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 2015

Financial Highlights

- Revenue for the year ended 31 December 2015 decreased by 10.1% from RMB1,688.6 million for 2014 to RMB1,518.0 million;

- Gross profit for the year ended 31 December 2015 decreased by 11.3% from RMB1,049.9 million for 2014 to RMB931.6 million, with a decrease in gross profit margin from 62.2% for 2014 to 61.4% for the year ended 31 December 2015;

- Profit for the year ended 31 December 2015 decreased by 45.8% from RMB270.2 million for 2014 to RMB146.4 million, which corresponded to a decrease in net profit margin from 16.0% for 2014 to 9.6% for the year ended 31 December 2015;

- Basic earnings per share for the year ended 31 December 2015 was RMB0.12; and

- The Board proposed a final dividend of HKD0.06 per share (equivalent to RMB0.05 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 2015, together with the comparative figures for the year ended 31 December 2014, as below.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December **2015** *RMB'000*	2014 *RMB'000*
Revenue	*3*	**1,518,045**	1,688,589
Cost of sales		**(586,445)**	(638,720)
Gross profit		**931,600**	1,049,869
Distribution costs		**(478,073)**	(497,819)
Administrative expenses		**(200,384)**	(204,891)
Other income	*4*	**10,789**	15,371
Other losses – net	*5*	**(1,043)**	(436)
Operating profit		**262,889**	362,094
Finance income		**16,059**	25,687
Finance costs		**(51,045)**	(10,537)
Finance (costs)/income – net	*6*	**(34,986)**	15,150
Share of profits less losses of investments accounted for using the equity method		**(263)**	1,118
Profit before income tax		**227,640**	378,362
Income tax expense	*7*	**(81,286)**	(108,164)
Profit for the year, all attributable to the owners of the Company		**146,354**	270,198
Other comprehensive income for the year		**–**	–
Total comprehensive income for the year, all attributable to the owners of the Company		**146,354**	270,198
Earnings per share for profit attributable to the owners of the Company			
– Basic earnings per share	*8*	**RMB0.12**	RMB0.22
– Diluted earnings per share	*8*	**RMB0.12**	RMB0.22

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December **2015** *RMB'000*	2014 *RMB'000*
ASSETS			
Non-current assets			
Land use rights		**270,479**	240,885
Investment properties		**3,882**	4,169
Property, plant and equipment		**689,701**	636,674
Intangible assets		**4,573**	5,290
Investments accounted for using the equity method		**9,811**	6,469
Deferred income tax assets		**39,554**	41,165
Prepayments – non-current portion	*10(b)*	**29,492**	79,094
Long-term time deposits		**67,500**	135,000
		1,114,992	1,148,746
Current assets			
Inventories		**471,382**	422,758
Trade and other receivables	*10(a)*	**267,350**	240,662
Prepayments	*10(b)*	**91,379**	94,853
Restricted cash		**34,000**	98,810
Time deposits		**144,330**	606,853
Cash and cash equivalents		**379,316**	231,925
		1,387,757	1,695,861
Total assets		**2,502,749**	2,844,607

		As at 31 December	
		2015	2014
	Note	***RMB'000***	*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*	**92,211**	277,520
Other reserves	*12*	**487,428**	463,659
Retained earnings		**1,244,375**	1,121,790
Total equity		**1,924,830**	1,963,785
LIABILITIES			
Non-current liabilities			
Borrowings	*15*	**–**	122,380
Deferred income on government grants	*16*	**22,021**	–
Deferred income tax liabilities		**23,210**	20,445
		45,231	142,825
Current liabilities			
Trade and other payables	*14*	**226,535**	211,453
Current income tax liabilities		**34,856**	33,056
Borrowings	*15*	**251,656**	477,345
Other liabilities	*17*	**19,641**	16,143
		532,688	737,997
Total liabilities		**577,919**	880,822
Total equity and liabilities		**2,502,749**	2,844,607

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 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 began to list 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 15 March 2016.

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

(a) New amendments of HKFRSs adopted by the Group in 2015

The following new amendments of HKFRSs which are relevant to the Group's operations are effective for the first time for the financial year beginning on 1 January 2015.

- Annual improvements 2012 include changes from the 2010 – 2012 cycle of the annual improvements project, that affect 7 standards, some of which were already effective and adopted by the Group in 2014 while the remaining changes as set out below are effective for annual periods beginning on or after 1 July 2014:

  – HKFRS 8 'Operating Segments' is amended to require disclosure of the judgements made by management in aggregating operating segments and a reconciliation of segment assets to the entity's assets when segment assets are reported.

  – HKAS 16 'Property, Plant and Equipment' and HKAS 38 'Intangible Assets' are both amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

  – HKAS 24 'Related Party Disclosures' is amended to clarify that a reporting entity is not required to disclose the compensation paid by the management entity (as a related party) to the management entity's employees or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided.

- Annual improvements 2013 include changes from the 2011 – 2013 cycle of the annual improvements project, that are effective for annual periods beginning on or after 1 July 2014 and the following changes are relevant to the Group's operations:

  – HKFRS 3 'Business Combinations' is amended to clarify that HKFRS 3 does not apply to the accounting for the formation of any joint arrangement under HKFRS 11 in the financial statements of the joint arrangement.

  – HKFRS 13 'Fair Value Measurement' is amended to clarify that the portfolio exception in HKFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of HKAS 39 or HKFRS 9.

  – HKAS 40 'Investment Property' is amended to clarify the interrelationship between HKAS 40 and HKFRS 3 when classifying property as investment property or owner-occupied property.

The adoption of the above new amendments of HKFRSs starting from 1 January 2015 did not give rise to any significant impact on the Group's results of operations and financial position for the year ended 31 December 2015.

(b) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

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 2015 and 2014, 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 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 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, 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 revenues for the years ended 31 December 2015 and 2014. All revenues are derived from external customers.

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Sales of tea leaves	**1,082,207**	1,156,437
Sales of tea snacks	**221,643**	205,873
Sales of tea ware	**154,665**	267,738
Others	**59,530**	58,541
	1,518,045	1,688,589

The segment results for the year ended 31 December 2015:

	Tea leaves	**Tea snacks**	**Tea ware**	**All other segments**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Segment revenue	**1,082,207**	**221,643**	**154,665**	**59,530**	**1,518,045**
Segment results	**226,070**	**19,525**	**24,414**	**2,049**	**272,058**
Unallocated administrative expenses					**(18,915)**
Other income					**10,789**
Other losses – net					**(1,043)**
Finance costs – net					**(34,986)**
Share of profits less losses of investments accounted for using equity method					**(263)**
Profit before income tax					**227,640**
Income tax expense					**(81,286)**
Profit for the year					**146,354**

Other segment items included in the 2015 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	**39,594**	**10,569**	**6,758**	**2,236**	**8,593**	**67,750**
Depreciation of investment properties	**–**	**–**	**–**	**–**	**287**	**287**
Amortisation of land use rights	**6,795**	**1,448**	**1,425**	**475**	**–**	**10,143**
Amortisation of intangible assets	**468**	**100**	**90**	**30**	**568**	**1,256**
Losses on disposal of property, plant and equipment, net	**287**	**30**	**16**	**–**	**–**	**333**

The segment assets and liabilities as at 31 December 2015 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	**1,506,195**	**310,945**	**289,144**	**128,669**	**267,796**	**2,502,749**
Segment liabilities	**201,057**	**27,071**	**23,977**	**9,776**	**316,038**	**577,919**

The segment results for the year ended 31 December 2014:

	Tea leaves *RMB'000*	Tea snacks *RMB'000*	Tea ware *RMB'000*	All other segments *RMB'000*	Total *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 investments accounted for using equity method					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

4 OTHER INCOME

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Government grants	**8,802**	10,934
Income from investment properties	**1,730**	1,350
Amortisation of deferred income *(Note 16)*	**139**	–
Others	**118**	3,087
	10,789	15,371

5 OTHER LOSSES – NET

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
(Losses)/gains on disposal of property, plant and equipment, net	**(333)**	55
Net foreign exchange losses	**(710)**	(491)
	(1,043)	(436)

6 FINANCE (COSTS)/INCOME – NET

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Finance income		
– Interest income on short-term bank deposits and time deposits	**16,059**	23,992
– Net foreign exchange gains	**–**	1,695
Total finance income	**16,059**	25,687
Finance costs		
– Interest expenses on bank borrowings	**(20,746)**	(10,706)
– Less: Amounts capitalised in qualifying assets	**927**	169
– Net foreign exchange losses	**(31,226)**	–
Total finance costs	**(51,045)**	(10,537)
Net finance (costs)/income	**(34,986)**	15,150

7 INCOME TAX EXPENSE

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Current income tax		
– PRC corporate income tax	**74,910**	98,784
– Hong Kong profits tax	**–**	99
Deferred income tax	**6,376**	9,281
Income tax expense	**81,286**	108,164

(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% (2014: 16.5%) on the estimated assessable profit for the year.

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

CIT is provided at the rate of 25% (2014: 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	
	2015	2014
Profit attributable to the owners of the Company (RMB'000)	**146,354**	270,198
Weighted average number of ordinary shares in issue ('000)	**1,227,207**	1,227,207
Basic earnings per share (RMB)	**0.12**	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 2015 and 2014, 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	
	2015	2014
	RMB'000	*RMB'000*
Interim dividend declared	**50,316**	68,320
Proposed final dividend	**61,360**	134,993
	111,676	203,313

At a meeting held on 15 March 2016, the Board proposed a final dividend for 2015 of HKD67,496,000 (equivalent to RMB61,360,000) (2014: HKD171,809,000 (equivalent to RMB134,993,000)), representing HKD6 cents (equivalent to RMB5 cents) (2014: HKD14 cents (equivalent to RMB11 cents)) per share, to be appropriated from the share premium account.

The proposed final dividend for 2015 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 2016.

The interim dividend for 2015 of HKD5 cents (equivalent to RMB4.1 cents) (2014: HKD7 cents (equivalent to RMB5.6 cents) per share was declared by the Board on 20 August 2015 and be appropriated from the share premium account. This interim dividend, amounting to HKD61,360,000 (equivalent to RMB50,316,000) (2014: HKD85,905,000 (equivalent to RMB68,320,000)), has been reflected as an appropriation of share premium for the year ended 31 December 2015.

The dividends paid in 2015 were RMB185,309,000 (2014: RMB195,184,000).

10 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

(a) Trade and other receivables

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Trade receivables from third parties	**251,909**	219,439
Interest receivable on time deposits	**5,606**	12,269
Others	**9,835**	8,954
	15,441	21,223
Total of trade and other receivables	**267,350**	240,662

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 2015 and 2014, the ageing analysis of the trade receivables of the Group based on invoice date is as follows:

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Up to 140 days	**249,395**	217,528
141 days to 6 months	**1,274**	1,336
6 months to 1 year	**1,232**	570
1 year to 2 years	**8**	5
	251,909	219,439

As at 31 December 2015, trade receivables of RMB2,514,000 (31 December 2014: RMB1,911,000) 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	
	2015	2014
	RMB'000	*RMB'000*
Past due within 40 days	**1,274**	1,336
Past due over 40 days and within 220 days	**1,232**	570
Past due over 220 days	**8**	5
	2,514	1,911

As at 31 December 2015, no trade receivables were impaired and provided for (31 December 2014: nil).

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

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
RMB	**264,231**	238,220
USD	**3,119**	2,442
	267,350	240,662

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	
	2015	2014
	RMB'000	*RMB'000*
Non-current		
Prepayments for property, plant and equipment	**14,532**	79,094
Prepayments for land use rights	**14,960**	–
	29,492	79,094
Current		
Prepayments for lease of property and lease deposits	**59,989**	61,834
Prepayments to related parties	**12,743**	–
Prepaid taxes	**10,901**	19,415
Prepayments for raw materials and packaging materials	**7,746**	6,854
Prepayments for advertisement	**–**	6,750
	91,379	94,853
	120,871	173,947

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 authorised shares *(thousand)*	Number of issued shares *(thousand)*	Ordinary shares (nominal value) *RMB'000*	Share premium *RMB'000*	Total *RMB'000*
At 1 January 2015	**8,000,000**	**1,227,207**	**100,816**	**277,520**	**378,336**
Dividends (i)	**–**	**–**	**–**	**(185,309)**	**(185,309)**
At 31 December 2015	**8,000,000**	**1,227,207**	**100,816**	**92,211**	**193,027**
Representing:					
Proposed final dividend (i)				**61,360**	
Others				**30,851**	
At 31 December 2015				**92,211**	
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	

(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 *RMB'000*	Capital reserve *RMB'000*	Statutory reserves *RMB'000*	Share-based payment reserve *RMB'000*	Total *RMB'000*
At 1 January 2015	**278,811**	**231**	**184,617**	**–**	**463,659**
Appropriation to statutory reserves	**–**	**–**	**23,769**	**–**	**23,769**
Share option scheme					
– value of services from directors, employees and independent third party distributors *(Note 13)*	**–**	**–**	**–**	**380**	**380**
– reversal of the current year value of services from directors, employees and independent third party distributors *(Note 13)*	**–**	**–**	**–**	**(380)**	**(380)**
At 31 December 2015	**278,811**	**231**	**208,386**	**–**	**487,428**
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

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 to be vested 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 employment 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 2015	**4.86**	**16,395**
Lapsed *(Note (a))*	**5.44**	**(8,133)**
Forfeited *(Note (b))*	**4.28**	**(61)**
As at 31 December 2015	**4.28**	**8,201**
As at 1 January 2014	4.86	16,502
Forfeited *(Note (b))*	4.80	(107)
As at 31 December 2014	4.86	16,395

(a) During the year ended 31 December 2015, the share options granted on 6 January 2012 and 12 January 2012 were lapsed due to the expiry of the 3 years vesting period.

(b) Options were forfeited during the years ended 31 December 2015 and 2014 due to employees' resignation.

Share options outstanding at 31 December 2015 have the following expiry date and exercise price:

Expiry date	**Exercise price in HKD per share**	**Number of options *(thousands)***
18 March 2023	4.28	8,201

The total fair value, which was determined by using Binomial option price model, of the options granted on 19 March 2013 under the Share Option Scheme as at the grant date are approximately HKD16,249,000 (equivalent to RMB13,139,000). The following assumptions were adopted to calculate the fair value of the options on the grant date:

	Granted on 19 March 2013
Exercise price	HKD4.28
Expected volatility	56.79%
Expected dividend yield	3.00%
Risk free rate	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 2015, the share option expense charged to the consolidated statement of comprehensive income was approximately HKD482,000 (equivalent to RMB380,000), including an amount of HKD435,000 (equivalent to RMB343,000) for the directors and employees 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.

As at 31 December 2015, the Group reversed the current year share option expense charged to the consolidated statement of comprehensive income amounting to HKD482,000 (equivalent to RMB380,000), including an amount of HKD435,000 (equivalent to RMB343,000) for the directors and employees of the Group due to not achieving the Performance Conditions.

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	
	2015	2014
	RMB'000	*RMB'000*
Trade payables – due to third parties	**80,582**	84,039
Trade payables – due to related parties	**24,052**	8,414
Total trade payables	**104,634**	92,453
Notes payable	**33,000**	–
Payables for property, plant and equipment	**2,540**	3,424
Payable for assets acquisition (i)	**–**	23,450
Other taxes payable	**5,931**	10,773
Employee benefit payables	**22,323**	23,926
Advances from customers	**31,783**	17,648
Amount due to a related party	**–**	8,093
Others	**26,324**	31,686
	226,535	211,453

(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 Company 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 was regarded as the assets acquisition date and the payable was fully settled on 23 January 2015. 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 2015 and 2014, 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	
	2015	2014
	RMB'000	*RMB'000*
Up to 6 months	**93,926**	84,906
6 months to 1 year	**9,567**	5,569
1 year to 2 years	**887**	1,974
Over 2 years	**254**	4
	104,634	92,453

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

15 BORROWINGS

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Long-term bank borrowings		
– Unsecured	**–**	122,380
Short-term bank borrowings		
– Unsecured (i)	**195,011**	360,149
– Secured (ii)	**56,645**	117,196
	251,656	477,345
Total borrowings	**251,656**	599,725

(i) As at 31 December 2015, short-term bank borrowings of RMB151,656,000 (2014: RMB98,284,000) of the Group 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 2015, short-term bank borrowings of RMB56,645,000 of the Group are secured by the pledge of land use rights and property, plant and equipment of the Group.

As at 31 December 2014, short-term bank borrowings of RMB97,196,000 of the Group were secured by the pledge of bank deposits of RMB98,810,000 of the Group, and short-term bank borrowings of RMB20,000,000 of the Group were secured by the pledge of the land use rights and property, plant and equipment 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	
	2015	2014
	RMB'000	*RMB'000*
3 months or less	**–**	133,089
4-6 months	**55,196**	294,256
7-12 months	**196,460**	50,000
1-2 years	**–**	122,380
	251,656	599,725

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

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
RMB	**196,460**	50,000
USD	**55,196**	431,390
HKD	**–**	118,335
	251,656	599,725

The Group's weighted average effective interest rates on borrowings at the balance sheet date were as follows:

	As at 31 December	
	2015	2014
Short-term bank borrowings	**2.15%**	2.15%
Long-term bank borrowings	**–**	2.88%

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

16 DEFERRED INCOME ON GOVERNMENT GRANTS

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
At beginning of the year	**–**	–
Granted during the year (i)	**22,160**	–
Amortised as income	**(139)**	–
At end of the year	**22,021**	–

(i) These represent government grants received from certain municipal governments of mainland China as an encouragement for the Group's construction of properties. Such government grants are being recognised as income on a straight line basis over the expected lives of the related properties.

17 OTHER LIABILITIES

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Deferred revenue: customer loyalty programme	**19,641**	16,143

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 2015, the Group achieved revenue of RMB1,518.0 million, down 10.1% from 2014, and recorded profit for the year of RMB146.4 million, down 45.8% from 2014. The decrease in the Group's revenue for the year was mainly due to the macro-economic slowdown and the increase of finance costs as a result of the devaluation of Renminbi and the decrease in finance income due to the decrease in interest income derived from fixed deposits with the bank placed by the Group.

In 2015, the Group further strengthened its market position and the efficiency of its operations, including further adjusting 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, although the macro economic environment imposed negative impact on the business of the Group.

1. **Leading brand position.** Being ranked first among 2015 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 25 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. **Adjusting sales network.** While the whole consumption declines under the current economic conditions in the PRC, the Group has adjusted their retail outlets and retail points to keep the profitable ones and shut down the unprofitable ones in the PRC. As of 31 December 2015, the Group had a total of 1,333 self-owned and third-party owned retail outlets and retail points, compared with a total of 1,374 as of 31 December 2014.

3. **Keeping legal compliance.** The Group kept in compliance with the relevant laws and regulations applicable to the Group, including Food Safety Law, Product Quality Law, Consumer Protection Law, Trademark Law, Patent Law, Environmental Protection Law and Labour Contract Law of the PRC, etc.

4. **Paying high attention on food safety.** The Group paid high attention on food safety and conducted various quality inspection and testing procedures during the Group's production process, to ensure compliance with applicable quality requirements promulgated by the relevant authorities. 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.

In 2016, the Group plans to continue to adjust and optimise 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 and acquire store premises for the operation of self-owned retail outlets.

In particular, the Group plans to:

1. **Continue to adjust and optimize retail sales network.** The Group plans to further adjust retail outlets and retail points, including both self-owned and third-party owned retail outlets and retail points. In order to achieve 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 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 increase 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. A memorandum of understanding (the "**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 an associate in United Arab Emirates ("**U.A.E**") to undertake such activities as warehousing, blending, packaging, and trading the new brand of tea to serve the Middle East and Africa region. Tea Trading International DMCC ("**TTI**"), an associate, was established in July 2015 with registered capital of Arab Emirate Dirham ("**AED**") 2,000,000, of which Rise and Tenfu HK own 51% and 49% respectively. Rise and Tenfu HK are each committed to invest United States Dollar ("**USD**") 2,800,000 to TTI, including registered capital. 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.

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 established 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 has expanded 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. **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) in September 2013, the Group has 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.

In 2015, coping with the external and internal uncertainties and changes, the Group gained valuable experience, and also strengthened the planning, management and operation abilities of the Board, the management, and the staff. Such experience will help the Group to face and overcome challenges of the future. The Company's sustainable development depends on the supports and efforts of all the parties involved, including the customers, the suppliers, the business partners and the shareholders, and in particular the efforts and contributions and dedication of all staff of the Group.

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 2015, the Group 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 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 sales 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 2015, 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 10.1% from RMB1,688.6 million for the year ended 31 December 2014 to RMB1,518.0 million for the year ended 31 December 2015. The following table sets forth a breakdown of revenue by product category for the years indicated:

	Year ended 31 December			
	2015		2014	
	RMB'000	*%*	*RMB'000*	*%*
Revenue contributed from:				
Sales of tea leaves	**1,082,207**	**71.3**	1,156,437	68.5
Sales of tea snacks	**221,643**	**14.6**	205,873	12.2
Sales of tea ware	**154,665**	**10.2**	267,738	15.9
Others[(1)]	**59,530**	**3.9**	58,541	3.4
Total	**1,518,045**	**100.0**	1,688,589	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 6.4% from RMB1,156.4 million for the year ended 31 December 2014 to RMB1,082.2 million for the year ended 31 December 2015. Revenue from sales of the Group's tea snacks increased by 7.6% from RMB205.9 million for the year ended 31 December 2014 to RMB221.6 million for the year ended 31 December 2015. Revenue from sales of the Group's tea ware decreased by 42.2% from RMB267.7 million for the year ended 31 December 2014 to RMB154.7 million for the year ended 31 December 2015. The revenue decreases from sales of the Group's tea leaves and tea ware were primarily due to the macro economic slowdown in the PRC. The revenue increase from sales of the Group's tea snacks was primarily due to the variety of tea snacks newly developed to accommodate the taste of city people.

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 8.2% from RMB638.7 million for the year ended 31 December 2014 to RMB586.4 million for the year ended 31 December 2015, primarily due to decrease in sales.

Gross profit and gross profit margin

As a result of the foregoing factors, gross profit of the Group decreased by 11.3% from RMB1,049.9 million for the year ended 31 December 2014 to RMB931.6 million for the year ended 31 December 2015, with gross profit margin decreasing by 1.3% from 62.2% for the year ended 31 December 2014 to 61.4% for the year ended 31 December 2015.

Distribution costs

The distribution costs of the Group decreased by 4.0% from RMB497.8 million for the year ended 31 December 2014 to RMB478.1 million for the year ended 31 December 2015. The decrease was primarily due to decrease in sales, control in expense and optimized integration of the self-owned retail outlets and retail points.

Administrative expenses

Administrative expenses of the Group decreased by 2.2% from RMB204.9 million for the year ended 31 December 2014 to RMB200.4 million for the year ended 31 December 2015. The decrease was primarily due to further cost control on labour by effective use of human resources and further cost control on utilities and office expenses.

Other income

Other income of the Group decreased by 29.9% from RMB15.4 million for the year ended 31 December 2014 to RMB10.8 million for the year ended 31 December 2015. The decrease was primarily due to the decrease in PRC local government grants which were recognised as income immediately from RMB10.9 million for the year ended 31 December 2014 to RMB8.8 million for the year ended 31 December 2015.

Other losses, net

The Group recorded other losses of RMB1.0 million for the year ended 31 December 2015, primarily due to net foreign exchange losses of RMB0.7 million and losses from the disposal of property, plant and equipment of RMB0.3 million. The Group recorded other losses of RMB0.4 million for the year ended 31 December 2014, primarily due to net foreign exchange losses of RMB0.5 million which were offset by gains from the disposal of property, plant and equipment of RMB0.1 million.

Finance income

Finance income of the Group decreased by 37.4% from RMB25.7 million for the year ended 31 December 2014 to RMB16.1 million for the year ended 31 December 2015. The decrease was primarily due to the decrease in interest income as a result of lesser funds placed as bank deposits.

Finance costs

Finance costs of the Group increased by 385.7% from RMB10.5 million for the year ended 31 December 2014 to RMB51.0 million for the year ended 31 December 2015, reflecting an increase in interest expenses and foreign exchange losses on the Group's bank borrowings.

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

Share of profits less losses of investments accounted for using the equity method of the Group was a net loss amounting to RMB0.3 million and a net profit amounting to RMB1.1 million for the year ended 31 December 2015 and 2014, respectively.

Income tax expense

Income tax expense of the Group decreased by 24.9% from RMB108.2 million for the year ended 31 December 2014 to RMB81.3 million for the year ended 31 December 2015, primarily due to a decrease in the Group's profit before tax from RMB378.4 million for the year ended 31 December 2014 to RMB227.6 million for the year ended 31 December 2015.

Profit for the year

As a result of the foregoing factors and primarily due to decrease in revenue and increase in foreign exchange losses, profit of the Group, all of which was attributable to the owners of the Company, decreased by RMB123.8 million, or 45.8%, to RMB146.4 million for the year ended 31 December 2015 as compared to RMB270.2 million for the year ended 31 December 2014. Net profit margin of the Group for the year decreased correspondingly from 16.0% to 9.6%.

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 RMB147.4 million, or 63.6%, from RMB231.9 million as of 31 December 2014 to RMB379.3 million as of 31 December 2015.

The Group had net cash inflow from operating activities of RMB222.3 million, net cash inflow from investing activities of RMB432.9 million and net cash outflow from financing activities of RMB509.1 million for the year ended 31 December 2015.

Bank borrowings and gearing ratio

The Group had total bank borrowings of RMB251.7 million as of 31 December 2015, compared to RMB599.7 million as of 31 December 2014. As of 31 December 2015, the weighted average effective interest rate of the Group's bank borrowings was 2.15%, and 78.1% of the Group's bank borrowings were denominated in RMB, while 21.9% were denominated in USD. Bank borrowings as at 31 December 2015 and those in corresponding period were charged at variable interest rate.

As of 31 December 2015, short-term bank borrowings of RMB151.7 million of the Group are guaranteed by Mr. Lee Rie-Ho, Mr. Lee Chia Ling and Mr. Lee Kuo-Lin, all of whom are directors of the Company ("**Directors**"), either separately or jointly, and short-term bank borrowings of RMB56.6 million were pledged by the land use rights and property, plant and equipment of the Group. 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 borrowings of RMB20.0 million were pledged by the land use rights and property, plant and equipment of the Group. Our Directors are of the view that the guarantee of bank borrowings of RMB151.7 million 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 Exchanges 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 Rule.

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 2015			
Bank borrowings	251,656	–	251,656
Interest payments on borrowings *(Note)*	6,246	–	6,246
Trade and other payables	166,498	–	166,498
	424,400	–	424,400
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	159,106	–	159,106
	645,388	125,272	770,660

Note: the interest payments on borrowings are calculated based on borrowings held as at 31 December 2015 and 2014 respectively (excluding the accrued interest payable balance already in trade and other payables) 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 2015, the gearing ratio of the Group was 12%, compared to 23% as of 31 December 2014. The decrease in the gearing ratio during 2015 was primarily due to the repayment of the Group's bank borrowings.

Capital and other commitments

As of 31 December 2015, the Group had total investment, capital and operating lease commitments of RMB275.6 million, as compared to RMB204.4 million as of 31 December 2014. The Group plans to fund these commitments primarily with available cash.

The Group's investment commitments comprise commitments to inject registered capital into a joint venture and an associate of the Group. The table below sets forth the investment commitments of the Group as of the dates indicated:

	As of 31 December	
	2015	2014
	RMB'000	*RMB'000*
Investments in a joint venture and an associate	**17,454**	4,467

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	
	2015	2014
	RMB'000	*RMB'000*
Property, plant and equipment	**103,900**	19,427

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	
	2015	2014
	RMB'000	*RMB'000*
No later than 1 year	**72,384**	84,181
Later than 1 year and no later than 5 years	**81,339**	95,700
Later than 5 years	**514**	578
	154,237	180,459

Working capital

	As of 31 December	
	2015	2014
	RMB'000	*RMB'000*
Trade and other receivables	**267,350**	240,662
Trade and other payables	**226,535**	211,453
Inventories	**471,382**	422,758
Trade receivables turnover days(1)	**118**	106
Trade payables turnover days(2)	**60**	68
Inventories turnover days(3)	**274**	239

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 RMB26.7 million from RMB240.7 million as of 31 December 2014 to RMB267.4 million as of 31 December 2015, primarily due to the slow settlement of trade receivables due from 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 amounts due to related parties. The Group's trade and other payables increased by RMB15.0 million from RMB211.5 million as of 31 December 2014 to RMB226.5 million as of 31 December 2015, primarily due to increases in trade related amounts due to related parties and notes payable.

The Group's inventories comprise raw materials (including packaging materials), work-in-progress and finished products. The Group's inventories increased by RMB48.6 million from RMB422.8 million as of 31 December 2014 to RMB471.4 million as of 31 December 2015, primarily reflecting a decrease in sale volume.

As of 31 December 2015, 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 2015, 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 are of the view that the Group does not have significant foreign currency risk and RMB will continue to stabilise after going through a downward adjustment in 2015. By the end of 2015, the Group had substantially reduced its foreign currency exposure by paying off the USD and HKD bank borrowings or replacing them with RMB bank borrowings.

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 2015.

Employee and Remuneration Policy

As of 31 December 2015, the Group had a total of 5,049 employees, with 5,045 employees in the PRC and 4 employees in Hong Kong. For the year ended 31 December 2015, the staff costs of the Group was RMB290.9 million, compared to RMB286.2 million for the year ended 31 December 2014.

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 2015.

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 years ended 31 December 2015 and 31 December 2014, no share options were granted. During the year ended 31 December 2015, the share options which were granted on 6 January 2012 and 12 January 2012 were lapsed due to the expiry of 3 years vesting period.

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 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 2015:

	Planned use of net proceeds at Listing		**Net proceeds used as of 31 December 2015**	
	Amount* *(million RMB)*	**Percentage** *(%)*	**Amount*** *(million RMB)*	**Percentage*** *(%)*
Expand and optimize network of self-owned retail outlets and retail points	373.3	40.0	223.9	24.0
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	87.3	9.4
Expand production capacity	93.3	10.0	93.3	10.0
Total	933.3	100.0	731.1	78.3

* 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 15 March 2016 (Tuesday), it was proposed that a final dividend of HKD0.06 per ordinary share (equivalent to RMB0.05 per ordinary share) be paid on or after 1 June 2016 to the shareholders of the Company whose names appear on the Company's register of members on 18 May 2016 (Wednesday). 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 12 May 2016 (Thursday).

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 12 May 2016 (Thursday). A notice convening the Annual General Meeting will be published and despatched to the shareholders of the Company in the manner required by 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 10 May 2016 (Tuesday) to 12 May 2016 (Thursday), 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 9 May 2016 (Monday).

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed on 18 May 2016 (Wednesday), during which period no transfer of shares will be registered. In order to qualify for receiving 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 17 May 2016 (Tuesday).

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 2015, the Company has complied with the code provisions included in the Corporate Governance Code as set out in Appendix 14 to 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 2015. 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 2015.

The Stock Exchange published its Consultation Conclusions on Risk Management and Internal Control: Review of the Corporate Governance Code and Corporate Governance Report ("**Consultation Conclusion**") on 19 December 2014, which requires the terms of reference of the audit committee of an issuer should be amended in accordance with code provision C.3.3 of the CG Code and an issuer may determine whether to establish a separate board risk committee taking into account its own circumstances and resources available. At the Board meeting of the Company held on 25 November 2015, the Board approved the amended version of the terms of reference of the audit committee of the Company ("**AC TOR**") to cover risk management function and responsibility, according to the Consultation Conclusion. For further details of the AC TOR, please refer to the AC TOR published by the Company on 25 November 2015.

Purchase, Sale or 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 2015.

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 to 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 2015.

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 2015 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 2015. 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 2015 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, 15 March 2016

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.