Tea snacks**	**Tea ware**	**All other segments**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Segment revenue	**1,156,437**	**205,873**	**267,738**	**58,541**	**1,688,589**
Segment results	**293,019**	**18,939**	**48,009**	**6,295**	**366,262**
Unallocated administrative expenses					**(19,103)**
Other income					**15,371**
Other losses – net					**(436)**
Finance income – net					**15,150**
Share of profits less losses of joint ventures					**1,118**
Profit before income tax					**378,362**
Income tax expense					**(108,164)**
Profit for the year					**270,198**

Other segment items included in the 2014 consolidated statement of comprehensive income:

	Tea leaves *RMB'000*	**Tea snacks** *RMB'000*	**Tea ware** *RMB'000*	**All other segments** *RMB'000*	**Unallocated** *RMB'000*	**Total** *RMB'000*
Depreciation of property, plant and equipment	**39,790**	**10,562**	**6,840**	**2,431**	**9,057**	**68,680**
Depreciation of investment properties	**–**	**–**	**–**	**–**	**287**	**287**
Amortisation of land use rights	**6,049**	**1,138**	**1,306**	**40**	**–**	**8,533**
Amortisation of intangible assets	**440**	**94**	**86**	**29**	**549**	**1,198**
Gains on disposal of property, plant and equipment, net	**(32)**	**(2)**	**(4)**	**(17)**	**–**	**(55)**

The segment assets and liabilities as at 31 December 2014 are as follows:

	Tea leaves *RMB'000*	**Tea snacks** *RMB'000*	**Tea ware** *RMB'000*	**All other segments** *RMB'000*	**Unallocated** *RMB'000*	**Total** *RMB'000*
Segment assets	**1,361,012**	**283,072**	**304,902**	**63,333**	**832,288**	**2,844,607**
Segment liabilities	**159,643**	**19,495**	**28,931**	**5,185**	**667,568**	**880,822**

The segment results for the year ended 31 December 2013:

	Tea leaves *RMB'000*	Tea snacks *RMB'000*	Tea ware *RMB'000*	All other segments *RMB'000*	Total *RMB'000*
Segment revenue	1,198,155	222,942	204,697	35,783	1,661,577
Segment results	287,885	25,945	35,811	7,669	357,310
Unallocated administrative expenses					(20,203)
Other income					16,367
Other gains – net					2,613
Finance costs – net					11,164
Share of profit of a joint venture					1,784
Profit before income tax					369,035
Income tax expense					(101,902)
Profit for the year					267,133

Other segment items included in the 2013 consolidated statement of comprehensive income:

	Tea leaves *RMB'000*	Tea snacks *RMB'000*	Tea ware *RMB'000*	All other segments *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Depreciation of property, plant and equipment	33,524	10,391	6,653	2,203	10,192	62,963
Depreciation of investment properties	–	–	–	–	287	287
Amortisation of land use rights	2,538	550	427	69	–	3,584
Amortisation of intangible assets	246	88	32	31	320	717
Losses on disposal of property, plant and equipment, net	122	119	115	–	–	356

The segment assets and liabilities as at 31 December 2013 are as follows:

	Tea leaves *RMB'000*	Tea snacks *RMB'000*	Tea ware *RMB'000*	All other segments *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Segment assets	1,307,800	279,148	267,256	39,049	448,141	2,341,394
Segment liabilities	193,987	21,323	27,917	4,912	202,898	451,037

4 OTHER INCOME

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Government grants	**10,934**	13,057
Income from investment properties	**1,350**	1,250
Others	**3,087**	2,060
	15,371	16,367

5 OTHER (LOSSES)/GAINS – NET

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Gains/(losses) on disposal of property, plant and equipment, net	**55**	(356)
Net foreign exchange losses	**(491)**	(615)
Gain from acquisition of a subsidiary	**–**	3,584
	(436)	2,613

6 FINANCE INCOME – NET

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Finance income		
– Interest income on short-term bank deposits and time deposits	**23,992**	12,694
– Net foreign exchange gains	**1,695**	385
Total finance income	**25,687**	13,079
Finance costs		
– Interest expenses on bank borrowings	**(10,706)**	(2,608)
– Less: Amounts capitalised in qualifying assets	**169**	693
Total finance costs	**(10,537)**	(1,915)
Net finance income	**15,150**	11,164

7 INCOME TAX EXPENSE

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Current income tax		
– Hong Kong profits tax	**99**	18
– PRC corporate income tax	**98,784**	101,728
Deferred income tax	**9,281**	156
Income tax expense	**108,164**	101,902

(i) **Cayman Islands profits tax**

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

(ii) **Hong Kong profits tax**

Hong Kong profits tax has been provided for subsidiaries incorporated in Hong Kong at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit for the year.

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

CIT is provided at the rate of 25% (2013: 25%) on the assessable income of entities within the Group incorporated in mainland China.

8 EARNINGS PER SHARE

(a) **Basic**

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 year.

	Year ended 31 December	
	2014	2013
Profit attributable to the owners of the Company (RMB'000)	**270,198**	267,133
Weighted average number of ordinary shares in issue	**1,227,207,460**	1,227,207,460
Basic earnings per share (RMB)	**0.22**	0.22

(b) **Diluted**

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company's potentially dilutive ordinary shares comprise share options.

Performance-related employee share options are treated as contingently issuable shares. Contingently issuable shares are considered outstanding and where applicable, included in the calculation of diluted earnings per share as if the conditions of the contingency are deemed to have been met, based on the information available, at the end of reporting period.

As at 31 December 2014 and 2013, none of the performance conditions of the share options were met, and thus the potentially dilutive ordinary shares are not included in the calculation of diluted earnings per share. As a result, diluted earnings per share is the same as basic earnings per share.

9 DIVIDENDS

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Interim dividend declared	**68,320**	68,320
Proposed final dividend	**134,990**	126,864
	203,310	195,184

At a meeting held on 23 March 2015, the Board proposed a final dividend for 2014 of HKD171,809,000 (equivalent to RMB134,990,000) (2013: HKD159,537,000 (equivalent to RMB126,864,000)), representing HKD14 cents (equivalent to RMB11 cents) (2013: HKD13 cents (equivalent to RMB10 cents)) per share, to be appropriated from the share premium account.

The proposed final dividend for 2014 is to be approved by the shareholders at the forthcoming Annual General Meeting. The proposed dividend is not reflected as a dividend payable in the consolidated financial statements, but will be reflected as an appropriation of share premium for the year ending 31 December 2015.

The interim dividend for 2014 of HKD7 cents (equivalent to RMB5.6 cents) (2013: HKD7 cents (equivalent to RMB5.6 cents)) per share was declared by the Board on 19 August 2014 and be appropriated from the share premium account. This interim dividend, amounting to HKD85,905,000 (equivalent to RMB68,320,000) (2013: HKD85,905,000 (equivalent to RMB68,320,000)), has been reflected as an appropriation of share premium for the year ended 31 December 2014.

The dividends paid in 2014 were RMB195,184,000 (2013: RMB207,563,000).

10 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

(a) Trade and other receivables

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Trade receivables due from third parties	**219,439**	232,438
Interest receivable on time deposits	**12,269**	4,571
Others	**8,954**	2,884
	21,223	7,455
Total of trade and other receivables	**240,662**	239,893

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.

As at 31 December 2014 and 2013, the ageing analysis of the trade receivables of the Group based on invoice date is as follows:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Up to 140 days	**217,528**	219,574
141 days to 6 months	**1,336**	9,987
6 months to 1 year	**570**	2,614
1 year to 2 years	**5**	263
	219,439	232,438

As at 31 December 2014, trade receivables of RMB1,911,000 (31 December 2013: RMB12,864,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Past due within 40 days	**1,336**	9,987
Past due over 40 days and within 220 days	**570**	2,614
Past due over 220 days	**5**	263
	1,911	12,864

As at 31 December 2014, no trade receivables were impaired and provided for (31 December 2013: nil).

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
RMB	**238,220**	236,351
USD	**2,442**	3,542
	240,662	239,893

The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

(b) Prepayments

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Non-current		
Prepayments for property, plant and equipment	**79,094**	81,429
Current		
Prepayments for lease of property and lease deposits	**61,834**	61,165
Prepayments for raw materials and packaging materials	**6,854**	13,901
Prepaid taxes	**19,415**	10,465
Prepayments for advertisement	**6,750**	–
	94,853	85,531
	173,947	166,960

The carrying amounts of trade and other receivables and prepayments approximate their fair value as at the balance sheet date.

11 SHARE CAPITAL AND PREMIUM

	Number of authorized shares *(thousands)*	**Number of issued shares** *(thousands)*	**Ordinary shares (nominal value)** *RMB'000*	**Share premium** *RMB'000*	**Total** *RMB'000*
At 1 January 2014	**8,000,000**	**1,227,207**	**100,816**	**472,704**	**573,520**
Dividends (i)	**–**	**–**	**–**	**(195,184)**	**(195,184)**
At 31 December 2014	**8,000,000**	**1,227,207**	**100,816**	**277,520**	**378,336**
Representing:					
Proposed final dividend (i)				**134,990**	
Others				**142,530**	
At 31 December 2014				**277,520**	
At 1 January 2013	8,000,000	1,227,207	100,816	678,625	779,441
Dividends (i)	–	–	–	(205,921)	(205,921)
At 31 December 2013	8,000,000	1,227,207	100,816	472,704	573,520
Representing:					
Proposed final dividend (i)				126,369	
Others				346,335	
At 31 December 2013				472,704	

(i) Pursuant to Section 34 of the Cayman Companies Law (2003 Revision) and the Articles of Association of the Company, share premium of the Company is available for distribution to shareholders subject to a solvency test on the Company and the provision of the Articles of Association of the Company. Details of the proposed final dividend are set out in Note 9.

12 OTHER RESERVES

	Merger reserve (I) *RMB'000*	Capital reserve (II) *RMB'000*	Statutory reserves (III) *RMB'000*	Share-based payment reserve *RMB'000*	Total *RMB'000*
At 1 January 2014	**278,811**	**231**	**156,441**	**1,586**	**437,069**
Appropriation to statutory reserves	**–**	**–**	**28,176**	**–**	**28,176**
Share option scheme					
– value of services from directors, employees and independent third party distributors *(Note 13)*	**–**	**–**	**–**	**582**	**582**
– reversal of the accumulated value of services from directors, employees and independent third party distributors *(Note 13)*	**–**	**–**	**–**	**(2,168)**	**(2,168)**
At 31 December 2014	**278,811**	**231**	**184,617**	**–**	**463,659**
At 1 January 2013	278,811	231	126,723	1,019	406,784
Appropriation to statutory reserves	–	–	29,718	–	29,718
Share option scheme					
– value of services from directors, employees and independent third party distributors *(Note 13)*	–	–	–	567	567
At 31 December 2013	278,811	231	156,441	1,586	437,069

13 SHARE-BASED PAYMENTS

On 17 December 2010, the Company adopted a share option scheme whereby the Board can grant options for the subscription of the Company's shares to the directors, employees, managerial staff and senior employees and those other persons that the Board considers that they will contribute or have contributed to the Group.

Share Option Scheme

Pursuant to the share option scheme of the Company in relation to the grant of options under the Share Option Scheme, the Company granted options to subscribe for an aggregate of 7,046,000 shares, 1,307,000 shares and 8,353,000 shares on 6 January 2012, 12 January 2012 and 19 March 2013 respectively to certain directors, employees and independent third party distributors. The options have a contractual option term of 10 years. The Group has no legal or constructive obligation to repurchase or settle the options in cash. These options vest in tranches over a period of up to 3 years.

The options are exercisable during the following periods, subject to the Group achieving its target growth in revenue and net profit and the employees and independent third party distributors meeting their performance targets as well (the "Performance Conditions"). The employees should remain in the Group's employ and the independent third party distributors should keep their businesses with the Group until those Performance Conditions are satisfied.

(i) up to 35% on or after 5 January 2013, 11 January 2013 and 18 March 2014 respectively;

(ii) up to 35% on or after 5 January 2014, 11 January 2014 and 18 March 2015 respectively;

(iii) all the remaining options on or after 5 January 2015, 11 January 2015 and 18 March 2016 respectively.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Average exercise price in HKD per share	**Number of options *(thousands)***
As at 1 January 2014	**4.86**	**16,502**
Forfeited *(Note (a))*	**4.80**	**(107)**
As at 31 December 2014	**4.86**	**16,395**
As at 1 January 2013	5.44	8,338
Granted on 19 March 2013	4.28	8,353
Forfeited *(Note (a))*	5.24	(189)
As at 31 December 2013	4.86	16,502

(a) Options were forfeited during the years ended 31 December 2014 and 2013 due to employees' resignation.

Share options outstanding at 31 December 2014 have the following expiry dates and exercise prices:

Expiry date	**Exercise price in HKD per share**	**Number of options *(thousands)***
5 January 2022	5.41	6,826
11 January 2022	5.60	1,307
18 March 2023	4.28	8,262

The total fair values, which were determined by using Binomial option price model, of the options granted under the Share Option Scheme as at the grant dates are approximately HKD17,615,000 (equivalent to RMB14,330,000), HKD3,685,000 (equivalent to RMB2,999,000) and HKD16,249,000 (equivalent to RMB13,139,000) on 6 January 2012, 12 January 2012 and 19 March 2013 respectively. The following assumptions were adopted to calculate the fair value of the options on the grant dates:

	Granted on 6 January 2012	Granted on 12 January 2012	Granted on 19 March 2013
Exercise price	HKD5.41	HKD5.60	HKD4.28
Expected volatility	53.95%	53.93%	56.79%
Expected dividend yield	2.00%	2.00%	3.00%
Risk free rate	1.52%	1.49%	1.20%

The expected volatility is determined by calculating the historical volatility of the price of listed companies with businesses similar to the Group. The expected dividend yield is determined by the directors based on the expected future performance and dividend policy of the Group.

During the year ended 31 December 2014, the share option expense charged to the consolidated statement of comprehensive income was approximately HKD736,000 (equivalent to RMB582,000) including an amount of HKD667,000 (equivalent to RMB528,000) for the directors and employees of the Group.

During the year ended 31 December 2013, the share option expense charged to the consolidated statement of comprehensive income was approximately HKD721,000 (equivalent to RMB567,000), including an amount of HKD687,000 (equivalent to RMB540,000) for the directors and employees of the Group.

As at 31 December 2014, the Group reversed all the share option expenses previously charged to the consolidated statement of comprehensive income, amounting to a total of HKD2,713,000 (equivalent to RMB2,168,000), including amounts of HKD2,370,000 (equivalent to RMB1,892,000) for the directors and employees of the Group due to not achieving the Performance Conditions.

14 TRADE AND OTHER PAYABLES

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Trade payables – due to third parties	**84,039**	129,457
Trade payables – due to related parties	**8,414**	18,323
Other payables for property, plant and equipment	**3,424**	5,445
Other payables for assets acquisition (i)	**23,450**	–
Other taxes payable	**10,773**	17,299
Employee benefit payables	**23,926**	22,965
Advances from customers	**17,648**	23,424
Amounts due to related parties	**8,093**	29
Other payables for business combinations	**–**	19,129
Others	**31,686**	35,621
	211,453	271,692

(i) Pursuant to an assets acquisition agreement entered into between Fujian Tian Fu Sales Co., Ltd. ("Fujian Tenfu") an indirectly wholly-owned subsidiary of the Company, and Tenfu Group (SAMOA) Holdings Co., Limited ("SAMOA"), a related party, dated 13 October 2014. SAMOA transferred its entire equity interests in Xiamen Tenfu Trading Co., Ltd. ("Xiamen Tenfu") to Fujian Tenfu at a consideration of RMB23,450,000. Xiamen Tenfu's only major assets are two retail properties that are leased to the Group. Accordingly the acquisition was regarded as an acquisition of assets. The transaction was completed on 26 December 2014 which is regarded as the assets acquisition date. The value of the acquired land use rights and property, plant and equipment amounted to RMB14,632,000 and RMB11,995,000, respectively.

As at 31 December 2014 and 2013, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice date is as follows:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Up to 6 months	**84,906**	138,757
6 months to 1 year	**5,569**	8,643
1 year to 2 years	**1,974**	161
Over 2 years	**4**	219
	92,453	147,780

The carrying amounts of trade and other payables approximate their fair value as at the balance sheet date.

15 BORROWINGS

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Long-term bank borrowings		
– Unsecured	**122,380**	–
Short-term bank borrowings		
– Unsecured (i)	**360,149**	75,727
– Secured (ii)	**117,196**	45,727
	477,345	121,454
	599,725	121,454

(i) As at 31 December 2014, bank borrowings of RMB98,284,000 (2013: RMB45,727,000) are 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.

(ii) As at 31 December 2014, short-term bank borrowings of RMB97,196,000 are secured by the pledge of bank deposits of RMB98,810,000 of the Group, and bank borrowings of RMB20,000,000 are secured by the pledge of the land use rights and property, plant and equipment of the Group. As at 31 December 2013, bank borrowings of RMB45,727,000 are secured by the pledge of bank deposits of RMB45,975,000 of the Group.

The exposure of the Group's borrowings to interest rate changes and the contractual pricing dates as at the end of the year is as follows:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
3 months or less	**133,089**	91,454
4-6 months	**294,256**	–
7-12 months	**50,000**	30,000
1-2 years	**122,380**	–
	599,725	121,454

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
USD	**431,390**	91,454
HKD	**118,335**	–
RMB	**50,000**	30,000
	599,725	121,454

The weighted average effective interest rate at the balance sheet date was as follows:

	As at 31 December	
	2014	2013
Long-term bank borrowings	**2.88%**	–
Short-term bank borrowings	**2.15%**	2.11%

The fair value of short-term and long-term bank borrowings approximate their carrying amounts as at the balance sheet date.

16 OTHER LIABILITIES

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Deferred revenue: customer loyalty programme	**16,143**	13,947

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

In 2014, the Group achieved revenue of RMB1,688.6 million, up 1.6% from 2013, and recorded profit for the year of RMB270.2 million, up 3.2% from 2013. The increase in the Group's revenue for the year was mainly due to sales by electronic commerce and sales of tea drinks during the year.

In 2014, the Group further strengthened its market position and the efficiency of its operations, including further expanding its network, actively promoting the customer loyalty programme, consolidating and developing customer base, increasing release of marketing program and education and training for the employees, improving employees' benefits, while controlling expenditures.

1. **Leading brand position.** Being ranked first among 2013 China's Top 100 tea industry enterprises in terms of comprehensive strength, 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 20 years of presence in the market, the Group believes it is in a strong position to continue capturing such expected growth in the market for branded traditional Chinese tea leaves.

2. **Expanding sales network.** The Group has continued adding retail outlets and retail points with a view to expanding the reach of its sales network for its tea products in the PRC. As of 31 December 2014, the Group had a total of 1,374 self-owned and third-party owned retail outlets and retail points, up a net of 27 retail outlets and retail points from a total of 1,347 as of 31 December 2013.

In 2015, the Group plans to continue to expand and optimize its network of self-owned retail outlets and retail points, expand its market share in first-tier and second-tier cities, further penetrate into third-tier and fourth-tier cities, ride on the urbanisation progress of townships and acquire store premises for the operation of self-owned retail outlets.

In particular, the Group plans to:

1. **Continue to expand and optimize retail sales network.** The Group plans to further expand retail outlets and retail points per year over the next five years, including both self-owned and third-party owned retail outlets and retail points. 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, actively expand networks in third-tier and fourth-tier and smaller 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 monitor the opportunity to start internet sales after completion of acquisition of Xiamen Tianyu Commerce and Trading Co., Limited (廈門天鈺商貿有限公司) in September 2013. 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. As disclosed in the Company's announcement dated 13 October 2014, Fujian Tian Fu Sales Co., Ltd. (福建天福茗茶銷售有限公司), an indirectly wholly-owned subsidiary of the Company, and Tenfu Group (Samoa) Holdings Co., Ltd. entered into an equity transfer agreement, pursuant to which Fujian Tian Fu Sales Co., Ltd. has conditionally agreed to purchase, and Tenfu Group (Samoa) Holdings Co., Ltd. has conditionally agreed to sell, the entire equity interest in Xiamen Tenfu Trading Co., Ltd. (廈門天福商貿有限公司, formerly known as 廈門天福實業有限公司 (Xiamen Tenfu Industry Co., Ltd.)) at the consideration of RMB23,449,863.7. As Xiamen Tenfu Trading Co., Ltd. owns only the store premises leased to the Group and has no other business, the acquisition of Xiamen Tenfu Trading Co., Ltd. will end the connected transaction under the lease agreements to lease the store premises owned by Xiamen Tenfu Trading Co., Ltd. Additionally, a memorandum of understanding was entered into between Tenfu (Hong Kong) Holdings Company Limited ("**Tenfu HK**"), a subsidiary of the Company and Rise General Trading LLC. ("**Rise**"), an independent third

party, on 30 October 2014 for a proposal of entering into a joint venture to develop and register a joint venture company (the "**Joint Venture Company**") to undertake such activities as warehousing, blending, packaging, and trading the new brand of tea, to serve the Middle East. The authorized and issued share capital of the Joint Venture Company will be registered as AED 5,000,000. The actual amount invested to the Joint Venture Company is estimated to be United States Dollar ("**USD**") 5,300,000 by Tenfu HK and Rise. Rise and Tenfu HK will own 51% and 49% of the registered capital and investment of the Joint Venture Company, respectively. The development of global tea market will enhance the Group's market position and enlarge the Group's market share.

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, incense lore expo, new tea tasting events and tea art education activities for enhancement of communications and interactions with customers in order to maintain and promote the well-known Tenfu brand. In August 2014, the Group was confirmed as one of the official sponsors of the Asia-Pacific Economic Cooperation ("**APEC**") Summit 2014, with the Group's tea and tea-related products provided to all guests attending the APEC meetings. The Group is the only entity who sponsored 5 APEC Summits since 2007, including Vancouver APEC in 1997, Shanghai APEC in 2001, Busan APEC in 2005 and Singapore APEC in 2009.

3. **Continue to develop new concepts for tea-related products.** The Group believes that a broad portfolio of products will help it to 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. Through the completion of acquisition of Xiamen Tianqia Catering Management Co., Limited (廈門天洽餐飲管理有限公司) in October 2013, the Group entered into the tea drink (including milk tea) industry 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) was establish in January 2014 to further develop the tea drink business with the trademark of "喫茶趣 TO GO". Through the establishment of Xiamen Daily Plus Food Beverage Management Co., Ltd., the Group will expand its market share in tea drink (including milk tea) industry by cooperation with Ten Ren Tea Co., Ltd. and leveraging experience of Ten Ren Tea Co., Ltd. in Taiwan and international markets.

4. **Enhance processing and distribution efficiency and effectiveness.** The Group has implemented a fully-integrated ERP (Enterprise Resource Planning) system since 2012 so as to collect real-time sales and inventory data from retail outlets. The Group intends to continue proper implementation and usage of the ERP system, aiming to streamline its distribution operation and improve collection of information, so that the Group can plan its processing schedules, manage resources and monitor sales and inventory information more efficiently and effectively.

5. **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. After the completion of acquisition of Zhejiang Tianfu Tea Industry Co., Ltd. (浙江天福茶業有限公司) ("Zhejiang Tenfu") in September 2013, the Group will be able to have a production facility strategically located in Zhejiang, where is the production base of Longjing tea and close to the retail outlets and retail points in Central and Northeast China, as well as to achieve optimization in procurement costs.

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

Financial Review

Revenue

During the year ended 31 December 2014, the Group engaged in the sale 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 and Zhejiang 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 sale of tea drink (including milk tea) with the trademark of "放牛斑" and "喫茶趣 TO GO".

During the year ended 31 December 2014, the Group derived substantially all of its revenue from the sale of tea leaves, tea snacks and tea ware. The revenue of the Group increased by 1.6% from RMB1,661.6 million for the year ended 31 December 2013 to RMB1,688.6 million for the year ended 31 December 2014. The following table sets forth a breakdown of revenue by product category for the years indicated:

	Year ended 31 December			
	2014		2013	
	RMB'000	***%***	*RMB'000*	*%*
Revenue contributed from:				
Sales of tea leaves	**1,156,437**	**68.5**	1,198,155	72.1
Sales of tea snacks	**205,873**	**12.2**	222,942	13.4
Sales of tea ware	**267,738**	**15.9**	204,697	12.3
Others[(1)]	**58,541**	**3.4**	35,783	2.2
Total	**1,688,589**	**100.0**	1,661,577	100.0

Note:

(1) "Others" include revenue from restaurant, hotel, tourist, management service 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 3.5% from RMB1,198.2 million for the year ended 31 December 2013 to RMB1,156.4 million for the year ended 31 December 2014. Revenue from sales of the Group's tea snacks decreased by 7.7% from RMB222.9 million for the year ended 31 December 2013 to RMB205.9 million for the year ended 31 December 2014. Revenue from sales of the Group's tea ware increased by 30.8% from RMB204.7 million for the year ended 31 December 2013 to RMB267.7 million for the year ended 31 December 2014. The revenue decreases from sales of the Group's tea leaves and tea snacks were primarily due to the decrease in sales revenue affected by overall economic slowdown in China. The revenue increase from sales of the Group's tea ware was primarily driven by the expansion of the Group's sales network, and exhibition held in various large cities during the year.

Cost of sales

Cost of sales of the Group primarily comprises costs of inventories (mainly including costs of raw materials) and labour costs. Cost of sales of the Group decreased by 0.9% from RMB644.4 million for the year ended 31 December 2013 to RMB638.7 million for the year ended 31 December 2014, primarily due to a change in the product structure offered by the Group.

Gross profit and gross profit margin

As a result of the foregoing factors, gross profit of the Group increased by 3.2% from RMB1,017.2 million for the year ended 31 December 2013 to RMB1,049.9 million for the year ended 31 December 2014, with gross profit margin increasing by 1.6% from 61.2% for the year ended 31 December 2013 to 62.2% for the year ended 31 December 2014.

Distribution costs

The distribution costs of the Group increased by 2.1% from RMB487.6 million for the year ended 31 December 2013 to RMB497.8 million for the year ended 31 December 2014. The increase was primarily due to (i) an increase in expenditure on sales personnel to RMB148.6 million for the year ended 31 December 2014 as compared to RMB140.7 million for the year ended December 2013 as a result of the increase of sales, and (ii) the operating lease expenses increased to RMB147.2 million for the year ended 31 December 2014 as compared to RMB142.2 million for the year ended December 2013.

Administrative expenses

Administrative expenses for the Group increased by 6.5% from RMB192.4 million for the year ended 31 December 2013 to RMB204.9 million for the year ended 31 December 2014. The increase was primarily due to the increase in employee benefit.

Other income

Other income of the Group decreased by 6.1% from RMB16.4 million for the year ended 31 December 2013 to RMB15.4 million for the year ended 31 December 2014. The decrease was primarily due to the decrease in PRC local government grants from RMB13.1 million for the year ended 31 December 2013 to RMB10.9 million for the year ended 31 December 2014.

Other losses and gains, net

The Group recorded other losses of RMB0.4 million for the year ended 31 December 2014, primarily due to net foreign exchange losses and gains from the disposal of property, plant and equipment. The Group recorded other gains of RMB2.6 million for the year ended 31 December 2013, primarily due to the fair value of Zhejiang Tenfu's net assets at the acquisition date is higher than the consideration paid, hence a gain of RMB3.6 million was recognised from the purchase.

Finance income

Finance income of the Group increased by 96.4% from RMB13.1 million for the year ended 31 December 2013 to RMB25.7 million for the year ended 31 December 2014. The increase was primarily due to the increase in interest income as a result of placing capital with bank deposits.

Finance costs

Finance costs of the Group increased by 450.2% from RMB1.9 million for the year ended 31 December 2013 to RMB10.5 million for the year ended 31 December 2014, reflecting an increase in interest expenses on the Group's bank borrowings.

Share of profits less losses of joint ventures

Share of profits less losses of joint ventures of the Group was RMB1.1 million and RMB1.8 million for the years ended 31 December 2014 and 2013, respectively.

Income tax expense

Income tax expense of the Group increased by 6.1% from RMB101.9 million for the year ended 31 December 2013 to RMB108.2 million for the year ended 31 December 2014, primarily due to an increase in the Group's profit before income tax from RMB369.0 million for the year ended 31 December 2013 to RMB378.4 million for the year ended 31 December 2014.

Profit for the year

As a result of the foregoing factors, profit of the Group, all of which was attributable to the owners of the Company, increased by RMB3.1 million, or 1.1%, to RMB270.2 million for the year ended 31 December 2014 as compared to RMB267.1 million for the year ended 31 December 2013. Net profit margin of the Group were approximately the same.

Liquidity and capital resources

Cash position

The operations of the Group are capital intensive, and its liquidity requirements arise principally from the need of 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 RMB29.6 million, or 14.7%, from RMB202.3 million as of 31 December 2013 to RMB231.9 million as of 31 December 2014.

The Group had net cash inflow from operating activities of RMB261.2 million, net cash outflow from investing activities of RMB469.3 million and net cash inflow from financing activities of RMB238.3 million for the year ended 31 December 2014.

Bank borrowings and gearing ratio

The Group had total bank borrowings of RMB599.7 million as of 31 December 2014, compared to RMB121.5 million as of 31 December 2013. As of 31 December 2014, the weighted average effective interest rates of the Group's long-term and short-term bank borrowings were 2.9% and 2.2%, respectively, and 8.3% of the Group's bank borrowings were denominated in RMB, 19.7% were denominated in HKD and 72.0% were denominated in USD. Bank borrowings as at 31 December 2014 and those in corresponding period were charged at variable interest rate.

As of 31 December 2014, short-term bank borrowings of RMB97.2 million were pledged by bank deposits of RMB98.8 million of the Group, short-term bank borrowing of RMB20.0 million were pledged by the land use rights and property, plant and equipment of the Group. As of 31 December 2013, short-term bank borrowings of RMB45.7 million were pledged by bank deposits of RMB46.0 million of the Group.

The table below summarizes the maturity profile of the Group's non-derivative financial liabilities as of the dates indicated, based on undiscounted contractual payments:

	Less than 1 year	**Between 1 and 2 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
As of 31 December 2014			
Bank borrowings	**477,345**	**122,380**	**599,725**
Interest payments on borrowings *(Note)*	**8,937**	**2,892**	**11,829**
Trade and other payables	**147,081**	**–**	**147,081**
	633,363	**125,272**	**758,635**
As of 31 December 2013			
Bank borrowings	121,454	–	121,454
Payments on borrowings *(Note)*	1,842	–	1,842
Trade and other payables	189,183	–	189,183
	312,479	–	312,479

Note: The interest payments on borrowings are calculated based on borrowings held as at 31 December 2014 and 2013 without taking into account future borrowings.

The Group regularly monitors its gearing ratio, which represents total debt as a percentage of total capital. Total debt is calculated as total borrowings (including current and non-current borrowings). Total capital is calculated as total equity plus total debt. As of 31 December 2014, the gearing ratio of the Group was 23%, compared to 6% as of 31 December 2013. The increase in the gearing ratio during 2014 was primarily due to the increase of the Group's bank borrowings.

Capital and other commitments

As of 31 December 2014, the Group had total investment, capital and operating lease commitments of RMB204.4 million, as compared to RMB263.4 million as of 31 December 2013. The Group plans to fund these commitments primarily with available cash.

The Group's investment commitments comprise commitments to inject registered capital into new and existing subsidiaries of the Group. The table below sets forth the investment commitments of the Group as of the dates indicated:

	As of 31 December	
	2014	2013
	RMB'000	*RMB'000*
Investment in a joint venture	**4,467**	6,402

The Group's capital commitments comprise unpaid amounts under executed agreements for purchasing property, plant and equipment, primarily in relation to the construction of plants. The table below sets forth capital expenditure contracted for but not yet incurred as of the dates indicated:

	As of 31 December	
	2014	2013
	RMB'000	*RMB'000*
Property, plant and equipment	**19,427**	2,706

The Group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The lease terms are between one to five years, and the majority of the Group's lease agreements are renewable at the end of the lease period at market rate. The table below sets forth the operating lease commitments of the Group as of the dates indicated:

	As of 31 December	
	2014	2013
	RMB'000	*RMB'000*
No later than 1 year	**84,181**	110,729
Later than 1 year and no later than 5 years	**95,700**	136,749
Later than 5 years	**578**	6,798
	180,459	254,276

Working capital

	As of 31 December	
	2014	2013
	RMB'000	*RMB'000*
Trade and other receivables	**240,662**	239,893
Trade and other payables	**211,453**	271,692
Inventories	**422,758**	423,691
Trade receivables turnover days[(1)]	**106**	99
Trade payables turnover days[(2)]	**68**	64
Inventories turnover days[(3)]	**239**	222

Notes:

(1) Trade receivables turnover days = the average of the beginning and ending trade receivables balances for the year, 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 channel mainly representing wholesales to other end customers for the year, multiplied by the number of days in the year.

(2) Trade payables turnover days = the average of the beginning and ending trade payables balances for the year, divided by cost of sales for the year, multiplied by the number of days in the year.

(3) Inventories turnover days = the average of the beginning and ending inventory balances for the year, divided by the cost of sales for the year, multiplied by the number of days in the year.

The Group's trade and other receivables represent primarily the balances due from third-party retailers. The Group's trade and other receivables increased by RMB0.8 million from RMB239.9 million as of 31 December 2013 to RMB240.7 million as of 31 December 2014, primarily due to increase of interest receivable on time deposits.

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 amounts due to related parties. The Group's trade and other payables decreased by RMB60.2 million from RMB271.7 million as of 31 December 2013 to RMB211.5 million as of 31 December 2014, primarily due to decreases in trade payables due to third parties and related parties, other taxes payable and other payables for property, plant and equipment.

The Group's inventories comprise raw materials (including packaging materials), work-in-progress and finished products. The Group's inventories decreased by RMB0.9 million from RMB423.7 million as of 31 December 2013 to RMB422.8 million as of 31 December 2014, primarily reflecting a decrease in finished goods.

As of 31 December 2014, 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 of 31 December 2014, most of the operating entities' revenue, 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 Japanese Yen and financing activities denominated in USD and HKD. The directors of the Company (the "**Directors**") are of the view that the Group does not have significant foreign currency risk.

Any future depreciation of the RMB could adversely affect the value of any dividends the Group pays to its shareholders. 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 of 31 December 2014.

Employee and Remuneration Policy

As of 31 December 2014, the Group had a total of 5,286 employees, with 5,282 employees in the PRC and 4 employees in Hong Kong. For the year ended 31 December 2014, the staff costs of the Group was RMB286.2 million, compared to RMB268.7 million for the year ended 31 December 2013.

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 appraisals once every year for its employees, the results of which are applied in annual salary review and promotion 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 services. 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 year ended 31 December 2014.

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 year ended 31 December 2014, no share options were granted.

OTHER INFORMATION

Use of Proceeds from Initial Public Offering

In September 2011, the Group completed its listing (the "**Listing**") on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and raised net proceeds of RMB933.3 million. 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 of 31 December 2014:

	Planned use of net proceeds at Listing		**Net proceeds used as of 31 December 2014**	
	Amount* *(million RMB)*	**Percentage** *(%)*	**Amount** *(million RMB)*	**Percentage** *(%)*
Expand and optimize network of self-owned retail outlets and retail points	373.3	40.0	220.3	23.6
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	86.6	9.3
Expand production capacity	93.3	10.0	93.3	10.0
Total	933.3	100.0	726.8	77.9

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

The Company plans to use the remaining net proceeds as stated in the section headed "Future Plans and Use of Proceeds" of the Company's prospectus dated 14 September 2011.

Final Dividend

At the Board meeting held on 23 March 2015 (Monday), it was proposed that a final dividend of HKD0.14 per ordinary share (equivalent to RMB0.11 per ordinary share) be paid on or after 29 May 2015 to the shareholders of the Company whose names appear on the Company's register of members on 19 May 2015 (Tuesday). The proposed final dividend is subject to approval by the shareholders at the annual general meeting of the Company (the "**Annual General Meeting**") to be held on 13 May 2015 (Wednesday).

There is no arrangement that a shareholder of the Company has waived or agreed to waive any dividends.

Annual General Meeting

The Annual General Meeting will be held on 13 May 2015 (Wednesday). A notice convening the Annual General Meeting will be published and despatched to the shareholders of the Company in the manner required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") in due course.

Closure of Register of Members

For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from 11 May 2015 (Monday) to 13 May 2015 (Wednesday), both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, 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 8 May 2015 (Friday).

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed on 19 May 2015 (Tuesday), during which period no transfer of shares will be registered. In order to qualify for the proposed final 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 18 May 2015 (Monday).

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 year ended 31 December 2014, the Company has complied with the code provisions included in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules (the "**CG Code**") and there has been no deviation from the code provisions as set forth under the CG Code for the year ended 31 December 2014. Further information of the corporate governance practice of the Company will be set out in the Corporate Governance Report in the annual report of the Company for the year ended 31 December 2014.

Purchase, Sale and Redemption of Shares

There was no purchase, sale or redemption of any listed securities of the Company by the Company or any of its subsidiaries for the year ended 31 December 2014.

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 the dealings in securities transactions by the Directors. The Company has made specific enquiries with all Directors and the Directors have confirmed their compliance with the required standard set out in the Model Code throughout the year ended 31 December 2014.

Audit Committee

The audit committee of the Company (the "**Audit Committee**") consists of Mr. Lo Wah Wai, Mr. Fan Ren Da, Anthony, Mr. Lee Kwan Hung, all of whom are the independent non-executive Directors, and Mr. Tseng Ming-Sung, the non-executive Director. The chairman of the Audit Committee is Mr. Lo Wah Wai. The annual results of the Company for the year ended 31 December 2014 have been reviewed by the Audit Committee and agreed with the auditor of the Company, namely PricewaterhouseCoopers.

Auditor

The Company appointed PricewaterhouseCoopers as the auditor of the Company for the year ended 31 December 2014. The Company will submit a resolution in the Annual General Meeting to re-appoint PricewaterhouseCoopers as the auditor of the Company.

Publication of Annual Report

This annual results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.tenfu.com). The annual report of the Company for the year ended 31 December 2014 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and made available for review on the same websites in due course.

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

Hong Kong, 23 March 2015

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