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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Tenfu (Cayman) Holdings Company Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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Tenfu (Cayman) Holdings Company Limited

天福(開曼)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6868)

CONTINUING CONNECTED TRANSACTIONS – REVISION OF ANNUAL CAPS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



A letter from the Board is set out on pages 5 to 10 of this circular and a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders is set out on page 11 of this circular. A letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 12 to 20 of this circular.

A notice convening the EGM of the Company to be held at 2901, Building C, Xinjing Commerce Center, No. 25 Jiahe Road, Xiamen, the PRC on Friday, 9 October 2015 at 10 a.m., is set out on pages 30 to 31 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.tenfu.com).

Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment should you so wish.

7 September 2015

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“2015 Original Annual Cap”	the original annual cap of RMB77,000,000 for the year ending 31 December 2015 under the Renewed Samoa Master Purchase Agreement;
“2016 Original Annual Cap”	the original annual cap of RMB84,700,000 for the year ending 31 December 2016 under the Renewed Samoa Master Purchase Agreement;
“associate”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Company”	Tenfu (Cayman) Holdings Company Limited (天福(開曼)控股有限公司), an exempted company incorporated with limited liability under the laws of the Cayman Islands on 22 April 2010;
“core connected person”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be held at 2901, Building C, Xinjing Commerce Center, No. 25 Jiahe Road, Xiamen, the PRC on Friday, 9 October 2015 at 10 a.m. to approve the Supplemental Agreement and the continuing connected transactions contemplated thereunder (including the Revised Annual Caps);
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, established to advise the Independent Shareholders in relation to the Supplemental Agreement and the Revised Annual Caps;

DEFINITIONS

“Independent Financial Adviser”	Optima Capital Limited, a corporation licensed under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions contemplated under the Supplemental Agreement (including the Revised Annual Caps);
“Independent Shareholders”	Shareholders independent of Mr. Lee Chia Ling and his associates and not interested in the continuing connected transactions contemplated under the Supplemental Agreement;
“Latest Practicable Date”	2 September 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Lu Yu”	陸羽茶藝股份有限公司 (Lu Yu Tea Artcraft Co., Ltd.*), a company incorporated on 24 August 1980 in Taiwan with limited liability, whose principal business is development and sale of tea ware in Taiwan and exclusively to 漳州天福茶業有限公司 (Zhangzhou Tianfu Tea Industry Co., Ltd.)* in the PRC on a wholesale basis, and is wholly owned by Tensin Investment Corporation Limited (天欣投資股份有限公司), which is held as to approximately 31.25%, 10% and 6.25% by Mr. Lee Shih-Wei, Mr. Lee Chia Ling and Mr. Lee Rie-Ho, respectively, who are our Directors;
“PRC”	the People’s Republic of China, excluding Taiwan, Hong Kong and Macao Special Administrative Region for the purpose of this circular;

DEFINITIONS

“Renewed Samoa Master Purchase Agreement”	the purchase agreement entered into between the Company and the Samoa Company dated 11 December 2013 pursuant to which the Company agreed to purchase or procure members of the Group to purchase tea leaves products from the Samoa Group for a term of three years from 1 January 2014 to 31 December 2016;
“Retained Manufacturing Business”	the manufacturing and processing of tea leaves and tea products business conducted in the PRC by the Samoa Company and its subsidiaries;
“Retained Sales Business”	the distribution and sale of tea ware business conducted in Taiwan by Lu Yu and its subsidiaries;
“Retained Ten Ren Business”	the research and development, marketing and sale of tea leaves, tea snacks and tea ware business conducted in Taiwan under principally the “天仁” brand by Ten Ren and its subsidiaries and the franchising, marketing and sale of tea leaves, tea snacks and tea products business under the “天仁” brand in the United States and Canada by Ten Ren and its subsidiaries;
“Retained Uncle Lee Business”	the business of marketing and sale of tea bags under the “Uncle Lee’s” brand by Uncle Lee’s Tea Inc. in North America and Europe;
“Revised Annual Caps”	the proposed new annual caps under the Supplemental Agreement to the Renewed Samoa Master Purchase Agreement of RMB132,000,000 and RMB132,000,000 for the two years ending on 31 December 2015 and 2016 respectively;
“RMB”	Renminbi, the lawful currency of the PRC;
“Samoa Company”	Tenfu Group (Samoa) Holdings Company Limited, a limited liability company incorporated in Samoa, which is engaged in the manufacturing and processing of tea leaves in the PRC through its PRC subsidiaries and wholly owned by Mr. Lee Chia Ling;
“Samoa Group”	Samoa Company and its subsidiaries;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);

DEFINITIONS

“Shareholder(s)”	shareholder(s) of the Company;
“Shares”	ordinary shares of nominal value HK\$0.10 each in the capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules;
“Supplemental Agreement”	the supplemental agreement entered into between the Company and the Samoa Company dated 20 August 2015 pursuant to which the 2015 Original Annual Cap and the 2016 Original Annual Cap under the Renewed Samoa Master Purchase Agreement are revised to the Revised Annual Caps;
“Ten Ren”	Ten Ren Tea Co., Ltd. (天仁茶業股份有限公司), a company incorporated on 11 December 1975 in Taiwan and listed on the Taiwan Stock Exchange (Stock code: 1233), which is engaged in the blending and manufacturing of tea leaves, and the marketing and sale of tea leaves, tea snacks and tea ware in Taiwan;
“The KCL Trust”	a discretionary trust established by Mr. Lee Chia Ling on 12 April 2011, the beneficiaries of which include family members of Mr. Lee Chia Ling;
“Tiger Nature”	Tiger Nature Holdings Limited, a company incorporated in the Commonwealth of The Bahamas on 25 March 2011, the entire issued share capital of which is ultimately owned by the Trustee as trustee of The KCL Trust;
“Trustee”	UBS TC (Jersey) Ltd.; and
“%”	per cent.

* For identification purpose only

LETTER FROM THE BOARD

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)

Executive Directors:

Mr. Lee Rie-Ho
Mr. Lee Shih-Wei
Mr. Lee Chia Ling
Mr. Lee Kuo-Lin

Registered office:

P.O. Box 2681
Cricket Square Hutchins Drive
Grand Cayman KY1-1111
Cayman Islands

Non-executive Directors:

Mr. Tseng Ming-Sung
Mr. Wei Ke

Corporate headquarters:

2901, Building C
Xinjing Commerce Center
No. 25 Jiahe Road Xiamen
The PRC

Independent non-executive Directors:

Mr. Lo Wah Wai
Mr. Lee Kwan Hung
Mr. Fan Ren Da, Anthony

*Principal place of business
in Hong Kong:*

Room E, 22/F
CNT Tower
338 Hennessy Road
Wanchai
Hong Kong

7 September 2015

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS –
REVISION OF ANNUAL CAPS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 20 August 2015 in relation to the Supplemental Agreement and the Revised Annual Caps.

The purpose of this circular is to:

- (a) provide you with further information relating to the Supplemental Agreement and the Revised Annual Caps;

LETTER FROM THE BOARD

- (b) set out the recommendation of the Independent Board Committee relating to the Supplemental Agreement and the Revised Annual Caps;
- (c) set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and
- (d) give you notice of the EGM to consider and, if thought fit, to approve the Supplemental Agreement and the Revised Annual Caps.

SUPPLEMENTAL AGREEMENT AND REVISED ANNUAL CAPS

On 11 December 2013, the Company entered into the Renewed Samoa Master Purchase Agreement with the Samoa Company for the three years commencing on 1 January 2014 to 31 December 2016, pursuant to which the Company agreed to purchase or procure members of the Group to purchase tea leaves from the Samoa Group. The Group has been purchasing tea leaves from the Samoa Group as part of its ordinary and usual course of business.

On 20 August 2015, the Company and the Samoa Company have entered into the Supplemental Agreement to increase both the 2015 Original Annual Cap (i.e. RMB77,000,000) and the 2016 Original Annual Cap (i.e. RMB84,700,000) to RMB132,000,000.

The increase was mainly due to the facts that (i) the actual transaction amount of tea products with the Samoa Group under the Renewed Samoa Master Purchase Agreement for the six months ended 30 June 2015 has already reached RMB70,390,000, representing approximately 91.4% of the 2015 Original Annual Cap and thus there is a very high likelihood that the 2015 Original Annual Cap will be exceeded; (ii) the total sales of tea products of the Group and the proportion of purchases of tea products from independent third party suppliers to the Samoa Group in 2016 are expected to remain at similar level as 2015, and (iii) the Company expects a gradual shift from the production of tea products by the Group itself to the direct sourcing of the processed tea products from the Samoa Group after a new production factory of the Samoa Group in Jiangsu has commenced its production in early 2015.

Purchases by the Group under the Renewed Samoa Master Purchase Agreement for the year ended 31 December 2014 was RMB69,977,000, which was close to the annual cap of RMB70,000,000 under the Renewed Samoa Master Purchase Agreement. The purchase amount of tea leaves from the Samoa Group for the six months ended 30 June 2015 under the Renewed Samoa Master Purchase Agreement was approximately RMB70,390,000, which is very close to the 2015 Original Annual Cap of RMB77,000,000 but the Company does not anticipate the purchase amounts of tea leaves under the Renewed Samoa Master Purchase Agreement will exceed the 2015 Original Annual Cap by 9 October 2015, the tentative date of the EGM to approve the Supplemental Agreement and the Revised Annual Caps. The Group has internal control measures to monitor and reviewed the actual purchase number and amount of tea products on a regular basis under the Renewed Samoa Master Purchase Agreement in order not to exceed the 2015 Original Annual Cap and keep compliance with Listing Rules and the Renewed Samoa Master Purchase Agreement.

LETTER FROM THE BOARD

BASIS OF THE REVISED ANNUAL CAPS

In arriving at the Revised Annual Caps, the Directors have considered (i) the actual transaction amounts for the purchase of tea leaves from Samoa Group for the year ended on 31 December 2014 and for the six months ended 30 June 2015; (ii) the expected purchase amount for the year ending 31 December 2015 estimated based on the historical proportion of the actual purchase amount for the six months ended 30 June 2014 to that for the full year ended 31 December 2014 of approximately 54.2%; (iii) the expected steady demand of the Group's tea products in 2016 thanks to the prospects of the internet sales of the Group's tea products and the steady tea consumption in the PRC for the past ten years; and (iv) the expected gradual shift from production of the tea products by the Group itself to the direct sourcing of the processed tea products from the Samoa Group after a new factory of the Samoa Group has commenced its production in Jiangsu in early 2015, taking into account the cost saving advantage resulting from the direct sourcing of tea products from the Samoa Group. In early 2015, the Samoa Group established a new factory in Jiangsu. The production capacities of four production factories in Fujian, Sichuan and Zhejiang for tea leaves were over 4,990 tonnes per annum and the new factory of the Samoa Group in Jiangsu has production capacity of 150 tonnes only supplements the demand of the Group. The new factory of the Samoa Group in Jiangsu has production of specific types of tea products including but not limited to Yuhua Tea, White Tea, Bi Lou Chun and other local green tea products, and has a favourable location in Jiangsu, where those specific types of tea leaves plantation are especially rich. So the new factory of the Samoa Group is able to secure a stable supply of those specific types of tea leaves as raw materials from the local tea farmers for the production of the tea products at a relatively lower price, and thus purchasing those specific types of tea products from the Samoa Group directly in Jiangsu would enable the Group to save the transportation cost of the raw materials from Jiangsu to Zhejiang and Fujian (where the Group's production factory are located and are not rich in those specific types of tea leaves plantation) if the Group is to produce those specific types of tea products on its own. So it is commercially sensible and justified for the Group to gradually shift its production of those specific types of tea products from its own production factory to the direct purchase from the Samoa Group.

PRICING POLICY

Under the Renewed Samoa Master Purchase Agreement, the price of the tea products shall be determined through good faith negotiations between the Group and the Samoa Group by reference to the prevailing market rate of similar products, and the terms of sale shall be no less favourable than those made available to independent third parties. The Supplemental Agreement further detailed the mechanism that for every purchase of tea leaves, the Group follows its internal policies and procedures for obtaining quotations from both the Samoa Group and at least two other independent suppliers of tea leaves in similar quality and quantities to determine if the price and terms offered by the Samoa Group are fair and reasonable and comparable to those offered by the independent third parties.

PAYMENT TERMS

As agreed between the Company and the Samoa Company, the purchase price is payable by the Group within 90 days from the delivery of the products, which is better than the usual payment terms of around 50 days offered by the independent suppliers.

LETTER FROM THE BOARD

OTHER TERMS

Save for the Revised Annual Caps and the detailed pricing mechanism, all the other terms of the Renewed Samoa Master Purchase Agreement remain unchanged.

INTERNAL CONTROL MEASURES

We have adopted the following internal control measures to ensure that the transactions with the Samoa Group will be conducted on normal commercial terms going forward:

- (i) where applicable and commercially sensible, we will continue to request the Samoa Group to provide the tea leaves to us through a bidding process, on arm's length basis and on the best available terms, with reference to the prevailing market prices;
- (ii) as part of the internal control measures, the implementation of the Renewed Samoa Master Purchase Agreement and the actual number and amount of tea leaves will be monitored and reviewed by the Board (including the independent non-executive Directors) and the senior management on a regular basis, with reference to terms of similar transactions with the independent third parties;
- (iii) the relevant operational divisions of the Group will report regularly to senior management with respect to the actual performance of the transactions of purchase of tea leaves with the Samoa Group;
- (iv) the Director(s) and/or the Shareholder(s) with an interest in the relevant transaction(s) shall abstain from voting in respect of the resolution(s);
- (v) we shall use the best endeavour to comply with the relevant reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules for the continuing connected transactions;
- (vi) we will engage the Company's auditor to report on the connected transactions between us and the Samoa Group contemplated under the Renewed Samoa Master Purchase Agreement every year in accordance with Rule 14A.56 of the Listing Rules; and
- (vii) we will duly disclose in the annual reports and accounts the transactions of purchase of tea leaves with the Samoa Group during each financial period, together with the conclusions (with basis) drawn by the independent non-executive Directors whether the transactions are conducted on normal commercial terms, fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

DIRECTORS' VIEW

The Directors (excluding the interested Directors described below) consider that the transactions contemplated under the Supplemental Agreement (including the Revised Annual Caps) are in the ordinary and usual course of business of the Group, on normal commercial

LETTER FROM THE BOARD

terms and in the interests of the Company and Shareholders as a whole and the terms thereof are fair and reasonable as far as the Company and the Shareholders are concerned. The view of the Independent Board Committee, after considering the advice from the Independent Financial Adviser, is set out on page 12 of this circular.

The Samoa Company is owned by Mr. Lee Chia Ling. Accordingly, Mr. Lee Chia-Ling, Mr. Lee Rie-Ho, who is the father of Mr. Lee Chia Ling, Mr. Lee Kuo-Lin, who is the brother of Mr. Lee Chia Ling, Mr. Lee Shih-Wei, who is a cousin of Mr. Lee Chia Ling are considered to be interested in the said transactions and therefore abstained from voting on the board resolution for approving the Supplemental Agreement and the continuing connected transactions contemplated thereunder.

INFORMATION ON THE GROUP AND SAMOA GROUP

The Group is principally engaged in the sale and marketing of a comprehensive range of tea products and the development of product concepts, tastes and packaging designs. The key products of the Group are tea leaves, tea snacks and tea ware, which are sold through a nationwide network of self-owned and third-party owned retail outlets and retail points.

The Samoa Group are engaged in the production, processing, marketing and sale of tea leaves.

LISTING RULES IMPLICATIONS

The Samoa Company is wholly owned by Mr. Lee Chia Ling, a substantial shareholder and a Director. Accordingly, the Samoa Company is an associate of a core connected person of the Company and the transactions contemplated under the Renewed Samoa Master Purchase Agreement constitute continuing connected transactions of the Group pursuant to Chapter 14A of the Listing Rules.

Given that the applicable percentage ratios under the Listing Rules in respect of each of the Revised Annual Caps under the Supplemental Agreement will exceed 5% on an annual basis, the revisions to the annual caps of the Renewed Samoa Master Purchase Agreement will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Mr. Lee Chia Ling and his associates will abstain from voting on the proposed resolution approving the Supplemental Agreement and the continuing connected transactions contemplated thereunder at the EGM.

The Independent Board Committee has been established to advise the Independent Shareholders on the Supplemental Agreement and the continuing connected transactions contemplated thereunder. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the Supplemental Agreement and the continuing connected transactions contemplated thereunder.

EGM AND PROXY ARRANGEMENT

The notice of the EGM is set out on pages 30 to 31 of this circular.

LETTER FROM THE BOARD

Pursuant to the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. An announcement on the poll vote results will be published by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules. Mr. Lee Chia Ling and his associates holding approximately 46.6% interests in the Company as at the Latest Practicable Date shall abstain from voting on the proposed resolution approving the Supplemental Agreement and the Revised Annual Caps at the EGM. Save as disclosed, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, none of the other Shareholders will be required to abstain from voting at the EGM to approve the Revised Annual Caps.

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.tenfu.com). Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM should you so wish.

GENERAL INFORMATION

Your attention is drawn to the appendix headed "General Information" to this circular.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 11 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the proposed resolution to approve the Supplemental Agreement and the continuing connected transactions contemplated thereunder (including the Revised Annual Caps); and (ii) the letter from the Independent Financial Adviser set out on pages 12 to 20 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the continuing connected transactions contemplated under the Supplemental Agreement (including Revised Annual Caps).

Your attention is also drawn to the general information set out in Appendix I to this circular.

Yours faithfully,
For and on behalf of the Board
Tenfu (Cayman) Holdings Company Limited
Lee Chia Ling
Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in the circular, from the Independent Board Committee to the Independent Shareholders regarding the Supplemental Agreement and the transactions contemplated thereunder.

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)

7 September 2015

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS – REVISION OF ANNUAL CAPS

We refer to the circular of the Company to the Shareholders dated 7 September 2015 (the “Circular”), in which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Supplemental Agreement (including the Revised Annual Caps) and the continuing connected transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter of advice from the Independent Financial Adviser as set out on pages 12 to 20 of the Circular and the letter from the Board as set out on pages 5 to 10 of the Circular.

Having considered, among other things, the factors and reasons considered by, and the opinion of the Independent Financial Adviser as stated in its letter of advice, we consider that (i) the terms of the continuing connected transactions contemplated under the Supplemental Agreement (including the Revised Annual Caps) are fair and reasonable; (ii) the continuing connected transactions contemplated under the Supplemental Agreement (including the Revised Annual Caps) are on normal commercial terms and in the ordinary and usual course of business of the Group; and (iii) the continuing connected transactions contemplated under the Supplemental Agreement (including the Revised Annual Caps) are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Supplemental Agreement (including the Revised Annual Caps) and the continuing connected transactions contemplated thereunder to be proposed at the EGM.

Yours faithfully,
For and on behalf of the
Independent Board Committee

Mr. Lo Wah Wai
*Independent Non-executive
Director*

Mr. Lee Kwan Hung
*Independent Non-executive
Director*

Mr. Fan Ren Da, Anthony
*Independent Non-executive
Director*

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Optima Capital to the Independent Board Committee and the Independent Shareholders which has been prepared for the purpose of inclusion in this circular.



Suite 1501, 15th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

7 September 2015

To: the Independent Board Committee and the Independent Shareholders,

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS – REVISION OF ANNUAL CAPS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the terms of the Supplemental Agreement (including the Revised Annual Caps) and the transactions contemplated under the Renewed Samoa Master Purchase Agreement and the Supplemental Agreement (the “**Continuing Connected Transactions**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company to the Shareholders dated 7 September 2015 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined.

As referred to in the Board Letter, on 11 December 2013, the Company and the Samoa Company entered into the Renewed Samoa Master Purchase Agreement pursuant to which the Company agreed to purchase or procure members of the Group to purchase processed tea leaves products (the “**Tea Products**”) from the Samoa Group for the three years ending 31 December 2016, and an annual cap for the purchase of the Tea Products from the Samoa Group was set for each of the three years ending 31 December 2016.

As the Samoa Company is wholly owned by Mr. Lee Chia Ling, who is a substantial shareholder and a director of the Company, the purchase of Tea Products from the Samoa Group constitutes continuing connected transactions for the Group under Chapter 14A of the Listing Rules and the Company has obtained the shareholders’ approval for the Renewed Samoa Master Purchase Agreement and the transactions contemplated thereunder including the Original Annual Caps on 27 April 2012.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Due to the reasons set out in the paragraph headed “**Background and reasons for the entering into of the Supplemental Agreement**” below, the Board expects that the 2015 Original Annual Cap and the 2016 Original Annual Cap (together, the “**Original Annual Caps**”) are to be exceeded. Accordingly, on 20 August 2015, the Company and the Samoa Company entered into the Supplemental Agreement pursuant to which a more detailed pricing mechanism is established and the Original Annual Caps will be revised as follows:

<i>(HK\$)</i>	For the year ending 31 December	
	2015	2016
Original Annual Cap	77,000,000	84,700,000
Revised Annual Cap	132,000,000	132,000,000

Given the relevant percentage ratios using the Revised Annual Caps as the numerator exceed 5% and the Revised Annual Cap is more than HK\$10,000,000, the Company has to re-comply with the announcement and shareholders’ approval requirements under Rule 14A.54 of the Listing Rules.

The Independent Board Committee comprising Mr. Lo Wah Wai, Mr. Lee Kwan Hung and Mr. Fan Ren Da, Anthony, each being an independent non-executive Director, has been established to advise the Independent Shareholders as to whether the terms of the Supplemental Agreement (including the Revised Annual Caps) are fair and reasonable and whether the Continuing Connected Transactions are on normal commercial terms, in the ordinary and usual course of business of the Group, and in the interests of the Company and Shareholders as a whole.

Mr. Benny Ng, the author of this Letter, has more than 10 years’ finance and investment banking experiences and has been involved in a wide range of takeovers, merger and acquisitions, restructuring, secondary market fund raising, and other corporate finance advisory work for Hong Kong listed companies. He also has experience in asset management and hedge fund industry. He is a CFA charter-holder and a CPA-inactive certificate holder of Washington State Board of Accountancy.

As at the Latest Practicable Date, neither Optima Capital nor persons stipulated under Rule 13.84(4) of the Listing Rules has any current business relationship with the Company, parties to the Agreements, or a director, subsidiary, holding company or substantial shareholder of the Company or parties to the Agreement, which would be reasonably considered to affect our independence in performing the duties as set out in the Listing Rules, or might reasonably give rise to a perception that our independence would be so affected.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the executive Directors and management of the Company and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material respects at the time they were made and up to the date of the EGM. We have also sought and received confirmation from the management of the Company that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient to reach an informed view and have no reason to believe that any material information have been withheld, nor doubt the truth or accuracy of the information provided. We have not, however, conducted any independent investigation into the business and affairs and taxation implications of the Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the terms of the Supplemental Agreement (including the Revised Annual Caps) are fair and reasonable so far as the Independent Shareholders are concerned, and whether the Continuing Connected Transactions are on normal commercial terms, conducted in ordinary and usual course of business, and in the interest of the Shareholders and the Company as a whole, we have taken into account the principal factors and reasons set out below:

1. Background and reasons for the entering into of the Supplemental Agreement

The Group is principally engaged in the sale and marketing of a comprehensive range of tea products and the development of product concepts, tastes and packaging designs. The key products of the Group are tea leaves, tea snacks and tea ware with over 1,300 different traditional Chinese tea leaves products such as green tea, Oolong tea, fully fermented black tea, post-fermented Pu'er tea, scented flower tea, etc sold through a nationwide network of 1371 retail outlets and retail points across 31 provinces, autonomous regions and municipalities in the PRC as of 30 June 2015. The Group has four factories for the processing of various kinds of tea products respectively in Fujian, Zhejiang and Sichuan of the PRC (the “**Processing Factories**”). The Samoa Company is principally engaged in the manufacturing and processing of tea leaves in the PRC through its PRC subsidiaries.

Apart from procuring raw tea leaves from the independent suppliers for the Group's processing of the tea products, the Group has purchased the Tea Products from the Samoa Group in its ordinary and usual course of business since 2011. On 31 August 2011, the Company and the Samoa Company entered into the first master purchase agreement, pursuant to which the Group agreed to purchase the Tea Products from the Samoa Group for an initial term of three years from 2011 to 2013. On 11 December 2013, the Company and the Samoa Company renewed the term for additional three years from 2014 to 2016 by entering into the Renewed Samoa Master Purchase Agreement. The annual caps under the Renewed Samoa Master Purchase Agreement were set as RMB70,000,000 (the “**2014 Original Annual Cap**”), RMB77,000,000 and RMB84,700,000 for each of the three financial years ending 31 December 2014, 2015 and 2016 respectively.

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For the year ended 31 December 2014, the actual transaction amount of the Group's purchases of Tea Products from the Samoa Group (the "**Actual Purchase Amount**") was approximately RMB69,977,000, which was very close to the 2014 Original Annual Cap of RMB70,000,000. Starting from 2015, the Group increased its purchases of Tea Products from the Samoa Group taking into account that a new processing factory of the Tea Products was established by the Samoa Group in Jiangsu (the "**New Samoa Factory**"), which has commenced production in early 2015. The Board believes that it would secure a more stable and cost-effective supply of the Tea Products for the Group from the New Samoa Factory. As a result, the Actual Purchase Amount for the first six months in 2015 increased to RMB70,390,000, which represented approximately 91.4% of the 2015 Original Annual Cap. Set out below are the percentages of the 2014 Original Annual Cap and the 2015 Original Annual Cap having been used by the Group as at 30 June 2015:

	For the year ended 31 December 2014	For the 6 months ended 30 June 2015
Actual Purchase Amount	69,980,000	70,390,000
Relevant annual caps	70,000,000	77,000,000
% of the annual caps used (%)	99.97%	91.42%

We have discussed with the management of the Company and understood that the Finance department of the Company is responsible for monitoring the total transaction amounts of the Tea Products purchased from the Samoa Company from time to time and should the 2015 Original Annual Cap nearly be exceeded, the responsible department will suspend the purchase of the Tea Products from the Samoa Company until the Revised Annual Caps have been approved at the EGM. In view of this and the internal control procedures set out in the section headed "**Internal control measures**" below, we concur with the Directors' view that the 2015 Original Annual Cap would not be exceeded before the Revised Annual Caps have been approved at the EGM.

Given the 2015 Original Annual Cap is likely to be exceeded in 2015 and the Board expects that there will be a shift from the processing of Tea Products by the Company's Processing Factories to the direct sourcing of the Tea Products from the Samoa Company, on 20 August 2015, the Company entered into the Supplemental Agreement with the Samoa Company to revise the 2015 Original Annual Cap and the 2016 Original Annual Cap as follows:

<i>(HK\$)</i>	For the year ending 31 December	
	2015	2016
Original Annual Cap	77,000,000	84,700,000
Revised Annual Cap	132,000,000	132,000,000

In view of the guidance letter issued by the Stock Exchange in March 2014 on the pricing policies for continuing connected transactions (the "**Guidance Letter**"), the Company and the Samoa Company also detailed the pricing mechanism of the Tea Products to be purchased from the Samoa Group in the Supplemental Agreement.

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2. Principal terms of the Renewed Samoa Master Purchase Agreement and the Supplemental Agreement

In considering whether the Continuing Connected Transactions are on normal commercial terms, conducted in the ordinary and usual course of business and in the interest of the Shareholders and the Company as a whole, we have assessed the principal terms of the Supplemental Agreement (including the Revised Annual Caps and the detailed pricing mechanism), as well as other material terms of the Renewed Samoa Master Purchase Agreement which remain valid and applicable to the conduct of the Continuing Connected Transactions. Our assessment of the fairness and reasonableness of the principal terms of the Continuing Connected Transactions is set out as follows:

2.1 Detailed pricing mechanism

According to the Renewed Samoa Master Purchase Agreement, the Company and the Samoa Company have agreed that, among other things, the price of the Tea Products to be purchased by the Group from the Samoa Group (the “**Purchase Price**”) shall be determined through good faith negotiations by reference to the prevailing market rate of similar products, and the terms of the sales offered by the Samoa Group to the Group shall be no less favourable than those made available to the independent third parties.

To ensure that the pricing mechanism governing the Purchase Price fulfils the requirements set out in the Guidance Letter, the Company and the Samoa Company further detailed the mechanism in the Supplemental Agreement by specifying that whenever the Group would like to purchase the Tea Products from the Samoa Group, the Group shall follow its internal policies and procedures to obtain the quotations from both the Samoa Group and at least two other independent suppliers in similar quality and quantities so as to ensure that the price and terms offered by the Samoa Group are fair and reasonable and comparable to those offered by the independent third parties (the “**Pricing Mechanism**”).

Having reviewed the Guidance Letter and the Pricing Mechanism, we noted that the Group has observed the guidance under the Guidance Letter by detailing the methods and procedures the management will follow to determine the Purchase Price. As compared to the original one, the Pricing Mechanism under the Supplemental Agreement became more detailed with specific internal control procedures set out by the Group for ensuring the Continuing Connected Transactions to be conducted on normal commercial terms, and safeguarding the interests of the Company and the minority Shareholders as a whole. The internal control procedures now involves, among others, a designated department and staff responsible for cross checking the Purchase Price with the independent quotes available in the market before the Group conducting the Continuing Connected Transaction. We, having reviewed the internal control manual of the Group, concurred with the Board’s view that adequate internal control procedures for governing the determination of the Purchase Price are in place. Details of the internal control procedures are set out in the paragraph headed “**Internal control measures**” below.

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Given the Pricing Mechanism does not change the substance of the original one, and has included sufficient internal control procedures to ensure the parties to determine the Purchase Price according to the prevailing market price and a price not less favourable than independent third parties, we are of the view that the detailed Pricing Mechanism is fair and reasonable.

2.2 Revised Annual Caps and our assessment

Pursuant to the Supplemental Agreement, the Revised Annual Caps are set out as follows:

<i>(HK\$)</i>	For the year ending 31 December	
	2015	2016
Original Annual Cap	77,000,000	84,700,000
Revised Annual Cap	132,000,000	132,000,000

In determining the Revised Annual Caps, the Board has taken into account:

- (i) the Actual Purchase Amount for the six months ended 30 June 2014 and 2015, and that for the full year ended 31 December 2014;
- (ii) the expected Actual Purchase Amount for the year ending 31 December 2015 (the “**2015 Estimated Purchase Amount**”) estimated based on the historical proportion of the Actual Purchase Amount for the six months ended 30 June 2014 to that for the full year ended 31 December 2014;
- (iii) the expectation that the demand for the Group’s Tea Products will remain steady in 2016 based on the steady growth of the tea consumption in the PRC in the past 10 years; and
- (iv) the expected shift from the processing of the Tea Products by the Group’s own Processing Factories to the direct sourcing of the Tea Products from the Samoa Group in Jiangsu, taking into account the New Samoa Factory having commenced its production in early 2015 and the cost saving advantage resulting from the direct sourcing.

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In view of the above, we have discussed with the management of the Company and summarized the relevant financial information obtained from the Company and our calculations as follows:

<i>(RMB)</i>	2014	2015
Actual Purchase Amount for the six months ended 30 June (“6-month Purchase Amount”)	37,954,000	70,390,000
Actual Purchase Amount for the full year ended 31 December (“FY Purchase Amount”)	69,980,000	129,870,000 <i>(Note)</i>
% ratio of the 6-month Purchase Amount to the FY Purchase Amount (the “Ratio”)	54.2%	54.2%
Revised Annual Cap	Not applicable	132,000,000

Note: the amount represents the purchase amount of Tea Products from the Samoa Group estimated by applying the Ratio, rather than an actual one.

As noted from the above, if applying the Ratio, the 2015 Estimated Purchase Amount would be RMB129,870,000, which represents the core parameter for determining the 2015 Revised Annual Cap, with a mere 1.6% difference from the 2015 Revised Annual Cap (i.e. RMB132,000,000). We have discussed with the management of the Company in this regard and understand that the less-than-2% difference serves as a buffer, having taken into account the prospects of the Group’s Tea Products in the coming years as evidenced by the steady growth of tea consumption in the PRC in the past 10 years.

To ascertain whether the Board’s expectation of the prospects of the Group’s Tea Products is sound, we have reviewed a report on the current market situation and medium term outlook to 2023 of tea market issued by Food and Agriculture Organisation of the United Nations (聯合國糧食及農業組織) in October 2014. We note that the CAGR of the tea consumption in the PRC from 2004 to 2013 was approximately 3.9%, which, in our view, justified the Board’s positive expectation of the prospects of the Group’s Tea Products.

We have also obtained the information from the Company and understand that the New Samoa Factory is located in Jiangsu with a production capacity of 150 tonnes per annum. In early 2015, the New Samoa Factory has commenced its production of specific types of Tea Products including but not limited to Yuhua Tea, White Tea, Bi Lou Chun and other local green tea products. With a favourable location in Jiangsu, where those specific types of tea leaves plantation are especially rich, the New Samoa Factory is able to secure a stable supply of those specific types of tea leaves as raw materials from the local tea farmers for the production of the Tea Products at a relatively lower price. To this end, direct purchase of those specific types of Tea Products processed by the Samoa Group

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directly in Jiangsu would save the cost of the Group for sourcing the raw tea leaves in Jiangsu and transporting them from Jiangsu to the Group's Processing Factories in Fujian (where those specific types of tea leaves plantation are not particularly rich) for its own processing. In view of the cost saving advantage resulting from the direct purchase of Tea Products from the New Samoa Factory in Jiangsu as mentioned above, it is commercially sensible and justified for the Group to shift its processing of those specific types of Tea Products at its own Processing Factories to the direct purchase from the Samoa Company. It is also in line with the production planning of the Group as a whole given the total production capacity of four Processing Factories of the Group located in different provinces was over 4,990 tonnes per annum and the New Samoa Factory with production capacity of 150 tonnes would only take up a trivial part of production of the Group.

In addition, we have also reviewed the quotations from independent suppliers of similar Tea Products and note that unit price charged by the Samoa Group for the Tea Products is lower than those of the independent suppliers.

In view of the above, we are of the view that the Revised Annual Caps are fair and reasonable.

2.3 Payment terms

As agreed between the Company and the Samoa Company, the Group shall pay the Purchase Price to the Samoa Company within 90 days upon delivery of the Tea Products. In determining whether this payment term is fair and reasonable, we have obtained the supply contracts of the Group entered into with other independent suppliers of tea leaves and note that the independent suppliers normally grant to the Group a credit period of 50 days only. In view of this, we are of the view that the payment term of 90 days granted by the Samoa Group is better than that available from the independent third parties.

3. Internal control measures

The Group has adopted the following internal control measures to ensure that the transactions with the Samoa Group will be conducted on normal commercial terms:

- (i) where applicable and commercially sensible, the Group will continue to request the Samoa Group to provide the Tea Products to us through a bidding process, on arm's length basis and on the best available terms, with reference to the prevailing market prices;
- (ii) the implementation of the Renewed Samoa Master Purchase Agreement and the actual number and amount of Tea Products will be monitored and reviewed by the Board (including the independent non-executive Directors) and the senior management on a regular basis, with reference to terms of similar transactions with the independent third parties;

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- (iii) the Finance department of the Group will obtain the quotation from independent suppliers before purchasing any Tea Products from the Samoa Group and will report regularly to senior management with respect to the actual performance of the transactions of purchase of Tea Products with the Samoa Group;
- (iv) the Director(s) and/or the Shareholder(s) with an interest in the relevant transaction(s) shall abstain from voting in respect of the resolution(s);
- (v) the Group shall use the best endeavour to comply with the relevant reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules for the continuing connected transactions;
- (vi) the Group will engage the Company's auditor to report on the Continuing Connected Transactions every year in accordance with Rule 14A.56 of the Listing Rules; and
- (vii) the Group will duly disclose in the annual reports and accounts the transactions of purchase of the Tea Products with the Samoa Group during each financial period, together with the conclusions (with basis) drawn by the independent non-executive Directors whether the transactions are conducted on normal commercial terms, fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

In light of the above conditions, we are of the view that appropriate measures are in place to ensure that the Continuing Connected Transactions will be conducted on normal commercial terms and to safeguard the interests of the Independent Shareholders.

RECOMMENDATION

Having considered our analyses set out above, we concur with the Directors' view that (i) the terms of the Supplemental Agreement (including the Revised Annual Caps) are fair and reasonable; (ii) the Continuing Connected Transactions are on normal commercial terms and conducted in ordinary and usual course of business of the Group; and (iii) the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolution in respect of the transactions contemplated under the Supplemental Agreement (including the Revised Annual Caps) at the EGM.

Yours faithfully,
for and on behalf of
OPTIMA CAPITAL LIMITED
Benny Ng
Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Nature of Interest	Number of Shares and/or underlying Shares	Approximate percentage of Shareholding
Mr. Lee Rie-Ho (Note 2)	Interest in a controlled corporation	188,760,000 (L)	15.38%
	Personal interest/individual	708,000 (L)	0.06%
Mr. Lee Shih-Wei (Note 3)	Personal interest/individual	5,073,000 (L)	0.41%
Mr. Lee Chia Ling (Note 4)	Settlor of the KCL Trust	377,520,000 (L)	30.76%
	Personal interest/individual	354,000 (L)	0.03%

Name of Director	Nature of Interest	Number of Shares and/or underlying Shares	Approximate percentage of Shareholding
Mr. Lee Kuo-Lin (Note 4)	Beneficiary of the KCL Trust	377,520,000 (L)	30.76%
	Personal interest/individual	354,000 (L)	0.03%
Mr. Tseng Ming- Sung (Note 3)	Personal interest/individual	4,964,000 (L)	0.40%
Mr. Lo Wah Wai (Note 3)	Personal interest/individual	245,000 (L)	0.02%
Mr. Lee Kwan Hung (Note 3)	Personal interest/individual	245,000 (L)	0.02%
Mr. Fan Ren Da, Anthony (Note 3)	Personal interest/individual	245,000 (L)	0.02%

Notes:

- (1) The letter "L" denotes the person's long position in such Shares.
- (2) Discerning Group Limited is wholly-owned by Mr. Lee Rie-Ho, Mr. Lee Rie-Ho is deemed to be interested in the Shares held by Discerning Group Limited for the purpose of the SFO. Ms. Lee Tsai Li-Li is the wife of Mr. Lee Rie-Ho and is deemed to be interested in the Shares in which Mr. Lee Rie-Ho is deemed or taken to be interested for the purpose of the SFO. 708,000 share options were granted to Mr. Lee Rie-Ho with the exercise price per Share of HK\$5.60 on 12 January 2012, which lapsed in March 2015 due to unfulfilment of vesting conditions, i.e., unrealisation of performance targets set out for the three years ended on 31 December 2014 and another 708,000 share options were granted to Mr. Lee Rie-Ho with the exercise price per Share of HK\$4.28 on 19 March 2013.
- (3) 354,000 share options were granted to each of Mr. Lee Shih-Wei, Mr. Lo Wah Wai, Mr. Lee Kwan Hung and Mr. Fan Ren Da, Anthony with the exercise price per Share of HK\$5.41 on 6 January 2012, which lapsed in March 2015 due to unfulfilment of vesting conditions, i.e., unrealisation of performance targets set out for the three years ended on 31 December 2014. 354,000 share options were granted to Mr. Tseng Ming-Sung with the exercise price per Share of HK\$5.60 on 12 January 2012, which lapsed in March 2015 due to unfulfilment of vesting conditions, i.e., unrealisation of performance targets set out for the three years ended on 31 December 2014. 354,000 share options were granted to Mr. Lee Shih-Wei with the exercise price per Share of HK\$4.28 on 19 March 2013. 245,000 share options were granted to each of Mr. Tseng Ming-Sung, Mr. Lo Wah Wai, Mr. Lee Kwan Hung and Mr. Fan Ren Da, Anthony with the exercise price per Share of HK\$4.28 on 19 March 2013.

- (4) The entire issued share capital of Trackson Investments Limited is held by Tiger Nature which is in turn ultimately held by UBS TC (Jersey) Ltd. (through two nominee companies) as the trustee of The KCL Trust. The KCL Trust is a discretionary trust established by Mr. Lee Chia Ling as settlor on 12 April 2011. The beneficiaries of The KCL Trust include family members of Mr. Lee Chia Ling. Mr. Lee Chia Ling and Mr. Lee Kuo-Lin are deemed to be interested in 377,520,000 Shares held by The KCL Trust, Tiger Nature and Trackson Investments Limited pursuant to Part XV of the SFO. Ms. Zhou Nan-Nan is the spouse of Mr. Lee Chia Ling and is deemed to be interested in all the Shares of Mr. Lee Chia Ling by virtue of the SFO. 354,000 share options were granted to each of Mr. Lee Chia Ling and Mr. Lee Kuo-Lin with the exercise price per Share of HK\$5.41 on 6 January 2012, which lapsed in March 2015 due to unfulfilment of vesting conditions, i.e., unrealisation of performance targets set out for the three years ended on 31 December 2014, and another 354,000 share options were granted to Mr. Lee Chia Ling and Mr. Lee Kuo-Lin with the exercise price per Share of HK\$4.28 on 19 March 2013.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Interests of substantial shareholders

As at the Latest Practicable Date, so far as is known to the Directors, Shareholder (other than a Director) who had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any member of the Group is as follows:

Name	Capacity	Number of Shares and/or underlying Shares	Percentage of Shareholding
Discerning Group Limited (<i>Note 2</i>)	Registered owner	188,760,000 (L)	15.38%
Ms. Tsai Li-Li (<i>Note 2</i>)	Interest as a spouse	189,468,000 (L)	15.44%
UBS TC (Jersey) Ltd. (<i>Notes 3 & 4</i>)	Trustee	377,520,000 (L)	30.76%
Trackson Investments Limited (<i>Note 3</i>)	Registered owner	377,520,000 (L)	30.76%

Name	Capacity	Number of Shares and/or underlying Shares	Percentage of Shareholding
Tiger Nature <i>(Note 3)</i>	Interest in a controlled corporation	377,520,000 (L)	30.76%
The KCL Trust <i>(Note 3)</i>	Interest in a controlled corporation	377,520,000 (L)	30.76%
Mr. Lee John L <i>(Note 3)</i>	Beneficiary of the KCL Trust	377,520,000 (L)	30.76%
Ms. Zhou Nan Nan <i>(Note 3)</i>	Interest as a spouse	377,874,000 (L)	30.79%
General Atlantic Singapore Fund Pte. Ltd. <i>(Note 5)</i>	Registered owner	120,530,830 (L)	9.82%
General Atlantic Singapore Fund Interholdco Ltd. <i>(Note 5)</i>	Interest in a controlled corporation	120,530,830 (L)	9.82%
General Atlantic Partners (Bermuda) II, L.P. <i>(Note 5)</i>	Interest in a controlled corporation	120,530,830 (L)	9.82%
General Atlantic Partners (Bermuda) III, L.P. <i>(Note 5)</i>	Interest in a controlled corporation	120,530,830 (L)	9.82%
General Atlantic GenPar (Bermuda), L.P. <i>(Note 5)</i>	Interest in a controlled corporation	120,530,830 (L)	9.82%
GAP (Bermuda) Limited <i>(Note 5)</i>	Interest in a controlled corporation	120,530,830 (L)	9.82%
Spring Cheers Overseas Ltd.	Registered owner	95,861,273 (L)	7.81%

Notes:

- (1) The letter “L” denotes the person’s long position in such Shares.
- (2) Discerning Group Limited is wholly-owned by Mr. Lee Rie-Ho, Mr. Lee Rie-Ho is deemed to be interested in the Shares held by Discerning Group Limited for the purpose of the SFO. Ms. Lee Tsai Li-Li is the wife of Mr. Lee Rie-Ho and is deemed to be interested in the Shares in which Mr. Lee Rie-Ho is deemed or taken to be interested for the purpose of the SFO. 708,000 share options were granted to Mr. Lee Rie-Ho with the exercise price per Share of HK\$5.60 on 12 January 2012, which lapsed in March 2015 due to unfulfilment of vesting conditions, i.e., unrealisation of performance targets set out for the three years ended on 31 December 2014 and another 708,000 share options were granted to Mr. Lee Rie-Ho with the exercise price per Share of HK\$4.28 on 19 March 2013.
- (3) The entire issued share capital of Trackson Investments Limited is held by Tiger Nature which is in turn ultimately held by UBS TC (Jersey) Ltd. (through two nominee companies) as the trustee of The KCL Trust. The KCL Trust is a discretionary trust established by Mr. Lee Chia Ling as settlor on 12 April 2011. The beneficiaries of The KCL Trust include family members of Mr. Lee Chia Ling. Mr. Lee Chia Ling and Mr. Lee Kuo-Lin are deemed to be interested in 377,520,000 Shares held by The KCL Trust, Tiger Nature and Trackson Investments Limited pursuant to Part XV of the SFO. Ms. Zhou Nan-Nan is the spouse of Mr. Lee Chia Ling and is deemed to be interested in all the Shares of Mr. Lee Chia Ling by virtue of the SFO. 354,000 share options were granted to each of Mr. Lee Chia Ling and Mr. Lee Kuo-Lin with the exercise price per Share of HK\$5.41 on 6 January 2012, which lapsed in March 2015 due to unfulfilment of vesting conditions, i.e., unrealisation of performance targets set out for the three years ended on 31 December 2014 and another 354,000 share options were granted to Mr. Lee Chia Ling and Mr. Lee Kuo-Lin with the exercise price per Share of HK\$4.28 on 19 March 2013.
- (4) UBS TC (Jersey) Ltd. is the trustee of The KCL Trust, it is deemed to be interested in 377,520,000 Shares held by The KCL Trust.
- (5) General Atlantic Singapore Fund Pte. Ltd. is managed and controlled by its board of directors. The sole shareholder of General Atlantic Singapore Fund Pte. Ltd. is General Atlantic Singapore Fund Interholdco Ltd. (“GA Interholdco”). The single largest shareholder of GA Interholdco is General Atlantic Partners (Bermuda) II, L.P. (“GAP II LP”) and one of the minority shareholders of GA Interholdco is General Atlantic Partners (Bermuda) III, L.P. (“GAP III LP”). The general partner of each of GAP II LP and GAP III LP is General Atlantic GenPar (Bermuda), L.P. (“GA GenPar”) and the general partner of GA GenPar is GAP (Bermuda) Limited. The number of Shares and the approximate percentage of shareholding held by General Atlantic Singapore Fund Pte. Ltd., GA Interholdco, GAP II LP, GAP III LP, GA GenPar and GAP (Bermuda) Limited were stated herein by referring to their disclosures of interests on the website of the Stock Exchange.

Save as disclosed above, so far as is known to the Directors of the Company, as at the Latest Practicable Date, no other person (other than a Director of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital.

3. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into a service contract with any member of the Group which does not expire or which is not determinable by the Company within one year without payment of compensation (other than statutory compensation), subject to retirement by rotation and re-election pursuant to the articles of association of the Company and the Listing Rules.

4. COMPETING BUSINESS INTEREST OF DIRECTORS

As disclosed in the prospectus of the Company dated 14 September 2011, Mr. Lee Chia Ling owns interests in the Samoa Company and operates the Retained Manufacturing Business. Mr. Lee Rie-Ho, Mr. Lee Chia Ling and their associates own interests in the Retained Ten Ren Business, the Retained Uncle Lee Business (provided that it only conducts business in North America, South America and Europe) and the Retained Sales Business. Additionally, Mr. Lee Rie-Ho acts as a director of Lu Yu.

A deed of non-competition dated 31 August 2011, supplemented by a deed of adherence dated 21 June 2013 (the “Deed”) was entered into by and among other parties and the controlling shareholders, including Directors namely Mr. Lee Rie-Ho, Mr. Lee Chia Ling and Mr. Lee Shih-Wei (collectively, the “Covenantors”) in favour of the Company. According to the Deed, the Covenantors have undertaken that they shall not: (a) directly or indirectly engage, participate or hold any right or interest in or otherwise be involved in any business which is in competition with or may be in competition with the existing business activities of the Group or any business activities which the Group may undertake in the future; (b) take any direct or indirect action (including expansion of the Retained Manufacturing Business to other businesses by Mr. Lee Chia Ling) which constitutes an interference with or a disruption to the business activities of the Group including, but not limited to, solicitation of customers, suppliers and staff of the Group. The Company has received an annual written confirmation from each of the Covenantors in respect of the compliance by them and their associates with the Deed.

The independent non-executive Directors have reviewed the Deed and whether the controlling shareholders have abided by the non-competition undertaking. The independent non-executive Directors confirmed that they had determined that the controlling shareholders have not been in breach of the non-competition undertaking during the year ended 31 December 2014.

Save as disclosed above, none of the Directors held any interests in any business that compete directly against the Company or any of its jointly controlled entities and subsidiaries during the year ended 31 December 2014.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014, being the date to which the latest published audited financial statements of the Group were made up.

6. EXPERT'S QUALIFICATIONS AND CONSENTS

Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

The following is the qualification of the expert or professional adviser who has given its opinion or advice contained in this circular:

Name	Qualification
Independent Financial Adviser	A licensed corporation under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Independent Financial Adviser did not have any direct or indirect interest in any assets which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2014, the date to which the latest audited financial statements of the Group was made up; and was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

7. LITIGATION

So far as the Company is aware, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

8. GENERAL

- (a) None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be so acquired, disposed of by or leased to any member of the Group since 31 December 2014, being the date to which the latest published audited accounts of the Group were made up, and up to the Latest Practicable Date.

- (b) Save for the disclosed below, none of the Directors was materially interested in any contract, save the service contracts, or arrangement entered into by any member of the Group, which was subsisting and was significant in relation to the business of the Group:
- (i) As disclosed in the announcement of the Company dated 11 December 2013, on 11 December 2013, the Company entered into a renewed master processing agreement with the Samoa Company for the three years commencing on 1 January 2014 and ending on 31 December 2016, pursuant to which the Samoa Group agreed to provide processing services to enhance the quality of such tea leaves for a term of three years subject to an annual cap not exceeding RMB4,950,000, RMB5,445,000 and RMB5,989,000 for each of the three years ending 31 December 2016, respectively.
 - (ii) As disclosed in the announcement of the Company dated 11 December 2013, on 11 December 2013, the Company entered into a renewed master purchase agreement with Lu Yu for the three years commencing on 1 January 2014 and ending on 31 December 2016, pursuant to which the Company agreed to purchase or procure members of the Group to purchase tea ware from Lu Yu for an initial term of three years subject to an annual cap not exceeding RMB20,000,000, RMB24,000,000 and RMB28,800,000 for each of the three years ending on 31 December 2016, respectively.
 - (iii) Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from 26 September 2014, which may be terminated by not less than three months' notice in writing served by either party on the other.
- (c) The company secretary of the Company is Ms. Mok Ming Wai. Ms. Mok is a Chartered Secretary and a fellow member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.
- (d) The registered office of the Company is P.O. Box 2681, Cricket Square, Hutchins Drive, Grand Cayman KY1-1111, Cayman Islands.
- (e) The principal place of business of the Company in Hong Kong is at Room E, 22/F, CNT Tower, 338 Hennessy Road, Wanchai, Hong Kong.
- (f) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited.
- (g) The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at Room E, 22/F, CNT Tower, 338 Hennessy Road, Wanchai, Hong Kong during normal business hours on any weekdays, except public holidays, from the date of this circular up to and including the date of the EGM:

- (a) the Supplemental Agreement;
- (b) the Renewed Samoa Master Purchase Agreement;
- (c) the letter from the Independent Board Committee, the text of which is set out on page 11 of this circular;
- (d) the letter from the Independent Financial Adviser, the text of which is set out on pages 12 to 20 of this circular;
- (e) the consent letter of the Independent Financial Adviser referred to in the section headed "EXPERT'S QUALIFICATIONS AND CONSENTS" in this appendix; and
- (f) this circular.

NOTICE OF EGM

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “EGM”) of Tenfu (Cayman) Holdings Company Limited (the “Company”) will be held at 2901, Building C, Xinjing Commerce Center, No. 25 Jiahe Road, Xiamen, the PRC, on Friday, 9 October 2015 at 10 a.m., to consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

1. “THAT:

- (a) the supplemental agreement entered into between Tenfu (Cayman) Holdings Company Limited and Tenfu Group (Samoa) Holdings Company Limited dated 20 August 2015 (the “Supplemental Agreement”) (a copy of which is tabled at the EGM marked “A” and signed by the chairman of the meeting for identification purpose) and the continuing connected transactions contemplated thereunder (including the Revised Annual Caps) (as defined in the circular of the Company dated 7 September 2015, a copy of which is tabled at the EGM marked “B” and signed by the chairman of the meeting for identification purpose) (the “Circular”)) as set out in the Circular be and are hereby approved and confirmed; and
- (b) any director of the Company be and is hereby authorised to take any step and execute such other documents as they consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Supplemental Agreement and the continuing connected transactions contemplated thereunder (including the Revised Annual Caps) and contemplated thereby.”

By order of the Board

Tenfu (Cayman) Holdings Company Limited

Lee Chia Ling

Director

Hong Kong, 7 September 2015

NOTICE OF EGM

Notes:

1. The resolution at the meeting will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
2. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company.
3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited at the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude the shareholder from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. As at the date of this circular, the executive Directors are Mr. Lee Rie-Ho, Mr. Lee Shih-Wei, Mr. Lee Chia Ling and Mr. Lee Kuo-Lin; the non-executive Directors are Mr. Tseng Ming-Sung and Mr. Wei Ke and the independent non-executive Directors are Mr. Lo Wah Wai, Mr. Lee Kwan Hung and Mr. Fan Ren Da, Anthony.