天福(開曼)控股有限公司

Tenfu (Cayman) Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6868

Annual Report 2015

Contents

Corporate Profile

Tenfu (Cayman) Holdings Company Limited (the "Company" or "we", together with the subsidiaries, collectively the "Group") are a leading traditional Chinese tea-product enterprise in the People's Republic of China (the "PRC") engaged in the sales and marketing of a comprehensive range of tea products and the development of product concepts, tastes and packaging designs. Our key products are tea leaves, tea snacks and tea ware, which we sell through a nationwide network of self-owned and third-party owned retail outlets and retail points.

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 20 years of presence in the market, the Group believes it is in a strong position to continue capturing such expected growth in the market for branded traditional Chinese tea leaves.

We presently offer over 1,300 varieties of traditional Chinese tea-leaf products. Our branded traditional Chinese tea leaves had the largest market share in terms of retail sales value of all branded traditional Chinese tea leaves in the PRC and our Oolong tea and green tea dominated the respective market segments.

We offer over 300 varieties of tea snacks, most of which are infused with the flavor of tea leaves and are produced at our own facilities. As part of our business, we also sell tea ware under our own brands.

We adopt a multi-brand strategy to capture different segments of the traditional Chinese tea market in the PRC. Our most popular and well-known brand is the "Tenfu" brand. Our "Tenfu" brand tea products are primarily sold in our self-owned and third-party owned retail outlets and retail points where we strive to offer a personalised tea shopping experience. We also offer a separate line of products under the "Tenfu Ten Xin" (天福天心), "Danfeng" (丹峰) and "Uncle Lee" (安可李) brands which are primarily sold through our concession points at hypermarkets in the PRC.

As at 31 December 2015, our tea products were sold in 1,333 retail outlets and retail points across 31 provinces, autonomous regions and municipalities in the PRC, including stores with shop fronts at street level and in shopping malls and concession counters in department stores and hypermarkets.

We have started sales of tea drink (including milk tea) since acquisition of Xiamen Tianqia Catering Management Co., Limited with the trademark of "放牛斑" and formation of a joint venture company, Xiamen Daily Plus Food Beverage Management Co., Ltd. with the trademark of "喫茶趣 TO GO".

Corporate Information

DIRECTORS

Executive Directors

LEE Rie-Ho *(Chairman)*
LEE Shih-Wei *(Vice Chairman)*
LEE Chia Ling *(Chief Executive Officer)*
LEE Kuo-Lin *(Chief Operating Officer)*

Non-executive Directors

TSENG Ming-Sung
WEI Ke

Independent Non-executive Directors

LO Wah Wai
LEE Kwan Hung
FAN Ren Da, Anthony

BOARD COMMITTEES

Audit Committee

LO Wah Wai *(Chairman)*
TSENG Ming-Sung
FAN Ren Da, Anthony
LEE Kwan Hung

Remuneration Committee

FAN Ren Da, Anthony *(Chairman)*
LEE Rie-Ho
LO Wah Wai
LEE Kwan Hung
LEE Chia Ling

Nomination Committee

LEE Kwan Hung *(Chairman)*
LEE Kuo-Lin
FAN Ren Da, Anthony
LO Wah Wai

REGISTERED OFFICE

P.O. Box 2681
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HEADQUARTERS IN THE PRC

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room E, 22/F
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Wanchai
Hong Kong

AUTHORIZED REPRESENTATIVES

LEE Chia Ling
MOK Ming Wai

COMPANY SECRETARY

MOK Ming Wai (FCS, FCIS)

PRINCIPAL SHARE REGISTRAR

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

Corporate Information

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PLACE OF LISTING

The main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")

NAME OF STOCK

Tenfu (Cayman) Holdings Company Limited

STOCK CODE

6868 (listed on the Stock Exchange on 26 September 2011)

PRINCIPAL BANKERS

Bank of China Limited, Zhangpu Sub-branch
Bank of Communications Co. Ltd., Xiamen Branch

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central
Hong Kong

WEBSITE

www.tenfu.com

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 of directors of the Company (the "Board") proposed a final dividend of HKD0.06 per share (equivalent to RMB0.05 per share).

Comparison of Key Financial Figures

Results

	For the year ended 31 December (RMB '000)				
	2011	2012	2013	2014	**2015**
Revenue	1,753,317	1,706,598	1,661,577	1,688,589	**1,518,045**
Gross profit	1,079,558	1,094,704	1,017,189	1,049,869	**931,600**
Gross profit margin (%)	61.6	64.1	61.2	62.2	**61.4**
Profit before income tax	408,706	407,135	369,035	378,362	**227,640**
Profit for the year, all attributable to the owners of the Company	293,510	294,597	267,133	270,198	**146,354**
Net profit margin (%)	16.7	17.3	16.1	16.0	**9.6**

Assets and liabilities

	As at 31 December (RMB '000)				
	2011	2012	2013	2014	**2015**
Total assets	2,477,927	2,134,370	2,341,394	2,844,607	**2,502,749**
Total equity	1,890,482	1,828,578	1,890,357	1,963,785	**1,924,830**
Total liabilities	587,445	305,792	451,037	880,822	**577,919**
Gearing ratio (%)	15	5	6	23	**12**
Trade receivables turnover days (days)	126	111	99	106	**118**
Trade payables turnover days (days)	58	58	64	68	**60**
Inventories turnover days (days)	187	239	222	239	**274**

Chairman's Statement

In 2015, China's consumption market continued to be stagnant. Weak economy together with a sluggish domestic demand had turned down the sentiment of the Group's customers. Albeit such a challenging economic environment, the Group remained aggressive in expanding its sales network, developed products to meet different consumers' demand, continued to maintain its customer-oriented service, began to cut its operating costs, and accelerated the expansion of tea beverage market, which rewarded it with an overall revenue of RMB1.52 billion in 2015. Meanwhile, the Group strived to increase its procurement and production efficiency, continuously optimise cost management and effectively control expenses and shop opening costs, which enabled it to keep up the profit against the rising costs of raw materials and other items. The Group expects that these measures will have a positive influence on the Group's financial performance for the foreseeable future.

Operational Review for 2015

In order to make the Tenfu tea products and brands more popular in the ultimate markets and distribution channels and maintain its leading position and advantage in the highly competitive Chinese tea market, in 2015, the Group continued to implement a number of significant operational measures to streamline the Group's organisation structure, adopt active marketing strategy to satisfy customers' demand, sell tea products together with tea beverage to expand product categories and sales channels. In 2016, the Group will pursue the following moves to meet market demands:

1. Continuing to develop new stores and optimize sales network;
2. Holding tea fairs in major cities, promote tea culture and the sales of tea and tea ware;
3. Developing new tea products, expanding market share of milk tea, and promoting the sales of milk tea, such as "放牛斑" brand milk tea, to meet the needs of different consumer groups and their changing preferences for fashion;
4. Promoting famous teas of different origins by selling them at our sales outlets so as to truly cater for the local consumption preference;
5. Adjusting the product structure to meet the demand of the consumers in accordance with the consumer groups in different areas and shops;
6. Emphasizing on the number of visitors and enhancing the quality of services provided to customers in order to increase the number of successful deals;
7. Introducing loyalty cards to consolidate and develop our customer base; and
8. Continuing to carry out various marketing activities.

We believe that we have a good structure and got well prepared for future growth. Our team is working tirelessly for the Group's success in the long term.

Business Outlook for 2016

Considering China's large population, we believe that there are huge business opportunities in the food, beverage and retail industries in China, with the progress of urbanization and the enhancement in the per capita disposable income. The Group still has full confidence in the potential growth of the tea consumption market in China. The tea beverage sector the Group expanded in 2015 will become another growth engine, which will bring the Group additional revenue contribution and profitability and facilitate the Group's business development in the broad portfolio of tea products. The Group will continue to strengthen the brand image and competitive advantage and actively implement the significant operational measures as follows:

1. Actively exploring new outlets
   (1) In addition to the first and second-tier cities, accelerate the development of outlets in the third and fourth-tier cities and develop e-commerce;
   (2) Building No.1 brand image through opening flagship stores across the country; and
   (3) Expanding into international market, for example, the Group had entered into a memorandum of understanding with Rise General Trading LLC for the proposal of establishing a joint venture, to sell tea leave and tea snack in the Middle East.
2. Upgrading the benefits offered to the core management and staff to strengthen corporate solidarity and expand paths of promotion so that our key talents with good performance can work without distraction;
3. Strengthening education and training, so that our employees can master appropriate and applicable management and marketing skills, enhance their awareness of service and quality, so as to ensure that our operating principles and policies can be achieved;
4. Prioritizing product quality and safety, and continuing to develop new products and improve packaging, so as to meet the needs of middle and low-end consumers;
5. Strengthen control over all aspects of the costs and eliminate extravagance and waste;
6. Emphasizing computerised operation and make good use of technology to simplify the work at the shops so that the staff can concentrate on sales and service, resulting in improvement on the human output value and the per capita income;
7. Actively promoting original equipment manufacturer business for tea snacks to add to the revenue of the Group;
8. Actively organizing tea exhibitions, incense lore exhibitions, new tea tasting and tea art teaching activities, so that our regular customers can grow and evolve together with our staff; and
9. Implementing customer-friendly economy with focus on the products that the ordinary people actually consume, i.e. localisation of the packaging of goods, simplification of commodity specifications, customer-friendliness of commodity prices, and guarantee of product quality.

I believe that, through the joint efforts of our management and staff, we will be able to adapt to the rapidly changing environment, grasp market trends, lead the trend of consumption and achieve the continuous development goal of the Company without disappointing our Shareholders!

Chairman's Statement

Acknowledgement

In this year, 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, so I would like to express my deepest appreciation to our customers, suppliers, business partners and Shareholders for their support on behalf of the Board, and in particular for the efforts and contributions and dedication of all our staff over the past year!

LEE Rie-Ho

Chairman

Hong Kong, 15 March 2016

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 share 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.

Directors and Senior Management

Directors

Executive Directors

LEE Rie-Ho (李瑞河), aged 80, is an executive Director and the Chairman of the Group. He was appointed as the Director and Chairman on 22 April 2010 and was redesignated as an executive Director on 31 August 2011. Mr. Lee is also a member of the remuneration committee of the Company. He is primarily responsible for the overall corporate strategy, expansion and investment decisions of the Group. Mr. Lee has over 65 years of experience in the tea industry. He is one of the founders of the Group and has served as the Chairman since 1993. Before co-founding the Group in 1993, Mr. Lee founded Ten Ren Tea Co., Ltd. (天仁茶葉股份有限公司) ("Ten Ren") in 1975 in Taiwan. Ten Ren is in the business of the manufacturing and retail sales of tea leaves and various tea products through its self-operated and franchise stores in Taiwan, the United States of America (the "United States") and Canada. Ten Ren has been listed on the main board of the Taiwan Stock Exchange (Stock code: 1233) since 1999. Mr. Lee has extensive personal and business connections in the tea industry. He was named "Worldwide King of Tea (世界茶王)" by People's Daily (人民日報) in 2000. Mr. Lee is the father of Mr. Lee Chia Ling and Mr. Lee Kuo-Lin and the uncle of Mr. Lee Shih-Wei and Mr. Lee Min-Zun, the chief financial officer of the Company. With extensive experience in the tea industry, Mr. Lee has led the Group to become a leader in the tea industry in the PRC by promoting the Group's business and developing a well-known premium brand. In recognition of Mr. Lee's character, integrity and contribution to the local development of Zhangzhou, Mr. Lee Rie-Ho was awarded honorary citizenship by the People's Government of Zhangzhou in 2000. Since 2000, Mr. Lee has also been appointed as the Citizen Supervisor of Police Discipline (警風廉政監督員) in Zhangzhou. As part of the selection criteria of the PRC authorities, preferable candidates of Citizen Supervisor of Police Discipline include deputies of People's Congress, members of People's Political Consultative Conference, journalists and well-known persons in the community and only candidates with a strong sense of responsibility, care and support for public security work may be re-appointed.

LEE Shih-Wei (李世偉), aged 56, is an executive Director and the Vice Chairman of the Group. He was appointed as the executive Director on 31 August 2011. Mr. Lee is one of the founders of the Group, and is primarily responsible for the management of the Group and coordination of the factory operations and retail businesses of the Group. He has been a director of the Group since 1997. Mr. Lee has more than 30 years of experience in the tea industry. Between 1987 and 1998, he worked for Ten Ren in Taiwan, and acted as the head of the international trading department of Ten Ren since 1987. Mr. Lee has been a director of Ten Ren since 2007. Mr. Lee joined the Group in 1993 and served as the general manager of 福州天福茶業有限公司 (Fuzhou Tianfu Tea Industry Co., Ltd.) from 1993 to 1997. Mr. Lee is a nephew of Mr. Lee Rie-Ho and a cousin of both Mr. Lee Kuo-Lin and Mr. Lee Chia Ling. He graduated from National Chung Hsing High School (previously known as Taiwan Provincial Chung Hsing High School) in 1978.

LEE Chia Ling (李家麟), aged 53, is an executive Director and the Chief Executive Officer of the Group. He was appointed as the Director on 22 April 2010 and was designated as an executive Director on 31 August 2011. He is also a member of the remuneration committee of the Company. He has been one of the authorised representatives of the Company since 27 August 2012. Mr. Lee is one of the founders of the Group and is primarily responsible for the overall management, business development and the daily operations of the Group as well as the implementation of the business strategies. He has more than 25 years of experience in the tea industry. Mr. Lee joined Ten Ren as an executive assistant to the manager of tea business development in 1991 and was then appointed as the executive assistant to the chairman (董事長特別助理) in Taiwan, responsible for assisting the chairman with the overall management of Ten Ren, and subsequently became a director of the domestic sales department of Ten Ren in Taiwan in the same year. Mr. Lee joined the Group as the deputy general manager (副總經理) in 1996 and was appointed as general manager in 1997. Mr. Lee is the son of Mr. Lee Rie-Ho and the younger brother of Mr. Lee Kuo-Lin and a cousin of both Mr. Lee Shih-Wei and Mr. Lee Min-Zun. He obtained a master's degree in business administration from Oklahoma City University in the United States in 1990.

LEE Kuo-Lin (李國麟), aged 54, is an executive Director and the Chief Operating Officer of the Group. He was appointed as the executive Director on 31 August 2011. Mr. Lee is also a member of the nomination committee of the Company. He is primarily responsible for the overall management of the tea processing operations. Mr. Lee has more than 25 years of experience in the tea industry. Before joining the Group, between 1989 to 1997, Mr. Lee worked for and eventually became the chief executive officer of Uncle Lee's Tea Inc. based in the United States. Mr. Lee is the chairman of certain subsidiaries of the Group, including 漳州天福茶業有限公司 (Zhangzhou Tianfu Tea Industry Co., Ltd.) since 1998, and 漳浦天福觀光茶園有限公司 (Zhangpu Tian Fu Tea Garden Co., Ltd.) since 1999. Mr. Lee is the son of Mr. Lee Rie-Ho and the elder brother of Mr. Lee Chia Ling and a cousin of both Mr. Lee Shih-Wei and Mr. Lee Min-Zun. He received his associate in arts degree from Los Angeles City College in the United States in 1988.

Non-executive Directors

TSENG Ming-Sung (曾明順), aged 59, is a non-executive Director. He was appointed as the non-executive Director on 31 August 2011. Mr. Tseng is also a member of the audit committee of the Company. Mr. Tseng is one of the founders of the Group and is responsible for advising on the overall corporate finance plans of the Group. Mr. Tseng has been the chief executive officer of 天心中醫醫院 (Ten Xin Traditional Chinese Medicine Hospital) since 1998. He is also the director of the following entities: 天心堂參藥股份有限公司 (Ten Xin Ginseng Company Limited) since 1998, 天廬育樂事業股份有限公司 (Ten Lu Entertainment Co. Ltd.) since 2003, 太仁開發事業股份有限公司 (Tai Ren Development Co., Ltd.) since 2003, 天仁茶藝文化基金會 (Ten Ren Tea Culture Foundation) since 1994, and 天福投資股份有限公司 (Ten Fu Investment Co. Ltd.) since 2010. Mr. Tseng obtained a bachelor's degree in mechanical engineering from Chung Yuan Christian University in Taiwan in 1979.

WEI Ke (魏可), aged 42, is a non-executive Director. He was appointed as the non-executive Director on 27 August 2012. Mr. Wei is a Managing Director at the General Atlantic private equity firm and focuses on General Atlantic's investment opportunities in Greater China. Prior to joining General Atlantic, Mr. Wei served as an Investment Principal at Actis, an emerging market private equity firm, from 2008 to 2009. He also worked at Boston Consulting Group from 2005 to 2008. Mr. Wei earned his master's degree in Business Administration from Harvard Business School in 2005, and his bachelor's degree in Science and English from University of Science and Technology, Beijing in 1996. Mr. Wei is also a non-executive director of Xiabuxiabu Catering Management (China) Holdings Co., Ltd. (stock code: 0520), a company listed on the main board of the Stock Exchange.

Directors and Senior Management

Independent Non-executive Directors

LO Wah Wai (盧華威), aged 52, is an independent non-executive Director. He was appointed as the independent non-executive Director on 31 August 2011. Mr. Lo is the chairman of the audit committee of the Company. He is also a member of the nomination committee and the remuneration committee of the Company. Mr. Lo holds a bachelor's degree in business administration from the Chinese University of Hong Kong and a master's degree in management science from New Jersey Institute of Technology in the United States. He is a practising member of the Hong Kong Institute of Certified Public Accountants and is a member of the American Institute of Certified Public Accountants. Mr. Lo has more than 25 years' service experience in auditing and business consulting services, in which he had more than seven years' experience in auditing and business consulting services in an international accounting firm (Deloitte Touche Tohmatsu), of which two years were spent in the United States. Mr. Lo is also an independent non-executive director of Chongqing Machinery & Electric Co., Ltd. (Stock code: 2722), a company listed on the main board of the Stock Exchange.

LEE Kwan Hung (李均雄), aged 50, is an independent non-executive Director. He was appointed as the independent non-executive Director on 31 August 2011. Mr. Lee is the chairman of the nomination committee. He is also a member of the audit committee and the remuneration committee. Mr. Lee received his Bachelor of Laws (Honours) degree and Postgraduate Certificate in Laws from the University of Hong Kong in 1988 and 1989 respectively. He was then admitted as a solicitor in Hong Kong in 1991 and in the United Kingdom in 1997. Mr. Lee was a senior manager of the Listing Division of the Stock Exchange from 1993 to 1994 and was a partner of a famous law firm in Hong Kong from 2001 to 2011. He is currently a practising lawyer, joined Howse Williams Bowers as a consultant on 1 July 2014 and serves as an independent non-executive director of various companies listed on the Main Board of the Stock Exchange, including Embry Holdings Limited; NetDragon Websoft Inc.; Asia Cassava Resources Holdings Limited; Futong Technology Development Holdings Limited; Newton Resources Ltd; Walker Group Holdings Limited; Red Star Macalline Group Corporation Ltd.; China Goldjoy Group Limited; FSE Engineering Holdings Limited; Ten Pao Group Holdings Limited; China BlueChemical Ltd. and Landsea Green Properties Co., Ltd. Mr. Lee was also an independent non-executive director of Yuexiu REIT Asset Management Limited and Far East Holdings International Limited (both of which are listed on the Main Board of the Stock Exchange).

FAN Ren Da, Anthony (范仁達), aged 56, is an independent non-executive Director. He was appointed as the independent non-executive Director on 31 August 2011. Mr. Fan is the chairman of remuneration committee of the Company. He is also a member of the audit committee and the nomination committee of the Company. Mr. Fan holds a master's degree in business administration from the University of Dallas in the United States. He is currently the chairman of AsiaLink Capital Limited (東源資本有限公司). Mr. Fan serves as an independent non-executive director of various listed companies, including Raymond Industrial Limited, CITIC Resources Holdings Limited, Uni-President China Holdings Ltd, Renhe Commercial Holdings Company Limited, Hong Kong Resources Holdings Company Limited, Shanghai Industrial Urban Development Group Limited, Guodian Technology & Environment Group Corporation Limited, Technovator International Limited, LT Commercial Real Estate Limited, China Development Bank International Investment Limited, CGN Meiya Power Holdings Co., Ltd. and Neo-Neon Holdings Limited, which are all listed on the main board of the Stock Exchange.

Senior management

LEE Min-Zun (李銘仁), aged 51, is the Chief Financial Officer of the Company. Mr. Lee was an executive Director between 31 August 2011 and 27 August 2012. Mr. Lee is primarily responsible for the corporate finance operations and the overall financial and accounting affairs of the Group. He has over 15 years of finance experience. Before joining the Group, Mr. Lee was the assistant and deputy general manager of the corporate finance department of Ten Ren in 1999 and 2000, respectively and was responsible for its general financial affairs. Mr. Lee has been the supervisor (監察人) of Ten Ren since 2004. Mr. Lee is a nephew of Mr. Lee Rie-Ho and a cousin of both Mr. Lee Kuo-Lin and Mr. Lee Chia Ling. He graduated from Northrop University in the United States with a master's degree in business administration in 1989.

LEE Shen-Chih (李勝治), aged 71, is the Deputy President of the Company. He is responsible for procurement of raw materials, market research, and formulating and executing the overall production and procurement strategies of the Group. He joined the Group in 2007. He graduated from the University of Texas at Austin in the United States with a master's degree in social work studies in 1985. Mr. Lee was the chairman of Ten Ren between 1990 and 2007, and has been the director of 天仁茶藝文化基金會 (Ten Ren Tea Culture Foundation) since 1991, 陸羽茶藝股份有限公司 (Lu Yu Tea Artcraft Co., Ltd.) since September 1993, and 天廬育樂事業股份有限公司 (Tenlu Leisure Business Co., Ltd.) from November 2004 to August 2007. Mr. Lee is a founder of the Rotary Club of Taipei Hsin-Yi branch in 1987. He is a cousin of Mr. Lee Rie-Ho.

LEE Mao-Ling (李茂林), aged 54, is the Deputy General Manager of the General Administration Department of the Company. He is responsible for assisting in the overall corporate management and marketing planning and development of the Group. Between 1987 and 1995, he was the executive assistant to the chairman of 陸羽茶藝股份有限公司 (Lu Yu Tea Artcraft Co., Ltd.), and the director and assistant manager of the Enterprise Resources Planning Department and Business Development Department of Ten Ren respectively. Before joining the Group in 2001, Mr. Lee worked for 雅博股份有限公司 (Apex Medical Corp.) as manager of its Domestic Sales Division. Mr. Lee graduated from National Chung Hsing University in Taiwan 1985, majoring in agricultural transportation and sales.

LEE Yen-Ping (李彥屏), aged 46, is the Head of the Marketing and Enterprise Planning Department of the Company. He is responsible for the business positioning, brand development, product research and development and the overall marketing initiatives of the Group. He joined the Group as the manager of the sale planning department in 2004. Mr. Lee was the manager of the Procurement and Research and Development Division of Ten Ren in 1996 and 2001, respectively. In 2003, he worked as the sales manager of Ten Ren Tea & Ginseng Co., Ltd. in Toronto, Canada. Mr. Lee graduated from Tsoying Senior High School (高雄市立左營高中) in Taiwan in 1988.

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report in the Group's Annual Report for the year ended 31 December 2015.

Corporate governance practices

The Group strives to maintain high standards of corporate governance to enhance Shareholder value and safeguard Shareholder interests. The Group's corporate governance principles emphasize the importance of a quality Board, effective internal controls and accountability to Shareholders.

For the year ended 31 December 2015, the Company has complied with the code provisions included in the Corporate Governance Code (the "Corporate Governance Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and there has been no deviation from the code provisions as set forth under the Corporate Governance Code for the year ended 31 December 2015.

The Company reviews its corporate governance practices regularly to ensure compliance with the Corporate Governance Code.

The Board of Directors

Responsibilities

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The Board has delegated to the Chief Executive Officer, of which the Directors also undertake, and through him, to the senior management the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

Board composition

Membership of the Board is currently made up of nine members in total, with four executive Directors, two non-executive Directors and three independent non-executive Directors.

The Company has complied with Rule 3.10A of the Listing Rules for the Board to have at least one-third of its membership comprising independent non-executive Directors. The composition of the Board is set out below:

Executive Directors

Mr. LEE Rie-Ho	Chairman
Mr. LEE Shih-Wei	Vice Chairman
Mr. LEE Chia Ling	Chief Executive Officer
Mr. LEE Kuo-Lin	Chief Operating Officer

Non-executive Directors

Mr. TSENG Ming-Sung

Mr. WEI Ke

Independent Non-executive Directors

Mr. LO Wah Wai

Mr. LEE Kwan Hung

Mr. FAN Ren Da, Anthony

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

The relationships among the members of the Board are disclosed under "Directors and Senior Management" on pages 18 to 21 of this annual report.

During the year ended 31 December 2015, the Board at all times complied with the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit, Remuneration and Nomination Committees of the Company.

Chairman and Chief Executive Officer

The roles and duties of the Chairman and the Chief Executive Officer of the Company are carried out by different individuals and have been clearly defined in writing.

The Chairman of the Board is Mr. Lee Rie-Ho and the Chief Executive Officer is Mr. Lee Chia Ling. The positions of Chairman and Chief Executive Officer are held by separate persons in order to preserve independence and a balance of views and judgement. With the support of the senior management, the Chairman is responsible for ensuring that the Directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings. The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Group's day-to-day management and operations. The Chief Executive Officer is also responsible for developing strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board's approval.

Appointment and re-election of Directors

Each of our Directors is engaged on a service contract for a term of three years, and the appointment may be terminated by not less than three months' notice in writing.

In accordance with the Company's Articles of Association, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed by the Board to fill a causal vacancy shall submit himself/herself for re-election by Shareholders at the first general meeting after appointment or in case as an addition to the Board, the new Director shall hold office only until the next following annual general meeting of the Company and then be eligible for re-election.

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's Articles of Association. The Nomination Committee established on 31 August 2011 is to be responsible for reviewing the Board composition, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive Directors.

The Board is collectively responsible for performing the corporate governance duties and formalised the inclusion of the following corporate governance duties into the terms of reference of the Board:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report in the annual report of the Company.

The Board has adopted a board diversity policy setting out the approach to diversity of members of the Board. The Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates of Board members will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

Nomination Committee

The Nomination Committee comprises four members, namely Mr. Lee Kwan Hung (Chairman), Mr. Lee Kuo-Lin, Mr. Fan Ren Da, Anthony and Mr. Lo Wah Wai, the majority of which are independent non-executive Directors.

The principal duties of the Nomination Committee include reviewing the structure, size and composition of the Board regularly, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of the independent non-executive Directors. In carrying out the responsibility for identifying suitably qualified candidates to become members of the Board, the Committee will give adequate consideration to the board diversity policy. The Nomination Committee is provided with sufficient resources to perform its duties.

In accordance with the Company's Articles of Association, one-third of the Directors, shall retire by rotation and the newly appointed Director (if any) in 2015 shall retire and being eligible, offer themselves for re-election at the next forthcoming annual general meeting and every Director shall be subject to retirement at the annual general meeting at least once every three years.

The Company's circular dated 12 April 2016 contains detailed information of the Directors standing for re-election.

The Nomination Committee reviewed the nomination procedures, the process and criteria to select and recommend candidates for directorship and the Board structure with consideration of Board Diversity Policy during the year ended 31 December 2015.

The Nomination Committee held 1 meeting during the year ended 31 December 2015 and the attendance records are set out below:

Name of Director	Attendance/Number of Meetings
Mr. LEE Kwan Hung	1/1
Mr. LEE Kuo-Lin	1/1
Mr. FAN Ren Da, Anthony	1/1
Mr. LO Wah Wai	1/1

Induction and continuing development of Directors

Each newly appointed Director receives formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are continually updated on the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for Directors will be arranged where necessary. Individual Directors also participated in the courses relating to the roles, functions and duties of a listed company director or further enhancement of their professional development by way of attending training courses or via online aids or reading relevant materials.

During the year ended 31 December 2015, all Directors are provided with the latest version of "A Guide on Directors' Duties" issued by the Companies Registry, Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong), corporate governance practices and other regulatory regime.

According to the records provided by the Directors, a summary of training received by the Directors for the year ended 31 December 2015 is as follows:

	Type of continuous professional development programmes
Executive Directors	
Mr. LEE Rie-Ho	1, 2, 3
Mr. LEE Shih-Wei	1, 2, 3
Mr. LEE Chia Ling	1, 2, 3
Mr. LEE Kuo-Lin	1, 2, 3
Non-executive Directors	
Mr. TSENG Ming-Sung	1, 2, 3
Mr. WEI Ke	1, 2, 3
Independent Non-executive Directors	
Mr. LO Wah Wai	1, 2, 3
Mr. LEE Kwan Hung	1, 2, 3
Mr. FAN Ren Da, Anthony	1, 2, 3

Notes:

1. *Reading materials and updates relating to the latest development of the Listing Rules and other applicable regulatory requirements.*
2. *Internal group discussion on the updates relating to the latest development of the Listing Rules and other applicable regulatory requirements.*
3. *Attending briefing sessions and/or seminars offered by external professionals and/or experts.*

Board meetings

Board practices and conduct of meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance.

Notice of regular Board meetings is served to all Directors at least 14 days before the meeting. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or committee meeting to keep Directors apprised of the latest developments and financial position of the Group and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management where necessary.

The senior management, including Chief Executive Officer and Chief Financial Officer, attend all regular Board meetings and where necessary, other Board and committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and final versions are open for Directors' inspection.

The Company's Articles of Association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Directors' attendance records

During the year ended 31 December 2015, 4 regular Board meetings were held, including for reviewing and approving the interim results for the six months ended 30 June 2015, and considering and approving the overall strategies and policies of the Group.

The attendance records of each Director at the Board meetings during the year ended 31 December 2015 are set out below:

Name of Director	Attendance/Number of Meetings
Mr. LEE Rie-Ho	4/4
Mr. LEE Shih-Wei	4/4
Mr. LEE Chia Ling	4/4
Mr. LEE Kuo-Lin	4/4
Mr. TSENG Ming-Sung	4/4
Mr. WEI Ke	4/4
Mr. LO Wah Wai	4/4
Mr. LEE Kwan Hung	4/4
Mr. FAN Ren Da, Anthony	4/4

Model code for securities transactions

The Company 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 (the "Appendix 10") and devised its own code of conduct regarding Directors' dealings in the Company's securities (the "Company Code") on terms no less exacting than the Model Code.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code and the Company Code for the year ended 31 December 2015.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

Delegation by the Board

The Board undertakes responsibility for decision making in major Group matters, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Group are delegated to the Chief Executive Officer and the senior management. The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers.

The Board has established three committees, namely, the Nomination Committee, Remuneration Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are available to Shareholders upon request.

The Board also has the full support of the Chief Executive Officer and the senior management for the discharge of its responsibilities.

Remuneration of Directors and senior management

The Company has established a formal and transparent procedure for formulating policies on remuneration of senior management of the Group. Details of the remuneration of each of the Directors for the year ended 31 December 2015 are set out in Note 36 to the Consolidated Financial Statements.

The biographies of the senior management are disclosed in the section headed "Directors and Senior Management" in this annual report. Remuneration paid to the senior management (excluding the Directors) for the year ended 31 December 2015 is within the following bands:

	Number of individuals 2015	2014
Nil – RMB500,000	**3**	2
RMB500,001 – RMB1,000,000	**1**	2

Remuneration committee

The Remuneration Committee comprises five members, namely, Mr. Fan Ren Da, Anthony (Chairman), Mr. Lee Rie-Ho, Mr. Lo Wah Wai, Mr. Lee Kwan Hung and Mr. Lee Chia Ling, the majority of which are independent non-executive Directors.

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive Directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Remuneration Committee has reviewed the remuneration policy and structure of the Group, and the remuneration packages of the executive Directors and the senior management for the year ended 31 December 2015.

The Remuneration Committee held 1 meeting during the year ended 31 December 2015 and the attendance records are set out below:

Name of Director	Attendance/Number of Meetings
Mr. FAN Ren Da, Anthony	1/1
Mr. LEE Rie-Ho	1/1
Mr. LO Wah Wai	1/1
Mr. LEE Kwan Hung	1/1
Mr. LEE Chia Ling	1/1

Accountability and audit

Directors’ responsibilities for financial reporting in respect of Consolidated Financial Statements

The Directors acknowledge their responsibility for preparing the Consolidated Financial Statements for the year ended 31 December 2015.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Consolidated Financial Statements, which are put to the Board for approval.

Internal controls and risk management

During the year ended 31 December 2015, the Board, through the Audit Committee, conducted a review of the effectiveness of the internal control and risk management systems of the Group including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget.

The Board is responsible for maintaining an adequate internal control and risk management systems to safeguard Shareholder investments and the Group assets and with the support of the Audit Committee, reviewing the effectiveness of such systems on an annual basis.

The internal control and risk management systems of the Group are designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The internal auditor and senior management reviews and evaluates the control process, monitors any risk factors on a regular basis, and reports to the Audit Committee on any findings and measures to address the variances and identified risks.

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 Corporate Governance 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 to cover risk management function and responsibility, according to the Consultation Conclusion. For further details of the terms of reference of the Audit Committee, please refer to the terms of reference of the Audit Committee published by the Company on 25 November 2015.

Audit committee

The Audit Committee comprises four members, namely, Mr. Lo Wah Wai (Chairman), Mr. Tseng Ming-Sung, Mr. Fan Ren Da, Anthony and Mr. Lee Kwan Hung, the majority of which are independent non-executive Directors and of which one of the independent non-executive Directors possesses the appropriate professional qualifications or accounting or related financial management expertise.

The main duties of the Audit Committee include the following:

- To review the consolidated financial statements and reports and consider any significant or unusual items raised by the internal auditor or external auditor before submission to the Board;
- To review the relationship with the external auditor by reference to the work performed by the external auditor, its fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditor; and
- To review the adequacy and effectiveness of the Group's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee oversees the internal control and risk management systems of the Group, reports to the Board on any material issues, and makes recommendations to the Board.

During the year ended 31 December 2015, the Audit Committee discussed with the management of the Company the internal controls, risk management and financial reporting matters, and reviewed the accounting principles and practices adopted by the Group and the effectiveness of the Group's internal control and risk management systems. The Audit Committee also met with the external auditor twice and reviewed the annual and interim reports of the Company.

The Audit Committee held 2 meetings during the year ended 31 December 2015 and the attendance records are set out below:

Name of Director	Attendance/Number of Meetings
Mr. LO Wah Wai	2/2
Mr. TSENG Ming-Sung	2/2
Mr. FAN Ren Da, Anthony	2/2
Mr. LEE Kwan Hung	2/2

External auditor and auditor's remuneration

The statement of the external auditor of the Company about its reporting responsibilities for the Consolidated Financial Statements is set out in the "Independent Auditor's Report" on page 50.

During the year ended 31 December 2015, the remuneration paid/payable to the Company's external auditor, PricewaterhouseCoopers, is set out below:

Service Category	Amount (RMB '000)
Annual audit services	3,650
Non-audit services	
– Interim review services	1,000
– Other non-audit services	906
Total	5,556

Note:

the amount for other non-audit services mainly represented the professional fees payable by the Group for food safety consultation and tax consultation services.

Communication with Shareholders and investors/investor relations

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable Shareholders and investors to make the best investment decisions.

The general meetings of the Company provide a forum for communication between the Board and the Shareholders and face-to-face dialogue with the Shareholders. The Chairman of the Board as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee or, in their absence, other members of the respective committees and, where applicable, the chairman of the independent Board committee, are available to answer questions at Shareholders' meetings.

The Chairman of the Board, members of the Board and external auditor attended the 2015 annual general meeting of the Company ("AGM") held on 13 May 2015. The attendance record of the Directors at the AGM is set out below:

Name of Director	AGM Attendance/Number of Meetings
Mr. LEE Rie-Ho	1/1
Mr. LEE Shih-Wei	1/1
Mr. LEE Chia Ling	1/1
Mr. LEE Kuo-Lin	1/1
Mr. TSENG Ming-Sung	1/1
Mr. WEI Ke	1/1
Mr. LO Wah Wai	1/1
Mr. LEE Kwan Hung	1/1
Mr. FAN Ren Da, Anthony	1/1

The external auditor also attended the 2015 AGM to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

The Chairman of the Board, members of the Board and external auditor attended the 2015 extraordinary general meeting of the Company ("EGM") held on 9 October 2015. The attendance record of the Directors at the EGM is set out below:

Name of Director	EGM Attendance/Number of Meetings
Mr. LEE Rie-Ho	1/1
Mr. LEE Shih-Wei	1/1
Mr. LEE Chia Ling	1/1
Mr. LEE Kuo-Lin	1/1
Mr. TSENG Ming-Sung	1/1
Mr. WEI Ke	1/1
Mr. LO Wah Wai	1/1
Mr. LEE Kwan Hung	1/1
Mr. FAN Ren Da, Anthony	1/1

The 2016 AGM will be held on 12 May 2016 (Thursday). The notice of AGM will be sent to Shareholders at least 20 clear business days before the AGM.

To promote effective communication, the Company maintains a website at www.tenfu.com, where up-to-date information and updates on the Group's business operations and developments, financial information, corporate governance practices and other information are posted and are available for public access.

In addition, there was no significant change in the Company's constitutional documents during the year ended 31 December 2015.

Shareholder rights

To safeguard Shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at Shareholders' meetings, including the election of individual directors.

All resolutions put forward at Shareholders' meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each Shareholders' meeting.

Shareholders are provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board through these means. In addition, Shareholders can contact Computershare Hong Kong Investor Services Limited, the Hong Kong share registrar of the Company, if they have any enquiries about their shareholdings and entitlements to dividend.

Procedures for Shareholders to convene an EGM (including making proposals/moving a resolution at the EGM)

- Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to the Board or the company secretary of the Company (the "Company Secretary"), to require an EGM to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.
- The Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at Room E, 22/F, CNT Tower, 338 Hennessy Road, Wanchai, Hong Kong, for the attention of the Company Secretary.
- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included the details of the business(es) proposed to be transacted in the EGM, signed by the Eligible Shareholder(s) concerned.
- The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholder will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to convene an EGM within 2 months and/or include the proposal or the resolution proposed by the Eligible Shareholder at the EGM after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM and/or include the proposal or the resolution proposed by the Eligible Shareholder at the EGM.
- If within 21 days of the deposit of the Requisition, the Board has not advised the Eligible Shareholders of any outcome to the contrary and fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the Memorandum and Articles of Association, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Company Secretary

The Company engages Ms. Mok Ming Wai, director of KCS Hong Kong Limited, as its Company Secretary. Her primary corporate contact person at the Company is Mr. Lee Min-Zun, the Chief Financial Officer.

In compliance with Rule 3.29 of the Listing Rules, Ms. Mok has undertaken no less than 15 hours of relevant professional training during the year ended 31 December 2015.

Report of the Board of Directors

The Directors are pleased to present their report and the audited Consolidated Financial Statements for the year ended 31 December 2015 of the Group.

Major business

The Company is a PRC-based company that engaged in the sales and marketing of a comprehensive range of tea products and the development of product concepts, tastes and packaging designs. The analysis of the revenue of the Group for the year is set out in Note 5 to the Consolidated Financial Statements.

Financial statements

The results of the Group for the year are set out in the Consolidated Statement of Comprehensive Income. The financial position as at 31 December 2015 of the Group is set out in the Consolidated Balance Sheet. The cash flow position of the Group during the year is set out in the Consolidated Cash Flow Statement.

Business review and outlook

The business review and outlook of the Group for the year is set out in the section "Management Discussion and Analysis" of this annual report.

Financial key performance indicators

The financial key performance indicators of the Group for the year are set out in the section "Financial Highlights" of this annual report.

Compliance with laws and regulations environmental policies

For the year ended 31 December 2015, 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. 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.

Relationships with stakeholders

For the year ended 31 December 2015, coping with the external and internal uncertainties and changes, the Group gained valuable experience, which 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.

Principal risks and uncertainties facing the Group

The principal risks and uncertainties facing the Group are set out in the sections "Chairman's Statement" and "Management Discussion and Analysis" of this annual report.

Share capital

The changes in the share capital of the Company during the year are set out in Note 14 to the Consolidated Financial Statements.

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 (the "Shareholders") 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 AGM 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 dividend.

Closure of register of members

For determining the entitlement to attend and vote at the AGM, 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 of the Company will be registered. In order to be eligible to attend and vote at the AGM, 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 of the Company 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).

Reserves

Details of the changes in reserves of the Group during the year ended 31 December 2015 are set out in Notes 14, 15 and 16 to the Consolidated Financial Statements.

Distributable reserves

Under the Companies Law of the Cayman Islands, the share premium of the Company is available for distribution of dividends to the Shareholders subject to the provisions of the Company's Articles of Associations; with the sanction of an ordinary resolution, dividend may be declared and paid out of share premium account of any other fund or account which can be authorised for this propose. As at 31 December 2015, the Company had distributable reserve amounting to approximately RMB114,186,000.

Property, plant and equipment

The changes in property, plant and equipment of the Group during the year ended 31 December 2015 are set out in Note 8 to the Consolidated Financial Statements.

Major customers and suppliers

During the year, the aggregate percentage of purchases attributable to the Group's five largest suppliers accounted for approximately 22.9% of the Group's total purchase. The percentage of revenue attributable to the Group's five largest customers accounted for approximately 5.4% of the Group's total revenue.

Except Samoa Group (defined below) which is wholly-owned by Mr. Lee Chia Ling, a Director, and Lu Yu (defined below) which is indirectly held as to approximately 31.25% by Mr. Lee Shih-Wei, a Director are among the Group's five largest suppliers, none of the Directors or his/her associates and none of the Shareholders possessing over 5% of the interest in the capital of the Company possessed any interest in the above-mentioned suppliers and customers.

Bank loans and other borrowings

Particulars of bank loans and other borrowings of the Group as at 31 December 2015 are set out in Note 19 to the Consolidated Financial Statements.

Directors

The Directors in office during the year and as at the date of this report are as follows:

Executive Directors

Mr. LEE Rie-Ho

Mr. LEE Shih-Wei

Mr. LEE Chia Ling

Mr. LEE Kuo-Lin

Non-executive Directors

Mr. TSENG Ming-Sung

Mr. WEI Ke

Independent Non-executive Directors

Mr. LO Wah Wai

Mr. LEE Kwan Hung

Mr. FAN Ren Da, Anthony

Details of the resume of the Directors and senior management are set forth in the section "Directors and Senior Management" of this annual report.

The remuneration of each Director and the chief executive of the Company for the year ended 31 December 2015 is set out in Note 36 to the Consolidated Financial Statements.

In accordance with article 84(1) of the Articles of Association, Mr. Lee Rie-Ho, Mr. Lee Kuo-Lin and Mr. Lo Wah Wai will retire by rotation and being eligible, have offered themselves for re-election at the AGM.

Disclosure of information of Directors under Rules 13.51(2) and 13.51B(1) of the Listing Rules

Save as disclosed in the 2015 interim report of the Company, Mr. Lee Kwan Hung was also appointed as an independent non-executive director of each of FSE Engineering Holdings Limited (Stock Code: 0331), Ten Pao Group Holdings Limited (Stock Code: 1979) and China Goldjoy Group Limited (Stock Code: 1282) on 18 November 2015, 23 November 2015 and 27 November 2015, respectively.

Save as mentioned above, there is no change of information of each Director that is required to be disclosed under Rules 13.51(2) and 13.51B(1) of the Listing Rules since the publication of the 2015 interim report of the Company.

Permitted indemnity provision

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) when the Report of the Board of the Directors prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance.

Service contracts of directors

Details of service contracts for the executive Directors and non-executive Directors are set out under the section headed "Appointment and re-election of Directors" of the Corporate Governance Report. There was no service contract entered by the Company and any Directors to be re-elected in the coming AGM stipulating that the Company may not terminate the appointment without compensation payment (other than the statutory compensation).

Directors' interests in transaction, arrangement or contract

Other than those transactions disclosed in Note 34 to the Consolidated Financial Statements and in the section "Connected transactions" below, there was no other transaction, arrangement or contract of significance subsisting during or at the end of the financial year with any member of the Group as the contracting party and in which the Directors or an entity connected with the Director is or was materially interested, either directly or indirectly.

Directors' interests in competitive business

A deed of non-competition dated 31 August 2011 (the "Non-competition Deed") was entered into by and among other parties and the controlling shareholders, including the Directors namely Mr. Lee Rie-Ho, Mr. Lee Chia Ling and Mr. Lee Shih- Wei (collectively, the "Covenantors") in favour of the Company. 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 Non-competition Deed.

The independent non-executive Directors have reviewed the Non-competition 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 2015.

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.

Equity-linked agreements

Save for the share option scheme of the Company as disclosed in the section headed "share option scheme" of this Report of the Board of Directors, no equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2015.

Share option scheme

On 17 December 2010, the Company adopted a share option scheme ("Share Option Scheme") whereby the Board can grant options for the subscription of the Company's Shares ("Shares") to the employees, managerial staff and senior employees and those other persons that the Board considers that they will contribute or have contributed to the Group (the "Participants") as described in the Share Option Scheme in order to serve as compliment and to reciprocate their contribution to the Group. The maximum number of Shares that can be issued according to the Share Option Scheme was 122,720,746 Shares, which is equivalent to 10% of the issued capital of the Company after completion of the Global Offering (as defined in the prospectus of the Company (the "Prospectus") dated 14 September 2011, but without taking into consideration the issue of any Shares that may be issued under the Over-allotment Option (as defined in the Prospectus). The number of options that may be granted pursuant to the terms of the Share Option Scheme shall not exceed 10% of the issued Shares immediately after the completion of the Global Offering. Unless otherwise approved by the Shareholders in general meeting, the number of Shares that may be granted to a Participant under the options shall not exceed 1% within any 12-month period (other than those granted to the substantial Shareholders (as defined in the Listing Rules), or the total number of Shares that may be granted under the options to the independent non-executive Directors or any of their respective connected persons shall not exceed 0.1% of the Shares in issue of the Company from time to time. There is no minimum period that the options must be held before they become exercisable, and the options granted shall be exercised within the period decided by the Board, however no options shall be exercised 10 years after they have been granted. The exercise price of the option shall be the higher of (a) the closing price of the Shares on the daily quotation sheet of the Stock Exchange on the date of grant; (b) the average closing price of the Shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) nominal value of the share. Each grantee shall pay a consideration of HK$1.00 at the time the option is granted. The Share Option Scheme shall take effect from the date it is adopted and shall remain effective within a period of 10 years from that date.

For the year ended 31 December 2015, no options have been granted under the Share Option Scheme. During the year ended 31 December 2015, 8,133,000 and 61,000 share options were lapsed due to unfulfilment of vesting conditions, i.e., unrealisation of performance targets set out for the three years ended on 31 December 2014 and the resignation of the employees, respectively, and none of the share options were exercised by the grantees, or cancelled by the Company during the year ended 31 December 2015. The share options granted will be exercisable during a 10-year option period commencing from the date of grant subject to a vesting schedule and conditional upon fulfilment of certain prescribed performance targets during the year of such grant and the following two financial years. At the end of the relevant annual performance period, the Board or the Remuneration Committee will determine the extent of achievement of the performance targets set out for that period and the number of Shares comprised in the vested options which are exercisable. The Board or the Remuneration Committee will have the rights and discretion to waive any performance target requirement in respect of any of the options granted. The followings are details of the options granted pursuant to the Share Option Scheme but not yet exercised:

Grantee	Position of the grantee	Date of grant of options	Number of options granted during the year	Exercise price per share HK$	Closing price immediately before grant of options HK$	Number of options as at 1 January 2015	Number of options exercised/ cancelled/lapsed during the year	Number of options as at 31 December 2015	Approximate percentage of shareholding upon the exercise of the options	Exercisable period
Lee Rie- Ho	Executive Director and substantial Shareholder	12 January 2012	–	5.60	5.60	708,000	(708,000)	0		12 January 2012 to 11 January 2022
		19 March 2013	–	4.28	4.20	708,000	–	708,000		19 March 2013 to 18 March 2023
			–			1,416,000	(708,000)	708,000	0.06%	
Lee Chia Ling	Executive Director and substantial Shareholder	6 January 2012	–	5.41	5.37	354,000	(354,000)	0		6 January 2012 to 5 January 2022
		19 March 2013	–	4.28	4.20	354,000	–	354,000		19 March 2013 to 18 March 2023
			–			708,000	(354,000)	354,000	0.03%	
Lee Shih-Wei	Executive Director	6 January 2012	–	5.41	5.37	354,000	(354,000)	0		6 January 2012 to 5 January 2022
		19 March 2013	–	4.28	4.20	354,000	–	354,000		19 March 2013 to 18 March 2023
			–			708,000	(354,000)	354,000	0.03%	

Grantee	Position of the grantee	Date of grant of options	Number of options granted during the year	Exercise price per share HK$	Closing price immediately before grant of options HK$	Number of options as at 1 January 2015	Number of options exercised/ cancelled/lapsed during the year	Number of options as at 31 December 2015	Approximate percentage of shareholding upon the exercise of the options	Exercisable period
Lee Kuo-Lin	Executive Director	6 January 2012	–	5.41	5.37	354,000	(354,000)	0		6 January 2012 to 5 January 2022
		19 March 2013	–	4.28	4.20	354,000	–	354,000		19 March 2013 to 18 March 2023
			–			708,000	(354,000)	354,000	0.03%	
Tseng Ming-Sung	Non-executive Director	12 January 2012	–	5.60	5.60	354,000	(354,000)	0		12 January 2012 to 11 January 2022
		19 March 2013	–	4.28	4.20	245,000	–	245,000		19 March 2013 to 18 March 2023
			–			599,000	(354,000)	245,000	0.02%	
Lo Wah Wai	Independent non-executive Director	6 January 2012	–	5.41	5.37	354,000	(354,000)	0		6 January 2012 to 5 January 2022
		19 March 2013	–	4.28	4.20	245,000	–	245,000		19 March 2013 to 18 March 2023
			–			599,000	(354,000)	245,000	0.02%	
Lee Kwan Hung	Independent non-executive Director	6 January 2012	–	5.41	5.37	354,000	(354,000)	0		6 January 2012 to 5 January 2022
		19 March 2013	–	4.28	4.20	245,000	–	245,000		19 March 2013 to 18 March 2023
			–			599,000	(354,000)	245,000	0.02%	
Fan Ren Da, Anthony	Independent non-executive Director	6 January 2012	–	5.41	5.37	354,000	(354,000)	0		6 January 2012 to 5 January 2022
		19 March 2013	–	4.28	4.20	245,000	–	245,000		19 March 2013 to 18 March 2023
			–			599,000	(354,000)	245,000	0.02%	
Employees		6 January 2012	–	5.41	5.37	4,391,000	(4,391,000)	0		6 January 2012 to 5 January 2022
		12 January 2012	–	5.60	5.60	245,000	(245,000)	0		12 January 2012 to 11 January 2022
		19 March 2013	–	4.28	4.20	5,143,000	(61,000)	5,082,000		19 March 2013 to 18 March 2023
			–			9,779,000	(4,697,000)	5,082,000	0.41%	
Independent third party distributors		6 January 2012	–	5.41	5.37	311,000	(311,000)	0		6 January 2012 to 5 January 2022
		19 March 2013	–	4.28	4.20	369,000	–	369,000		19 March 2013 to 18 March 2023
			–			680,000	(311,000)	369,000	0.03%	
Total			–			16,395,000	(8,194,000)	8,201,000	0.67%	

Debenture

At any time during the year, the Company, its holding company or its subsidiaries were not the contracting parties of any arrangements from which the Directors could make a profit by purchasing the Shares or debentures of the Company or any other companies.

Interest or short positions of Directors in the Shares, underlying Shares or debentures

As at 31 December 2015, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required, pursuant to Model Code as set out in Appendix 10 to the Listing Rules, are as follows:

(i) Interest in the Company

Name of Director	Nature of interest	Number of Securities[4]	Approximate percentage of shareholding
Mr. Lee Rie-Ho[1]	Interest in a controlled corporation	188,760,000 (L)	15.38%
	Personal interest/individual	708,000 (L)	0.06%
Mr. Lee Shih-Wei[2]	Personal interest/individual	5,073,000 (L)	0.41%
Mr. Lee Chia Ling[3]	Settlor of The KCL Trust	377,520,000 (L)	30.76%
	Personal interest/individual	354,000 (L)	0.03%
Mr. Lee Kuo-Lin[3]	Beneficiary of The KCL Trust	377,520,000 (L)	30.76%
	Personal interest/individual	354,000 (L)	0.03%
Mr. Tseng Ming-Sung[2]	Personal interest/individual	4,964,000 (L)	0.40%
Mr. Lo Wah Wai[2]	Personal interest/individual	245,000 (L)	0.02%
Mr. Lee Kwan Hung[2]	Personal interest/individual	245,000 (L)	0.02%
Mr. Fan Ren Da, Anthony[2]	Personal interest/individual	245,000 (L)	0.02%

Notes:

(1) 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.

(2) 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.

(3) The entire issued share capital of Trackson Investments Limited is held by Tiger Nature Holdings Limited ("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) The letter "L" denotes long position in such securities.

(ii) Interest in associated corporations

None of our Directors or chief executives has any interests or short positions in the Shares, underlying Shares and debentures of any associated corporations of the Company.

Substantial Shareholders' interests and/or short positions

As at 31 December 2015, to the best of the Directors' knowledge, the following persons (other than the Directors and chief executives of the Company) had or deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO:

Name	Capacity in which interests are held	Number of Securities[5]	Approximate percentage of shareholding (%)
Discerning Group Limited[1]	Registered owner	188,760,000 (L)	15.38
Ms. Lee Tsai Li-Li[1]	Interest as a spouse	189,468,000 (L)	15.44
UBS TC (Jersey) Ltd.[2] [3]	Trustee	377,520,000 (L)	30.76
Trackson Investments Limited[2]	Registered owner	377,520,000 (L)	30.76
Tiger Nature Holdings Limited[2]	Interest in a controlled corporation	377,520,000 (L)	30.76

Name	Capacity in which interests are held	Number of Securities[5]	Approximate percentage of shareholding (%)
The KCL Trust[2]	Interest in a controlled corporation	377,520,000 (L)	30.76
Mr. Lee John L[2]	Beneficiary of The KCL Trust	377,520,000 (L)	30.76
Ms. Zhou Nan-Nan[2]	Interest as a spouse	377,874,000 (L)	30.79
General Atlantic Singapore Fund Pte. Ltd.[4]	Registered owner	120,530,830 (L)	9.82
General Atlantic Singapore Fund Interholdco Ltd.[4]	Interest in a controlled corporation	120,530,830 (L)	9.82
General Atlantic Partners (Bermuda) II, L.P.[4]	Interest in a controlled corporation	120,530,830 (L)	9.82
General Atlantic Partners (Bermuda) III, L.P.[4]	Interest in a controlled corporation	120,530,830 (L)	9.82
General Atlantic GenPar (Bermuda), L.P.[4]	Interest in a controlled corporation	120,530,830 (L)	9.82
GAP (Bermuda) Limited[4]	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) 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.

(2) 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.

(3) 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.

(4) 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.

(5) The letter "L" denotes long position in such securities.

Subsidiaries

Details of the major subsidiaries of the Company as of 31 December 2015 are set out in Note 31 to the Consolidated Financial Statements.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Connected transactions

The Group's related parties transactions for the year ended 31 December 2015 set out in Note 34 to the Consolidated Financial Statements constitute continuing connected transactions as defined in chapter 14A of the Listing Rules and the Company has complied with the disclosure requirements in chapter 14A of the Listing Rules.

Details of the continuing connected transactions of the Group are as follows:

Continuing connected transactions exempt from the reporting, announcement and independent Shareholders' approval requirements

Lease Agreements with Various Connected Persons of the Company

The Company has been leasing properties in the PRC from various connected persons of the Company since 2009.

The details of the written lease agreements between the Group and each of the connected persons of the Company (the "Exempt Lease Agreements") and the connected relationship are set out in the table below:

No.	Location	Member of the Group as tenant	Connected party as landlord	Term and rental (RMB)	Type of premises
1.	Fujian[1]	福州天福茗茶銷售有限公司 (Fu Zhou Tian Fu Tea Sales Co., Ltd.)	Ms. Chen Xiu-Duan 陳秀端 (daughter-in-law of the Director, Mr. Lee Rie-Ho and wife of the Director, Mr. Lee Kuo-Lin)	Term: Three years from 10 September 2015 to 9 September 2018 Rental: 15,000/month	Store premises with a gross floor area of approximately 158.0 square meters
2.	Fujian[1]	福州天福茗茶銷售有限公司 (Fu Zhou Tian Fu Tea Sales Co., Ltd.)	Mr. Lee Min-Zun (the Chief Financial Officer and cousin of Mr. Lee Chia Ling and Mr. Lee Kuo-Lin, the Directors)	Term: Three years from 1 September 2015 to 31 August 2018 Rental: 40,000/month	Store premises with a gross floor area of approximately 87.9 square meters

No.	Location	Member of the Group as tenant	Connected party as landlord	Term and rental (RMB)	Type of premises
3.	Hainan[1]	廣東天福茗茶銷售有限公司 (Guang Dong Tian Fu Tea Sales Co., Ltd.)	Mr. Lee Min-Zun (the Chief Financial Officer and cousin of Mr. Lee Chia Ling and Mr. Lee Kuo-Lin, the Directors)	Term: Two years from 1 October 2015 to 30 September 2017 Rental: 28,000/month	Store premises with a gross floor area of approximately 376.3 square meters
4.	Hubei	湖北天福茗茶銷售有限公司 (Hu Bei Tian Fu Tea Sales Co., Ltd.)	Mr. Lee Kuo-Lin (the Director and son of Mr. Lee Rie-Ho, the Director and Chairman)	Term: Three years from 1 July 2013 to 30 June 2016 Rental: 1 July 2013 to 30 June 2014: 75,000/month; 1 July 2014 to 30 June 2015: 77,000/month; 1 July 2015 to 30 June 2016: 78,000/month.	Store premises with a gross floor area of approximately 584.3 square meters
5.	Shandong	濟南天福茗茶有限公司 (Jinan Tenfu Tea Co., Ltd.)	Xiamen Mingfeng Commercial Management Co., Ltd. (廈門銘峰商業管理有限公司), a limited liability company established in the PRC, which is indirectly wholly owned by Mr. Tsai Shan Jen, who is the cousin of Mr. Lee Chia Ling, the Director	Term: Two years from 1 November 2014 to 31 October 2016 Rental: 19,250/month	Store premises with a gross floor area of approximately 158.9 square meters
6.	Heilongjiang	黑龍江天福茗茶銷售有限公司 (Heilongjiang Tian Fu Tea Sales Co., Ltd.)	Ms. Zhou Nan-Nan 周楠楠 (daughter-in-law of the Director, Mr. Lee Rie-Ho and wife of the Director, Mr. Lee Chia Ling)	Term: one year from 1 December 2015 to 30 November 2016 Rental: 30,000/month	Store premises with a gross floor area of approximately 643.6 square meters
7.	Shanghai[1]	上海天福茗茶銷售有限公司 (Shanghai Tenfu Tea Co., Ltd.)	Ms. Chen Xiu- Duan 陳秀端 (daughter-in-law of the Director, Mr. Lee Rie-Ho and wife of the Director, Mr. Lee Kuo-Lin)	Term: Three years from 1 September 2014 to 31 August 2017 Rental: 9,200/month	Store premises with a gross floor area of approximately 143.6 square meters
8.	Xinjiang	新疆天福茗茶銷售有限公司 (Xin Jiang Tian Fu Tea Sales Co., Ltd.)	Mr. Lee Chien-Te 李建德 (cousin of Mr. Lee Chia Ling and Mr. Lee Kuo-Lin, the Directors)	Term: Five years from 1 August 2012 to 30 July 2017 Rental: 35,000/month	Store premises with a gross floor area of approximately 70.0 square meters

No.	Location	Member of the Group as tenant	Connected party as landlord	Term and rental (RMB)	Type of premises
9.	Xiamen	廈門天鈺商貿有限公司 (Xiamen Tianyu Commerce and Trading Co., Ltd.)	Xiamen Tenmax Commodity Trading Co., Ltd. (天美仕（廈門）日用品貿易有限公司), formerly known as Xiamen Tenfu Tea Industry Co., Ltd. (廈門天福茶業有限公司)	Term: Ten years from 1 April 2014 to 31 March 2024 Rental: 25,000/month	Warehouse premises with a gross floor area of approximately 2,500 square meters

Note 1: As the continuing connected transactions under items 1 and 7 and items 2 and 3 are with the same landlord, their respective applicable ratios have been aggregated.

Lease Agreements with Mr. Lee Chia Ling

The Company has been leasing various properties in the PRC from Mr. Lee Chia Ling, the Director, since 2009. As Mr. Lee Chia Ling is the connected person of the Company, each of the lease agreements is a continuing connected transaction of the Company.

During the year the amount of rental paid/payable by the Group in respect of the lease agreements between the Group and Mr. Lee Chia Ling were RMB960,000.

Details of the written lease agreements between the Group and Mr. Lee Chia Ling (the "Non-exempt Lease Agreements") are set out in the table below:

No.	Location	Member of the Group as tenant	Connected party as landlord	Term and rental (RMB)	Type of premises
1.	Liaoning	吉林省天福茗茶銷售有限公司 (Jilin Province Tian Fu Tea Sales Co., Ltd.)	Mr. Lee Chia Ling	Term: Three years from 23 September 2014 to 22 September 2017 Rental: 50,000/month	Store premises with a gross floor area of approximately 690.8 square meters
2.	Sichuan	四川天福茗茶銷售有限公司 (Sichuan Tenfu Tea Sales Co., Ltd.)	Mr. Lee Chia Ling	Term: Three years from 19 May 2013 to 18 May 2016 Rental: 30,000/month	Store premises with a gross floor area of approximately 627.8 square meters

Continuing connected transactions which are subject to the reporting, annual review and announcement requirements but exempt from independent Shareholders' approval requirement

Master Purchase Agreement with Lu Yu

Reference is made to the announcement of the Company dated 11 December 2013 in respect of the continuing connected transactions under the Renewed Lu Yu Master Purchase Agreement (defined below) in relation to the purchases of tea ware from Lu Yu (defined below).

The Company has been purchasing tea ware from Lu Yu Tea Artcraft Co., Ltd. ("Lu Yu") as part of the ordinary and usual course of business of the Group. As Lu Yu is wholly-owned by Tensin Investment Corporation Limited, which is held as to approximately 31.25% by Mr. Lee Shih-Wei, the Director, the purchase of tea ware by the Group from Lu Yu constitutes a continuing connected transaction for the Company.

The Company and Lu Yu have entered into the renewed Lu Yu master purchase agreement (the "Renewed Lu Yu Master Purchase Agreement") on 11 December 2013, to renew the purchase of tea ware from Lu Yu for a further period of three years commencing on 1 January 2014 to 31 December 2016, subject to the new annual cap not exceeding RMB20,000,000, RMB24,000,000 and RMB28,800,000 for the three years ending 31 December 2016, respectively. The new annual caps have been determined based on the projected 20% increase in the market demand of tea ware with reference to the market rates for similar tea ware, which the Group purchased from independent third parties. In arriving at the new annual caps, the Directors have considered (1) the historical transaction amounts for the supply of tea ware by Lu Yu; (2) the market recognition and acceptance of the Lu Yu brand; (3) the actual sales of Lu Yu tea ware for the year ended 31 December 2012 and for the eleven months ended 30 November 2013; and (4) the expected future growth of the tea ware business.

During the year ended 31 December 2015, the amounts that the Group paid/payable to Lu Yu for the purchase of tea ware were approximately RMB11,015,000.

Master Processing Agreement with Tenfu Group (Samoa) Holdings Co., Limited ("Samoa Company") and its Subsidiaries ("Samoa Group")

Reference is made to the announcement of the Company dated 11 December 2013 in respect of the continuing connected transactions under the Renewed Samoa Master Processing Agreement (defined below) in relation to the provision of processing services to the Group to enhance the quality of blended and aged tea leaves.

The Company has been procuring the processing services of the tea leaves provided by Samoa Group as part of the ordinary and usual course of business. As Samoa Company is wholly-owned by Mr. Lee Chia Ling, the Director, the procurement of the processing services of the tea leaves by the Group from Samoa Group is a continuing connected transaction for the Company.

The Company and Samoa Company has entered into the renewed Samoa master processing agreement (the "Renewed Samoa Master Processing Agreement") on 11 December 2013, to renew the provision of tea leaves processing service by Samoa Group for a further period of three years commencing on 1 January 2014 to 31 December 2016, subject to the new annual cap not exceeding RMB4,950,000, RMB5,445,000 and RMB5,989,000 for the three years ending 31 December 2016, respectively. The new annual caps have been determined based on (1) the processing fee of RMB16.5 per kilogram with reference to the market price charged by independent third parties for provision of similar services; (2) the estimated tea leaves required processing in the amount of 300,000 kilogram in 2014 and (3) the projected 10% increase of the estimated tea leaves required processing. In arriving at the new annual caps, the Directors have considered (1) the tea leaves processed by Samoa Group are of good quality and are suitable for use; (2) the processing fee of RMB16.5 per kilogram, which was agreed between the Group and Samoa Group after arm's length negotiation and based on the market price charged by independent third parties for provision of similar services; and (3) the annual historical amount of the tea leaves required processing in the previous year and the expected future growth of the tea leaves required processing.

During the year ended 31 December 2015, the amount of services fees that the Group paid/payable to Samoa Group in respect of the Master Processing Agreement was RMB3,048,000.

Continuing connected transactions which are subject to the reporting, annual review and independent Shareholders' approval requirements

Master Purchase Agreement with Samoa Group

Reference is made to the announcement of the Company dated 11 December 2013 in respect of the continuing connected transactions under the Renewed Samoa Master Purchase Agreement (defined below) in relation to the purchases of tea leaves from Samoa Group.

The Company has been purchasing tea leaves from Samoa Group as part of the ordinary and usual course of business. As Samoa Company is wholly-owned by Mr. Lee Chia Ling, the Director, the purchase of tea leaves by the Group from Samoa Group is a continuing connected transaction for the Company.

The Company and Samoa Company has entered into the renewed Samoa master purchase agreement (the "Renewed Samoa Master Purchase Agreement") on 11 December 2013, to renew the purchase of tea leaves from Samoa Group for a further period of three years commencing on 1 January 2014 to 31 December 2016, subject to the new annual cap not exceeding RMB70,000,000, RMB77,000,000 and RMB84,700,000 for the three years ending 31 December 2016, respectively. The new annual caps have been determined based on the projected 10% increase in demand of tea leaves by the Group with reference to the market rates for tea leaves, which the Group purchased from independent third parties. In arriving at the new annual caps, the Directors have considered (1) the actual transaction amounts for the purchase of tea leaves from Samoa Group for the year ended 31 December 2012 and for the eleven months ended 30 November 2013; (2) the total sale demand of tea leaves and the amount of tea leaves that would be able to be provided through self-owned production facilities in Zhangzhou, Sichuan and Zhejiang; and (3) the expected amount of growth of tea leaves sale in the future.

On 20 August 2015, the Company and the Samoa Company have entered into the Supplemental Agreement to increase the annual caps of the purchase of tea leaves from the Samoa Group for the years ending 31 December 2015 and 2016 from RMB77,000,000 and RMB84,700,000 to RMB132,000,000 and RMB132,000,000, respectively.

During the year ended 31 December 2015, the amounts that the Group paid/payable to Samoa Group for the purchase of tea leaves were RMB113,197,000.

All independent non-executive Directors have reviewed the above continuing connected transactions, and confirmed that the transactions were entered into:

1. in the ordinary and usual course of business of the Group;
2. under normal commercial terms or not less favourable terms that the Group receives or provides services from an independent third party or obtains from an independent third party; and
3. in accordance with the agreements related to the above continuing connected transactions, the terms of which are fair and reasonable and for the overall benefit of the Shareholders.

Based on the work performed, the auditor of the Company confirmed to the Board that nothing has come to their attention that causes them to believe that the aforesaid continuing connected transactions:

1. have not been approved by the Board;
2. were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;
3. were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and

4. have exceeded the relevant annual caps disclosed in the Company's announcements dated 11 December 2013 and 20 August 2015.

Employee and remuneration policies

As of 31 December 2015 the Group had an aggregate of 5,049 full-time employees. The Group recruited and promoted individual persons according to their strength and development potential. The Group determined the remuneration packages of all employees (including the Directors) with reference to corporate performance, individual performance and current market salary scale.

Confirmation of independent status

The Company received the letters of confirmation of independence issued by all the independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board was satisfied with the independent status of all the independent non-executive Directors.

Use of proceeds from initial public offering

In September 2011, the Group completed its listing on the main board of the Stock Exchange and raised net proceeds of RMB933.3 million. 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.

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.*

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 and there has been no deviation from the code provisions as set forth under the Corporate Governance Code for the year ended 31 December 2015. Further information of the corporate governance practice of the Company has been set out in the Corporate Governance Report in the annual report of the Company for the year ended 31 December 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.

Disclosure under Rule 13.20 of the Listing Rules

The Directors are not aware of any circumstances resulting in the responsibility of disclosure under Rule 13.20 of the Listing Rules regarding the provision of advances by the Group to an entity.

Events after the reporting period

The Group has no significant events after the reporting period.

Five year financial summary

The summary of the results, assets and liabilities of the Group in the past five years is set out on page 5 of this annual report.

Pre-emptive rights

There is no provision regarding pre-emptive rights in the Articles of Association of the Company or the ordinance of Cayman Islands. It is stipulated that any new Shares shall be offered according to the respective shareholding of the existing Shareholders when new Shares are issued by the Company.

Adequate public float

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed minimum percentage of public float under the Listing Rules throughout the year ended 31 December 2015.

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 coming AGM to re-appoint PricewaterhouseCoopers as the auditor of the Company.

For and on behalf of the Board of Directors

LEE Rie-Ho

Chairman

Hong Kong, 15 March 2016

羅兵咸永道

TO THE SHAREHOLDERS OF TENFU (CAYMAN) HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Tenfu (Cayman) Holdings Company Limited (the "Company") and its subsidiaries set out on pages 52 to 128, which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 15 March 2016

Consolidated Balance Sheet

As at 31 December 2015

	Note	As at 31 December 2015 RMB'000	2014 RMB'000
ASSETS			
Non-current assets			
Land use rights	6	**270,479**	240,885
Investment properties	7	**3,882**	4,169
Property, plant and equipment	8	**689,701**	636,674
Intangible assets	9	**4,573**	5,290
Investments accounted for using the equity method	10	**9,811**	6,469
Deferred income tax assets	22	**39,554**	41,165
Prepayments – non-current portion	11	**29,492**	79,094
Long-term time deposits	13	**67,500**	135,000
		1,114,992	1,148,746
Current assets			
Inventories	12	**471,382**	422,758
Trade and other receivables	11,34(b)	**267,350**	240,662
Prepayments	11	**91,379**	94,853
Restricted cash	13	**34,000**	98,810
Time deposits	13	**144,330**	606,853
Cash and cash equivalents	13	**379,316**	231,925
		1,387,757	1,695,861
Total assets		**2,502,749**	2,844,607

Consolidated Balance Sheet

As at 31 December 2015
(continued)

	Note	As at 31 December 2015 RMB'000	2014 RMB'000
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital: nominal value	14	**100,816**	100,816
Share premium	14	**92,211**	277,520
Other reserves	16	**487,428**	463,659
Retained earnings	15	**1,244,375**	1,121,790
Total equity		**1,924,830**	1,963,785
LIABILITIES			
Non-current liabilities			
Borrowings	19	**–**	122,380
Deferred income on government grants	20	**22,021**	–
Deferred income tax liabilities	21	**23,210**	20,445
		45,231	142,825
Current liabilities			
Trade and other payables	18,34(b)	**226,535**	211,453
Current income tax liabilities		**34,856**	33,056
Borrowings	19	**251,656**	477,345
Other liabilities	22	**19,641**	16,143
		532,688	737,997
Total liabilities		**577,919**	880,822
Total equity and liabilities		**2,502,749**	2,844,607

The notes on pages 57 to 128 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 52 to 128 were approved by the Board of Directors on 15 March 2016 and the consolidated balance sheet was signed on its behalf by:

LEE Chia Ling
Director

LEE Shih-Wei
Director

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	Note	Year ended 31 December 2015 RMB'000	2014 RMB'000
Revenue	5	**1,518,045**	1,688,589
Cost of sales	25	**(586,445)**	(638,720)
Gross profit		**931,600**	1,049,869
Distribution costs	25	**(478,073)**	(497,819)
Administrative expenses	25	**(200,384)**	(204,891)
Other income	23	**10,789**	15,371
Other losses – net	24	**(1,043)**	(436)
Operating profit		**262,889**	362,094
Finance income	27	**16,059**	25,687
Finance costs	27	**(51,045)**	(10,537)
Finance (costs)/income – net	27	**(34,986)**	15,150
Share of profits less losses of investments accounted for using the equity method	10	**(263)**	1,118
Profit before income tax		**227,640**	378,362
Income tax expense	28	**(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	15	**146,354**	270,198
Earnings per share for profit attributable to the owners of the Company			
– Basic earnings per share	29	**RMB0.12**	RMB0.22
– Diluted earnings per share	29	**RMB0.12**	RMB0.22

The notes on pages 57 to 128 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to the owners of the Company				
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2015	**100,816**	**277,520**	**463,659**	**1,121,790**	**1,963,785**
Comprehensive income					
Profit and total comprehensive income for the year	**–**	**–**	**–**	**146,354**	**146,354**
Transactions with owners					
Profit appropriation to statutory reserves (Note 16)	**–**	**–**	**23,769**	**(23,769)**	**–**
Share option scheme					
– value of services from directors, employees and independent third party distributors (Note 16)	**–**	**–**	**380**	**–**	**380**
– reversal of the current year value of services from directors, employees and independent third party distributors (Note 16)	**–**	**–**	**(380)**	**–**	**(380)**
Dividends (Note 30)	**–**	**(185,309)**	**–**	**–**	**(185,309)**
Total transactions with owners	**–**	**(185,309)**	**23,769**	**(23,769)**	**(185,309)**
Balance at 31 December 2015	**100,816**	**92,211**	**487,428**	**1,244,375**	**1,924,830**
Balance at 1 January 2014	100,816	472,704	437,069	879,768	1,890,357
Comprehensive income					
Profit and total comprehensive income for the year	–	–	–	270,198	270,198
Transactions with owners					
Profit appropriation to statutory reserves (Note 16)	–	–	28,176	(28,176)	–
Share option scheme					
– value of services from directors, employees and independent third party distributors (Note 16)	–	–	582	–	582
– reversal of the accumulated value of services from directors, employees and independent third party distributors (Note 16)	–	–	(2,168)	–	(2,168)
Dividends (Note 30)	–	(195,184)	–	–	(195,184)
Total transactions with owners	–	(195,184)	26,590	(28,176)	(196,770)
Balance at 31 December 2014	100,816	277,520	463,659	1,121,790	1,963,785

The notes on pages 57 to 128 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2015

	Note	Year ended 31 December 2015 RMB'000	2014 RMB'000
Cash flows from operating activities			
Cash generated from operations	32(a)	**318,717**	367,484
Interest paid		**(21,261)**	(9,827)
Income tax paid		**(75,110)**	(96,418)
Net cash inflow from operating activities		**222,346**	261,239
Cash flows from investing activities			
Remaining payments for acquisition of businesses		**–**	(19,129)
Investment in an associate	10	**(5,110)**	–
Investment in a joint venture	10	**–**	(1,935)
Purchase of land use rights	6	**(69,329)**	(96,282)
Purchase of property, plant and equipment	8	**(70,407)**	(106,116)
Purchase of intangible assets	9	**(539)**	(2,586)
Changes in investments in time deposits with maturity more than 3 months	13	**530,023**	(261,853)
Proceeds from disposal of property, plant and equipment	32(b)	**1,907**	886
Interest received		**22,722**	16,294
Dividends received from a joint venture	10	**1,505**	1,375
Assets-related government grants received	20	**22,160**	–
Net cash inflow/(outflow) from investing activities		**432,932**	(469,346)
Cash flows from financing activities			
Proceeds from borrowings		**564,748**	587,618
Repayments of borrowings		**(945,227)**	(109,347)
Dividends paid to the owners of the Company	30	**(185,309)**	(195,184)
Changes in restricted cash pledged for borrowings	13	**64,810**	(52,835)
(Decrease)/increase in amounts due to related parties		**(8,093)**	8,093
Net cash (outflow)/inflow from financing activities		**(509,071)**	238,345
Net increase in cash and cash equivalents		**146,207**	30,238
Effect of foreign exchange rate changes		**1,184**	(590)
Cash and cash equivalents at beginning of the year		**231,925**	202,277
Cash and cash equivalents at end of the year	13	**379,316**	231,925

The notes on pages 57 to 128 are an integral part of these consolidated financial statements.

1 General information

Tenfu (Cayman) Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") are 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 consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements set out on pages 52 to 128 have been approved for issue by the board of directors (the "Board") of the Company on 15 March 2016.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

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.

  – HKFRS13 'Fair Value Measurement' is amended to clarify that the portfolio exception in HKFRS13, 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.

  – HKAS40 '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.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

Changes in accounting policies and disclosures *(continued)*

(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.

(c) New standards and amendments of HKFRSs which have been issued and are relevant to the Group's operations are effective for the financial year beginning after 1 January 2015 and have not been early adopted by the Group

- Amendments to HKFRS 10 and HKAS 28 on sale or contribution of assets between an investor and its associate or joint venture. The amendments address an inconsistency between HKFRS 10 and HKAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. The effective date has not yet been determined.

- Amendment to HKAS 27 on equity method in separate financial statements. The amendment allows entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is effective for annual periods beginning on or after 1 January 2016.

- Annual improvements 2014 – These annual improvements address certain issues in the 2012-2014 reporting cycle, primarily with a view to removing inconsistencies and clarifying wording. They include changes to the following standards which are relevant to the Group's operations. These annual improvements are effective for annual periods beginning on or after 1 January 2016.

  HKFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'
  HKFRS 7 'Financial Instruments: Disclosures'
  HKAS 19 'Employee Benefits'
  HKAS 34 'Interim Financial Reporting'

- HKFRS15 'Revenue from Contracts with Customers' establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract (3) Determine the transaction price (4) Allocate transaction price to performance obligations and (5) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes to an 'asset-liability' approach based on transfer of control.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

Changes in accounting policies and disclosures *(continued)*

(c) New standards and amendments of HKFRSs which have been issued and are relevant to the Group's operations are effective for the financial year beginning after 1 January 2015 and have not been early adopted by the Group *(continued)*

HKFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

HKFRS 15 replaces the previous revenue standards: HKAS 18 'Revenue' and HKAS 11 'Construction Contracts', and the related Interpretations on revenue recognition: HK(IFRIC) 13 'Customer Loyalty Programmes', HK(IFRIC) 15 'Agreements for the Construction of Real Estate', HK(IFRIC) 18 'Transfers of Assets from Customers' and SIC-31 'Revenue – Barter Transactions Involving Advertising Services'. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018.

- HKFRS 9 'Financial Instruments' replaces the whole of HKAS 39. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

Changes in accounting policies and disclosures *(continued)*

(c) New standards and amendments of HKFRSs which have been issued and are relevant to the Group's operations are effective for the financial year beginning after 1 January 2015 and have not been early adopted by the Group *(continued)*

HKFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivable this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

HKFRS 9 applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk. The new guidance better aligns hedge accounting with the risk management activities of an entity and provides relief from the more 'rule-based' approach of HKAS39. HKFRS 9 is effective for annual periods beginning on or after 1 January 2018.

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

2.2 Consolidation

(a) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Different methods of accounting are used for acquisition of subsidiaries through common control and non-common control business combinations, as described below.

(i) Common control business combinations

The Group applies merger accounting to account for business combinations (including acquisition of subsidiaries) under common control, where all assets and liabilities are recorded at predecessor carrying amounts, as if the combining entities have been consolidated from the date when they first came under the control of the controlling party, and the difference between consideration payable and the net assets value are taken to the merger reserve.

2 Summary of significant accounting policies *(continued)*

2.2 Consolidation *(continued)*

(a) Subsidiaries (continued)

(ii) Non-common control business combinations

The Group uses the acquisition method of accounting to account for business combinations (including acquisition of subsidiaries) which are not under common control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held equity interest measured is less than the fair value of the identifiable net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly as profit or loss in the consolidated statement of comprehensive income.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2 Summary of significant accounting policies *(continued)*

2.2 Consolidation *(continued)*

(b) Joint ventures

Under HKFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

2 Summary of significant accounting policies *(continued)*

2.2 Consolidation *(continued)*

(c) Associates *(continued)*

The Group's share of post-acquisition profit or loss is recognised in profit or loss section of the consolidated statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profits less losses of investments accounted for using equity method' in profit or loss section of the consolidated statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interests in associates are recognised in profit or loss section of the consolidated statement of comprehensive income.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board that makes strategic decisions.

2 Summary of significant accounting policies *(continued)*

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised as profit or loss in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'other gains/(losses) – net'.

2.5 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property. Starting from 1 January 2009, investment property also includes property that is being constructed or developed for future use as investment property.

Land held under operating leases is classified and accounted for by the Group as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs and borrowing costs. Borrowing costs that are incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended.

2 Summary of significant accounting policies *(continued)*

2.5 Investment property *(continued)*

After initial recognition, investment property is carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation of investment properties is calculated using the straight-line method to allocate their costs over their estimated useful lives of 20 years.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

2.6 Property, plant and equipment

Construction-in-progress represents properties under construction and is stated at cost less accumulated impairment losses. This includes cost of construction and other direct costs. Construction-in-progress is not depreciated until such time as the assets are completed and are ready for operational use.

Property, plant and equipment include buildings, machinery, vehicles, furniture, fittings and equipment, and sculpture and exhibits. All property, plant and equipment is stated at historical cost less depreciation and impairment (if any). Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged as expenses to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

– Buildings	20 years
– Machinery	10 years
– Vehicles	5-10 years
– Furniture, fittings and equipment	3-10 years
– Sculpture and exhibits	20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2 Summary of significant accounting policies *(continued)*

2.6 Property, plant and equipment *(continued)*

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains/(losses) – net' in the consolidated statement of comprehensive income.

2.7 Land use rights

All land in mainland China is state-owned and no individual land ownership right exists. The Group acquired the rights to use certain land and the premiums paid for such rights are recorded as land use rights, which are amortised over the use terms of 34 to 50 years using the straight-line method.

2.8 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Trademarks

Trademarks are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of 10 years.

2 Summary of significant accounting policies *(continued)*

2.8 Intangible assets *(continued)*

(c) Acquired computer software licences

Acquired computer software licences are initially capitalised on the basis of costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The cost are amortised using the straight-line method over their estimated useful lives of 5 years.

The amortisation period and amortisation method of intangible assets are reviewed at each reporting period. The effects of any revision are recognised as profit or loss in the consolidated statement of comprehensive income when the changes arise.

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 Summary of significant accounting policies *(continued)*

2.10 Financial assets

2.10.1 Classification

The Group classifies all its financial assets under the category of loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determine the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the consolidated balance sheet date which are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'restricted cash', 'time deposits' and 'cash and cash equivalents' in the consolidated balance sheet (Notes 2.13 and 2.14).

2.10.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.10.3 Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2 Summary of significant accounting policies *(continued)*

2.11 Impairment of financial assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised as profit and loss in the consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised as profit or loss in the consolidated statement of comprehensive income.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the moving weighted average cost method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 Summary of significant accounting policies *(continued)*

2.13 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services rendered in the ordinary course of business. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The creation and release of provision for impaired receivables have been included in 'administrative expenses' in the consolidated statement of comprehensive income. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

2.14 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Time deposits with maturity more than three months and restricted cash are excluded from cash and cash equivalents.

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade ant other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 Summary of significant accounting policies *(continued)*

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised as profit or loss in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.18 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the consolidated balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 Summary of significant accounting policies *(continued)*

2.19 Current and deferred income tax *(continued)*

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, and the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the consolidated balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liability is provided on temporary differences arising on investments in subsidiaries and joint venture, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 Summary of significant accounting policies *(continued)*

2.20 Employee benefits – pension obligations

The Group entities in mainland China participate in defined contribution retirement benefit plans organised by relevant government authorities for its employees in mainland China and contribute to these plans based on certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. The contributions to these plans are recognised as employee benefit expenses when incurred.

2.21 Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the Group receives services from directors, employees, independent third party distributors and other persons as consideration for equity instruments (options) of the Company. The fair value of the services received from these participants in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and an employee remaining on service over a specified time period);
- including any market performance conditions (for example, the Company's share price);and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance vesting conditions. It recognises the impact of the revision to original estimates, if any, as profit or loss in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The grant by the Company of options over its equity instruments to the employees of subsidiaries in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in a subsidiary, with a corresponding credit to equity in the parent company accounts.

2 Summary of significant accounting policies *(continued)*

2.22 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.23 Government grants

Government grants are recognised at their fair value, when there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised as income in the consolidated statement of comprehensive income over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are recognised as income in the consolidated statement of comprehensive income on a straight line basis over the expected lives of the related assets.

Government grants that are not related to future costs nor purchase of property, plant and equipment are recognised directly as income in the consolidated statement of comprehensive income.

2.24 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

2 Summary of significant accounting policies *(continued)*

2.24 Revenue recognition *(continued)*

(a) Sales of goods – wholesale

The Group processes/manufactures and sells a range of tea products in the wholesale market. Revenue from the sales of goods is recognised when the risk and reward of the goods has been transferred to the wholesaler, which is usually at the date when an entity of the Group has delivered products to the wholesaler, the wholesaler has accepted the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products.

Customers have a right to return faulty products in the wholesale market. Sales are recorded based on the price specified in the sales contracts, net of returns at the time of sale. Accumulated experience is used to estimate and provide for the returns. No element of financing is deemed present as the sales are made with a credit term of 140 days, which is consistent with the market practice.

(b) Sales of goods – retail

The Group operates a chain of retail outlets for selling tea products. Sales of goods are recognised when a group entity sells a product to the customer. Retail sales are usually in cash or by credit card.

It is the Group's policy to sell its products to the retail customer with a right to return. Accumulated experience is used to estimate and provide for such returns at the time of sale.

(c) Sales from hotel accommodation, restaurant and tourist services

Sales from hotel accommodation, restaurant, tourist and other ancillary services is recognised when the services are rendered.

(d) Investment property rental income

Rental income from operating leases is recognised as income on a straight-line basis over the lease term. When the Group provides incentives to its customers, the cost of incentives are recognised over the lease term, on a straight-line basis, as a reduction of rental income.

2.25 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.26 Dividend income

Dividend income is recognised when the right to receive payment is established.

2 Summary of significant accounting policies *(continued)*

2.27 Operating leases

(a) The Group's company is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged as expenses to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

(b) The Group's company is the lessor

Properties leased out under operating leases are included in 'investment property' in the consolidated balance sheet (Note 7). See Note 2.24(d) for the recognition of rental income.

2.28 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.29 Customer loyalty programmes

The Group operates a loyalty programme where customers accumulate points for purchases made which entitle them to redeem the Group's products. The reward points are recognised as a separately identifiable component of the initial sale transaction by allocating the fair value of the consideration received between the reward points and the other components of the sale such that the reward points are initially recognised as deferred income at their fair value. Revenue from the reward points is recognised when the points are redeemed. Unused reward points will expire after one year.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by treasury department under policies approved by the Board of Directors.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in mainland China with most of the revenue and expenditures transactions denominated and settled in RMB, where its foreign exchange risk is limited.

The Group's exposure to foreign exchange risk is mainly on its sales and purchase transactions (i.e., export or import of products) denominated in United States Dollar ("USD") and Japanese Yen ("JPY"), and financing activities (i.e. issuances of ordinary shares, certain borrowings) denominated in USD and Hong Kong Dollar ("HKD"). The exchange rate of HKD is pegged to USD.

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to foreign exchange risk based on the assumption that USD, JPY and HKD (pegged with USD) had strengthened/weakened by 5% against RMB with all other variables held constant:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Profit after income tax increase/(decrease)		
– Strengthened 5%	**4,014**	(19,205)
– Weakened 5%	**(4,014)**	19,205
Equity increase/(decrease)		
– Strengthened 5%	**4,014**	(19,205)
– Weakened 5%	**(4,014)**	19,205

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets and liabilities other than its bank deposits and borrowings. Borrowings at variable rates expose the Group to cash flow interest-rate risk. Bank deposits and borrowings at fixed rates expose the Group to fair value interest-rate risk. The Group has not hedged its cash flow and fair value interest rate risk. Details of the Group's bank deposits and borrowings have been disclosed in Note 13 and Note 19 respectively.

The sensitivity analysis for interest rate risk is based on the assumption that average interest rates on bank borrowings which bear floating rate had been 10% higher/lower with all other variables held constant:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Post-tax profit increase/(decrease)		
– 10% higher	**(1,391)**	(517)
– 10% lower	**1,391**	517
Equity increase/(decrease)		
– 10% higher	**(1,391)**	(517)
– 10% lower	**1,391**	517

(b) Credit risk

Credit risk arises from time deposits, restricted cash, cash and cash equivalents and trade and other receivables. The carrying amounts or the undiscounted nominal amounts, where applicable, of each class of these financial assets represent the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

To manage the risk with respect to restricted cash, time deposits and cash and cash equivalents, they are placed with highly reputable financial institutions.

Most of Group's sales are settled in cash or in bills by its customers. Credit sales are made to selected customers with good credit history with a credit term of 140 days. The Group performs credit assessment on customers before making credit sales to customers and credit risks in connection with trade receivables are monitored on an on-going basis.

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the Group aims at maintaining flexibility in funding by maintaining adequate amount of cash and cash equivalents.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the consolidated balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 December 2015	**Less than 1 year RMB'000**	**Between 1 and 2 years RMB'000**	**Between 2 and 5 years RMB'000**	**Total RMB'000**
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 at 31 December 2014	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
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.

3 Financial risk management *(continued)*

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital. Total debt refers to the total borrowings (current and non-current) as shown in the consolidated balance sheet. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus total debt.

During 2015, the Group's strategy is to maintain the gearing ratio below 50% (2014: below 50%). The gearing ratios at 31 December 2015 and 2014 were as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Total debt – total borrowings (Note 19)	**251,656**	599,725
Total equity	**1,924,830**	1,963,785
Total capital	**2,176,486**	2,563,510
Gearing ratio	**12%**	23%

3.3 Fair value estimation

The carrying amount of the Group's financial assets (including trade and other receivables, cash and cash equivalents, restricted cash and time deposits) and short term liabilities (including trade and other payables and short term borrowings) are assumed to approximate their fair values due to their short-term maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4 Critical accounting estimates and judgements *(continued)*

4.1 Critical accounting estimates and assumptions

(a) Impairment of trade and other receivables

The management estimates the provision for impairment of trade and other receivables by assessing their recoverability. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible and require the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables and the impairment charge in the period in which such estimate is changed.

(b) Current and deferred income taxes

The Group is subject to income taxes in a few jurisdictions. Judgement is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provisions in the period in which such determination are made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such difference will impact the recognition of deferred income tax assets and taxation in the period in which such estimate is changed.

(c) Share-based payments with specific performance conditions

The Group's share-based payments are exercisable subject to the Group achieving certain non-market performance vesting conditions. The Group recognises an amount for the goods or services received during the vesting period based on the best available estimate of the number of equity instruments expected to vest and revises that estimate, if necessary, if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates. Where the expectation is different from the original estimate, such difference will impact the recognition of share-based payment expense charge in the period in which such estimate is changed.

5 Revenue and segment information

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

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

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

Others include revenue from restaurant, hotel, tourist, management services and catering management, beverage production and sales and wholesale 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.

5 Revenue and segment information *(continued)*

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 RMB'000	Tea snacks RMB'000	Tea ware RMB'000	All other segments RMB'000	Total 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 the equity method					**(263)**
Profit before income tax					**227,640**
Income tax expense					**(81,286)**
Profit for the year					**146,354**

5 Revenue and segment information *(continued)*

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 the equity method					1,118
Profit before income tax					378,362
Income tax expense					(108,164)
Profit for the year					270,198

5 Revenue and segment information *(continued)*

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

6 Land use rights

Land use rights represent the net book amount of prepaid operating lease payments. All the land use rights of the Group are located in mainland China and are held on leases from 34 to 50 years.

Movements in land use rights are as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
At beginning of year		
Cost	**257,952**	147,038
Accumulated amortisation	**(17,067)**	(8,534)
Net book amount	**240,885**	138,504
Opening net book amount	**240,885**	138,504
Additions	**39,737**	110,914
Amortisation for the year (Note 25)	**(10,143)**	(8,533)
Closing net book amount	**270,479**	240,885
At end of year		
Cost	**297,689**	257,952
Accumulated amortisation	**(27,210)**	(17,067)
Net book amount	**270,479**	240,885

Amortisation expenses have been charged to the consolidated statement of comprehensive income as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Distribution costs	**8,266**	7,281
Cost of sales	**1,877**	1,252
	10,143	8,533

As at 31 December 2015, land use rights with net book value of RMB5,035,000 (2014: RMB5,187,000) have been pledged as securities for bank borrowings of the Group amounting to RMB56,645,000 (2014: RMB20,000,000) (Note 19).

7 Investment properties

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
At beginning of year		
Cost	**6,704**	6,704
Accumulated depreciation	**(2,535)**	(2,248)
Net book amount	**4,169**	4,456
Opening net book amount	**4,169**	4,456
Depreciation (Note 25)	**(287)**	(287)
Closing net book amount	**3,882**	4,169
At end of year		
Cost	**6,704**	6,704
Accumulated depreciation	**(2,822)**	(2,535)
Net book amount	**3,882**	4,169

Depreciation expenses of RMB287,000 have been charged in 'administrative expenses' for the year ended 31 December 2015 (2014: RMB287,000).

Amounts recognised in profit and loss for investment properties are as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Rental income	**730**	550
Property management fees income	**1,000**	800
Direct operating expenses from properties that generated rental income	**(415)**	(371)
	1,315	979

The fair value of the investment properties is RMB7,090,000 as at 31 December 2015 (2014: RMB6,970,000), with carrying amount of RMB3,882,000 (2014: RMB4,169,000). The fair value is determined at each balance sheet date by an external valuer.

7 Investment properties *(continued)*

Fair value hierarchy

Description	Fair value measurements at Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	RMB'000	RMB'000	RMB'000
31 December 2015	–	–	7,090
31 December 2014	–	–	6,970

The valuation was based on income capitalisation approach (term and reversionary method) which use unobservable inputs (Level 3) at 31 December 2015 and 2014, respectively. These inputs at 31 December 2015 include:

Unobservable inputs	Value of unobservable inputs	Explanation for unobservable inputs
Market rent	RMB45,806 per month	The market rent is estimated according to the comparable properties in close proximity. The higher the market rent, the higher the fair value of the properties.
Yield	7.5%	The yield is estimated according to the market evidence, valuer's experience and knowledge of market conditions. The range of adopted yield is from 6.0% to 7.5% according to different cities. The higher the yield, the lower the fair value of the properties.

8 Property, plant and equipment

	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Furniture, fittings and equipment RMB'000	Sculpture and exhibits RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2015							
Cost	687,714	87,214	26,679	159,558	5,463	19,345	985,973
Accumulated depreciation	(184,117)	(49,072)	(18,549)	(97,388)	(173)	–	(349,299)
Net book amount	503,597	38,142	8,130	62,170	5,290	19,345	636,674
Year ended 31 December 2015							
Opening net book amount	503,597	38,142	8,130	62,170	5,290	19,345	636,674
Additions	7,086	5,604	1,493	16,571	–	92,263	123,017
Transfers	10,853	193	–	4,362	–	(15,408)	–
Disposals (Note 32(b))	(31)	(1,293)	(321)	(595)	–	–	(2,240)
Depreciation (Note 25)	(31,592)	(6,031)	(3,150)	(26,720)	(257)	–	(67,750)
Closing net book amount	489,913	36,615	6,152	55,788	5,033	96,200	689,701
At 31 December 2015							
Cost	704,899	89,064	26,004	177,257	5,463	96,200	1,098,887
Accumulated depreciation	(214,986)	(52,449)	(19,852)	(121,469)	(430)	–	(409,186)
Net book amount	489,913	36,615	6,152	55,788	5,033	96,200	689,701

8 Property, plant and equipment *(continued)*

	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Furniture, fittings and equipment RMB'000	Sculpture and exhibits RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2014							
Cost	592,988	79,401	25,954	124,879	–	48,085	871,307
Accumulated depreciation	(152,675)	(42,632)	(15,000)	(73,409)	–	–	(283,716)
Net book amount	440,313	36,769	10,954	51,470	–	48,085	587,591
Year ended 31 December 2014							
Opening net book amount	440,3133	36,769	10,954	51,470	–	48,085	587,591
Additions	52,336	7,968	2,302	27,957	5,463	22,568	118,594
Transfers	42,390	–	–	8,918	–	(51,308)	–
Disposals (Note 32(b))	–	(21)	(214)	(596)	–	–	(831)
Depreciation (Note 25)	(31,442)	(6,574)	(4,912)	(25,579)	(173)	–	(68,680)
Closing net book amount	503,597	38,142	8,130	62,170	5,290	19,345	636,674
At 31 December 2014							
Cost	687,714	87,214	26,679	159,558	5,463	19,345	985,973
Accumulated depreciation	(184,117)	(49,072)	(18,549)	(97,388)	(173)	–	(349,299)
Net book amount	503,597	38,142	8,130	62,170	5,290	19,345	636,674

8 Property, plant and equipment *(continued)*

Depreciation expenses have been charged to the consolidated statement of comprehensive income as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Distribution costs	**31,673**	33,572
Administrative expenses	**23,832**	23,541
Cost of sales	**12,245**	11,567
	67,750	68,680

As at 31 December 2015, property, plant and equipment with net book value of RMB4,372,000 (2014: RMB10,253,000) have been pledged as securities for bank borrowings of the Group amounting to RMB56,645,000 (2014: RMB20,000,000) (Note 19).

As at the date of issuance of these consolidated financial statements, the certificate of certain property, plant and equipment with carrying amount of RMB131,415,000 (2014: RMB70,280,000) is under application process.

Construction work in progress as at 31 December 2015 mainly comprised retail stores, culture museum and warehouses being constructed.

During the year, the Group has capitalised borrowing costs amounting to RMB927,000 (2014: RMB169,000) on qualifying assets. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 3.73% per annum.

9 Intangible assets

	Goodwill RMB'000	Software RMB'000	Trademarks RMB'000	Total RMB'000
At 1 January 2015				
Cost	**1,740**	**7,743**	**648**	**10,131**
Accumulated amortisation	**–**	**(4,438)**	**(403)**	**(4,841)**
Net book amount	**1,740**	**3,305**	**245**	**5,290**
Year ended 31 December 2015				
Opening net book amount	**1,740**	**3,305**	**245**	**5,290**
Additions	**–**	**539**	**–**	**539**
Amortisation charge (Note 25)	**–**	**(1,171)**	**(85)**	**(1,256)**
Closing net book amount	**1,740**	**2,673**	**160**	**4,573**
At 31 December 2015				
Cost	**1,740**	**8,240**	**648**	**10,628**
Accumulated amortisation	**–**	**(5,567)**	**(488)**	**(6,055)**
Net book amount	**1,740**	**2,673**	**160**	**4,573**
At 1 January 2014				
Cost	1,740	5,184	621	7,545
Accumulated amortisation	–	(3,324)	(319)	(3,643)
Net book amount	1,740	1,860	302	3,902
Year ended 31 December 2014				
Opening net book amount	1,740	1,860	302	3,902
Additions	–	2,559	27	2,586
Amortisation charge (Note 25)	–	(1,114)	(84)	(1,198)
Closing net book amount	1,740	3,305	245	5,290
At 31 December 2014				
Cost	1,740	7,743	648	10,131
Accumulated amortisation	–	(4,438)	(403)	(4,841)
Net book amount	1,740	3,305	245	5,290

Amortisation expenses of RMB1,256,000 (2014: RMB1,198,000) have been charged in 'administrative expenses' for the year ended 31 December 2015.

Impairment tests for goodwill

The intangible assets as at 31 December 2015 and 31 December 2014 include goodwill of RMB1,740,000 which arose from the acquisition of Xiamen Tianqia Catering Management Co., Limited ("Tian Qia") during the year 2013.

Management reviews the business performance based on type of business. Goodwill is monitored by the management at the operating segment level. In the year ended 31 December 2015 and 31 December 2014, the business of catering management, beverage production and sales of pre-packaged food did not qualify as a reportable operating segment.

9 Intangible assets *(continued)*

Impairment tests for goodwill *(continued)*

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial forecast approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the retail businesses in which the CGU operates.

Key assumptions used for value-in-use calculations in the year 2015 is as follows:

– Gross margin	12%
– Long term growth rate	3%
– Discount rate	20%

Management determined forecasted gross margins based on past performance and its expectations for market development. The long term growth rate used is consistent with the forecasts included in industry reports. The discount rate used is pre-tax and reflects specific risks relating to the Group's business.

10 Investments accounted for using the equity method

The amounts recognised in the balance sheet are as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Joint ventures	**6,228**	6,469
Associate	**3,583**	–
	9,811	6,469

The amounts recognised in the consolidated statement of comprehensive income are as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Joint ventures	**1,264**	1,118
Associate	**(1,527)**	–
	(263)	1,118

10 Investments accounted for using the equity method *(continued)*

(a) Investments in joint ventures

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
At beginning of year	**6,469**	4,791
Investment in a joint venture	**–**	1,935
Share of profits less losses	**1,264**	1,118
Cash dividends declared	**(1,505)**	(1,375)
At end of year	**6,228**	6,469

The particulars of the joint ventures of the Group at 31 December 2015 and 2014, all of which are unlisted, are set out as follows:

Company name	Country/place and date of incorporation	Registered capital	Issued and fully paid capital	Attributable equity interest to the Group as at 31 December 2015	2014	Principal activities
Zhangzhou Tenfu Oil Limited ("Fujian Petrol")	PRC, 28 March 2002	RMB3,000,000	RMB3,000,000	**50%**	50%	Lease of assets
Xiamen Daily Plus Food Beverage Management Co., Ltd. ("Xiamen Daily Plus")	PRC, 21 January 2014	USD2,100,000	USD630,000	**50%**	50%	Catering management, beverage production and sales of pre-packaged food

As at 31 December 2015 and 2014, the Group had paid the first capital injection of USD315,000 (equivalent to RMB1,935,000) to Xiamen Daily Plus, and the remaining balance of the capital commitment of USD735,000 (equivalent to RMB4,467,000) will be paid in due course.

The Group's share of the results of the joint ventures, and their aggregated assets and liabilities, are as follows:

	Fujian Petrol		Xiamen Daily Plus		Total	
	2015	2014	**2015**	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Assets	**4,679**	4,692	**1,700**	1,919	**6,379**	6,611
Liabilities	**(69)**	(78)	**(82)**	(64)	**(151)**	(142)
Revenue	**2,355**	2,224	**1,226**	140	**3,581**	2,364
Profit/(Loss)	**1,491**	1,197	**(227)**	(79)	**1,264**	1,118
% interest held	**50%**	50%	**50%**	50%	**50%**	50%

Fujian Petrol and Xiamen Daily Plus are private companies and there are no quoted market prices available for their shares.

10 Investments accounted for using the equity method *(continued)*

(b) Investment in an associate

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
At beginning of year	**–**	–
Investment in an associate	**5,110**	–
Share of loss	**(1,527)**	–
At end of year	**3,583**	–

The particulars of the associate of the Group at 31 December 2015, which is unlisted, are set out as follows:

Company name	Country/place and date of incorporation	Registered capital	Issued and fully paid capital	Attributable equity interest to the Group as at 31 December 2015	2014	Principal activities
Tea Trading International DMCC. ("TTI")	United Arab Emirates ("U.A.E"), 20 July 2015	Arab Emirate Dirham ("AED") 2,000,000	AED 2,000,000	49%	N/A	Tea blending, packaging and trading

10 Investments accounted for using the equity method *(continued)*

(b) Investment in an associate *(continued)*

Pursuant to the resolution of the board of directors of Tenfu (Hong Kong) Holdings Company Limited ("Tenfu HK"), a subsidiary of the Group, dated 30 May 2015, Tenfu HK and Rise General Trading LLC ("Rise"), an independent third party, entered into an agreement dated 17 June 2015 to set up an associate in U.A.E. to undertake such activities as warehousing, blending, packaging, and trading the new brand of tea to serve the Middle East. TTI was established on 20 July 2015 with registered capital of AED 2,000,000 (equivalent to RMB3,381,000, of which Rise and Tenfu HK own 51% and 49% respectively). According to the contract, Rise and Tenfu HK are each committed to invest USD2,800,000 (equivalent to RMB18,182,000) to TTI, including registered capital. As at 31 December 2015, Tenfu HK has paid the capital injection of USD800,000 (equivalent to RMB5,110,000), and the Group's remaining balance of capital commitment of USD2,000,000 (equivalent to RMB12,987,000) will be paid in due course.

The Group's share of the results of the associate, and its aggregated assets and liabilities, are as follows:

	2015	2014
	RMB'000	RMB'000
Assets	**4,601**	N/A
Liabilities	**(1,018)**	N/A
Revenue	**2,435**	N/A
Loss	**(1,527)**	N/A
% interest held	**49%**	N/A

TTI is a private company and there is no quoted market price available for its shares.

11 Trade and other receivables and prepayments

(i) 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 (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 (2014: nil).

11 Trade and other receivables and prepayments *(continued)*

(i) Trade and other receivables *(continued)*

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.

(ii) 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 (Note 34(b))	**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.

12 Inventories

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Raw materials and packaging materials	**130,602**	120,394
Work in progress	**107,976**	96,811
Finished goods	**232,804**	205,553
	471,382	422,758

The cost of inventories recognised as expenses and included in 'cost of sales' amounted to RMB520,756,000 for the year ended 31 December 2015 (2014: RMB569,126,000) (Note 25).

The Group did not have any losses on obsolete inventories or write-down of inventories for the year ended 31 December 2015 (2014: nil).

13 Cash and cash equivalents, time deposits and restricted cash

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Cash at bank and on hand (i)	**625,146**	1,072,588
Less: Time deposits (ii)	**(144,330)**	(606,853)
Long-term time deposits (ii)	**(67,500)**	(135,000)
Restricted cash (iii)	**(34,000)**	(98,810)
Cash and cash equivalents	**379,316**	231,925

(i) The weighted average effective interest rate on cash placed with banks and deposits was 1.75% (2014: 2.59%) per annum for the year ended 31 December 2015.

(ii) As at 31 December 2015, the Group has time deposits of RMB144,330,000 (2014: RMB606,853,000) which will mature within one year.

As at 31 December 2015, the Group has long-term time deposits of RMB67,500,000 which will mature in 2018 (2014: RMB135,000,000 maturing in 2016).

(iii) As at 31 December 2015, a subsidiary Pingtan Tenfu Tea Co., Ltd. pledged time deposits of RMB34,000,000 as collateral for issue of notes payable amounting to RMB33,000,000 (Note 18).

As at 31 December 2014, the Group had time deposits of RMB98,810,000 which were pledged as collateral for the Group's short-term bank borrowings of RMB97,196,000 (Note 19) and were fully released in 2015 upon repayment of the bank borrowings.

13 Cash and cash equivalents, time deposits and restricted cash *(continued)*

The carrying amount of cash at bank and on hand are denominated in the following currencies:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
RMB	**544,146**	909,417
USD	**65,969**	120,394
HKD	**14,665**	42,699
JPY	**366**	78
	625,146	1,072,588

14 Share capital and premium

	Number of authorised shares (thousands)	Number of issued shares (thousands)	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 30.

15 Retained earnings

	Year ended 31 December 2015 RMB'000	2014 RMB'000
At 1 January	**1,121,790**	879,768
Profit for the year	**146,354**	270,198
Appropriation to statutory reserves (Note 16)	**(23,769)**	(28,176)
At 31 December	**1,244,375**	1,121,790

16 Other reserves

	Merger reserve (I) RMB'000	Capital reserve (II) RMB'000	Statutory reserves (III) RMB'000	Share-based payment reserve RMB'000	Total RMB'000
At 1 January 2015	**278,811**	**231**	**184,617**	**–**	**463,659**
Appropriation to statutory reserves (Note 15)	**–**	**–**	**23,769**	**–**	**23,769**
Share option scheme					
– value of services from directors, employees and independent third party distributors (Note 17)	**–**	**–**	**–**	**380**	**380**
– reversal of the current year value of services from directors, employees and independent third party distributors (Note 17)	**–**	**–**	**–**	**(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 (Note 15)	–	–	28,176	–	28,176
Share option scheme					
– value of services from directors, employees and independent third party distributors (Note 17)	–	–	–	582	582
– reversal of the accumulated value of services from directors, employees and independent third party distributors (Note 17)	–	–	–	(2,168)	(2,168)
At 31 December 2014	278,811	231	184,617	–	463,659

16 Other reserves *(continued)*

(I) Merger reserve comprises the differences between the cost of investments in subsidiaries and net assets of the subsidiaries acquired under common control.

(II) Capital reserve mainly comprises exchange differences relating to foreign currency capital injection.

(III) Statutory reserves

The PRC laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the net profit (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holder. All statutory reserves are created for specific purposes. PRC companies are required to appropriate 10% of statutory net profits to statutory surplus reserves, upon distribution of their post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the companies, to expand the companies' production operations, or to increase the capital of the companies. In addition, a company may make further contribution to the discretional surplus reserve using its post-tax profits in accordance with resolutions of the board of directors of the company.

17 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.

17 Share-based payments *(continued)*

Share Option Scheme *(continued)*

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

	Average exercise price (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** (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 (Note 26).

17 Share-based payments *(continued)*

Share Option Scheme *(continued)*

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 (Note 26).

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 (Note 26) 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 (Note 26) due to not achieving the Performance Conditions.

18 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 (Note 34(b))	**24,052**	8,414
Total trade payables	**104,634**	92,453
Notes payable (Note 13)	**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 (Note 34(b))	**–**	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.

18 Trade and other payables *(continued)*

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.

19 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

19 Borrowings *(continued)*

(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 (Note 34(c)), 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 (Note 6) and property, plant and equipment (Note 8) 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 (Note 13) 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 (Note 6) and property, plant and equipment (Note 8) 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

19 Borrowings *(continued)*

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
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.

The Group has the following undrawn borrowing facilities:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Fixed rate:		
– expiring within one year (bank borrowings)	**304,548**	85,835

The above facilities have been arranged to provide funding for the working capital and other general corporate purpose of the Group.

20 Deferred income on government grants

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
At beginning of year	**–**	–
Granted during the year (i)	**22,160**	–
Amortised as income (Note 23)	**(139)**	–
At end of 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.

21 Deferred income tax assets and liabilities

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income taxes are related to the same tax authority. The Group does not have deferred income tax assets and liabilities that are offset against each other and accordingly they are all stated at gross amounts. As at the balance sheet date, the analysis of deferred tax assets and deferred tax liabilities are as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Deferred tax assets		
– to be recovered after more than 12 months	**6,580**	–
– to be recovered within 12 months	**32,974**	41,165
	39,554	41,165
Deferred tax liabilities		
– to be settled after more than 12 months	**1,083**	1,134
– to be settled within 12 months	**22,127**	19,311
	23,210	20,445

The gross movement on the deferred income tax account is as follows:

	Temporary differences in respect of accruals	Tax losses	Unrealised profit on inventories	Customer loyalty programme	Government grant	Withholding tax on unremitted earnings of certain subsidiaries	Fair value gains	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015	**8,706**	**514**	**27,913**	**4,032**	**–**	**(19,260)**	**(1,185)**	**20,720**
Paid out	**–**	**–**	**–**	**–**	**–**	**2,000**	**–**	**2,000**
(Charged)/credited to the consolidated statement of comprehensive income (Note 28)	**(7,099)**	**1,409**	**(2,301)**	**875**	**5,505**	**(4,816)**	**51**	**(6,376)**
At 31 December 2015	**1,607**	**1,923**	**25,612**	**4,907**	**5,505**	**(22,076)**	**(1,134)**	**16,344**
At 1 January 2014	9,254	514	30,103	3,483	–	(16,217)	(1,236)	25,901
Paid out	–	–	–	–	–	4,100	–	4,100
(Charged)/credited to the consolidated statement of comprehensive income (Note 28)	(548)	–	(2,190)	549	–	(7,143)	51	(9,281)
At 31 December 2014	8,706	514	27,913	4,032	–	(19,260)	(1,185)	20,720

21 Deferred income tax assets and liabilities *(continued)*

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2015, the Group did not recognise deferred income tax assets of RMB17,020,000 (2014: RMB10,460,000) in respect of tax losses amounting to RMB68,080,000 (2014: RMB41,841,000) that can be carried forward to offset against future taxable income due to uncertainty of realisation. As at 31 December 2015, losses amounting to RMB11,813,000 (2014: RMB11,813,000), RMB8,461,000 (2014: RMB8,461,000), RMB12,383,000 (2014: RMB12,383,000), RMB9,184,000 (2014: RMB9,184,000) and RMB26,239,000 (2014: nil) will expire in 2016, 2017, 2018, 2019 and 2020 respectively.

As at 31 December 2015, the unrealised profits on inventories sold by the inter-companies within the Group amounted to RMB102,448,000 (2014: RMB111,652,000), and were eliminated in the Group's consolidated financial statements. Deferred income tax assets were recognised for the unrealised profits.

As at 31 December 2015, deferred income tax liabilities of RMB70,512,000 (2014: RMB59,276,000) have not been recognised for the PRC withholding tax. The corresponding unremitted earnings amounted to RMB987,747,000 as at 31 December 2015 (2014: RMB844,578,000) which are intended to be reinvested.

22 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.

23 Other income

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Government grants	**8,802**	10,934
Income from investment properties (Note 7)	**1,730**	1,350
Amortisation of deferred income (Note 20)	**139**	–
Others	**118**	3,087
	10,789	15,371

24 Other losses – net

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
(Losses)/gains on disposal of property, plant and equipment, net (Note 32)	**(333)**	55
Net foreign exchange losses	**(710)**	(491)
	(1,043)	(436)

25 Expenses by nature

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Cost of inventories (Note 12)	**520,756**	569,126
Employee benefit expenses – including directors' emoluments (Note 26)	**290,918**	286,193
Amortisation of land use rights (Note 6)	**10,143**	8,533
Depreciation of investment properties (Note 7)	**287**	287
Depreciation of property, plant and equipment (Note 8)	**67,750**	68,680
Amortisation of intangible assets (Note 9)	**1,256**	1,198
Concession fees	**54,161**	58,313
Transportation expenses	**32,210**	32,225
Operating lease expenses	**137,565**	152,823
Free trial expenses	**32,967**	42,200
Auditor's remuneration		
– Audit services	**3,650**	3,930
– Non-audit services	**1,906**	1,049
Other expenses	**111,333**	116,873
Total cost of sales, distribution costs and administrative expenses	**1,264,902**	1,341,430

26 Employee benefit expenses

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Wages and salaries	**250,677**	251,793
Social security costs	**34,224**	31,168
Share option expense (Note 17)	**–**	(1,364)
Other benefits	**6,017**	4,596
	290,918	286,193

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2015 include four (2014: four) directors whose emoluments are reflected in the analysis shown in Note 36. The emoluments payable to the remaining one (2014: one) individual for the year ended 31 December 2015 and 2014 are as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Salaries and social security costs	**523**	600

The emoluments fell within the following bands:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Emolument bands (in RMB)		
Within HKD1,000,000 (RMB838,000)	**5**	5

27 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

28 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 (Note 21)	**6,376**	9,281
Income tax expense	**81,286**	108,164

28 Income tax expense *(continued)*

(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.

Pursuant to the PRC Corporate Income Tax Law (the "CIT Law"), the CIT is unified at 25% for all types of entities, effective from 1 January 2008.

(iv) PRC withholding income tax

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

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Profit before income tax	**227,640**	378,362
Tax calculated at domestic tax rates applicable to profits in the respective jurisdictions	**68,823**	95,780
Tax effects of:		
Expenses not deductible for tax purposes	**1,021**	3,225
Joint ventures' and associate's results reported net of tax	**66**	(280)
Tax losses for which no deferred income tax asset was recognised (Note 21)	**6,560**	2,296
Withholding tax on the expected distributable profits of the subsidiaries in mainland China (Note 21)	**4,816**	7,143
Tax charges	**81,286**	108,164

29 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.

30 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 these 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).

31 Subsidiaries

Particulars of the subsidiaries of the Group as at 31 December 2015 and 2014 are as follows:

Company name	Place/Date of incorporation	Legal status	Registered capital	Issued and fully paid capital	Effective interest held as at 31 December 2015	2014	Principal activities
Directly owned							
Subsidiaries – incorporated in the British Virgin Islands (the "BVI")							
Ten Rui (BVI) Holdings Co., Ltd.	BVI, 19 August 2009	Limited liability company	USD1,000	USD1,000	**100%**	100%	Investment holding
Tenfu Holdings Co., Ltd.	BVI, 2 July 2009	Limited liability company	USD1,000	USD1,000	**100%**	100%	Investment holding
Indirectly owned							
Subsidiaries – established in the mainland China							
Zhangzhou Tianfu Tea Industry Co., Ltd.	PRC, 24 December 1998	Foreign investment enterprise	USD25,000,000	USD25,000,000	**100%**	100%	Classification, packaging of tea leaves, manufacture of tea snacks, and sale of tea leaves, tea snacks and tea ware
Zhangpu Tian Fu Tea Garden Co., Ltd.	PRC, 17 November 1999	Foreign investment enterprise	USD17,000,000	USD17,000,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware and provision of hotel, restaurant and related service
Minhou Tianyuan Tea Products Co., Ltd.	PRC, 23 October 1993	Foreign investment enterprise	USD3,640,000	USD3,640,000	**100%**	100%	Classification, packaging of tea leaves, manufacture of tea snacks, and sale of tea leaves, tea snacks and tea ware
Jiajiang Tenfu Tea Garden Co., Ltd.	PRC, 17 October 2002	Foreign investment enterprise	USD10,000,000	USD10,000,000	**100%**	100%	Classification, packaging of tea leaves, manufacture of tea snacks, and sale of tea leaves, tea snacks and tea ware

31 Subsidiaries *(continued)*

Particulars of the subsidiaries of the Group as at 31 December 2015 and 2014 are as follows *(continued)*:

Company name	Place/Date of incorporation	Legal status	Registered capital	Issued and fully paid capital	Effective interest held as at 31 December 2015	2014	Principal activities
Indirectly owned *(continued)*							
Subsidiaries – established in the mainland China *(continued)*							
Zhejiang Tianfu Tea Industry Co., Ltd.	PRC, 16 August 2006	Foreign investment enterprise	USD5,000,000	USD5,000,000	**100%**	100%	Classification, packaging of tea leaves, manufacture of tea snacks, and sale of tea leaves, tea snacks and tea ware
Guiding Tian Fu Tea Garden Co., Ltd.	PRC, 4 August 2015	Foreign investment enterprise	RMB30,000,000	RMB19,000,000	**100%**	N/A	Sale of tea leaves, tea snacks and tea ware and provision of hotel, restaurant and related service
Sichuan Tenfu Tea Sales Co., Ltd.	PRC, 10 February 2009	Foreign investment enterprise	USD1,000,000	USD1,000,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Guizhou Tenfu Tea Sales Co., Ltd.	PRC, 26 March 2009	Foreign investment enterprise	USD1,000,000	USD1,000,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Xin Jiang Tian Fu Tea Sales Co., Ltd.	PRC, 14 April 2009	Foreign investment enterprise	USD1,000,000	USD1,000,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Shan Xi Tian Fu Tea Sales Co., Ltd.	PRC, 29 April 2009	Foreign investment enterprise	USD1,000,000	USD1,000,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Fu Zhou Tian Fu Tea Sales Co., Ltd.	PRC, 30 April 2009	Foreign investment enterprise	USD3,000,000	USD3,000,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Jiang Xi Tian Fu Tea Sales Co., Ltd.	PRC, 7 May 2009	Foreign investment enterprise	USD2,000,000	USD2,000,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Shaan Xi Tian Fu Tea Sales Co., Ltd.	PRC, 18 May 2009	Foreign investment enterprise	USD3,000,000	USD3,000,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Guang Dong Tian Fu Tea Sales Co., Ltd.	PRC, 10 June 2009	Foreign investment enterprise	USD3,000,000	USD3,000,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Jilin Province Tian Fu Tea Sales Co., Ltd.	PRC, 12 June 2009	Foreign investment enterprise	USD2,500,000	USD2,500,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Nanjing Tian Fu Tea Sales Co., Ltd.	PRC, 22 June 2009	Foreign investment enterprise	USD3,000,000	USD3,000,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Guangxi Tenfu Tea Sales Co., Ltd.	PRC,26 June 2009	Foreign investment enterprise	USD1,000,000	USD1,000,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Hebei Tenfu Tea Sales Co., Ltd.	PRC, 9 June 2009	Foreign investment enterprise	USD1,000,000	USD1,000,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware

31 Subsidiaries *(continued)*

Particulars of the subsidiaries of the Group as at 31 December 2015 and 2014 are as follows *(continued)*:

Company name	Place/Date of incorporation	Legal status	Registered capital	Issued and fully paid capital	Effective interest held as at 31 December 2015	2014	Principal activities
Indirectly owned *(continued)*							
Subsidiaries – established in the mainland China *(continued)*							
Hu Bei Tian Fu Tea Sales Co., Ltd.	PRC, 10 July 2009	Foreign investment enterprise	USD1,000,000	USD1,000,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Hunan Tenfu Tea Sales Co., Ltd.	PRC, 26 August 2009	Foreign investment enterprise	USD1,000,000	USD1,000,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Fujian Tian Fu Sales Co., Ltd.	PRC,4 July 2008	Foreign investment enterprise	USD20,000,000	USD20,000,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
An Hui Tian Fu Tea Sales Co., Ltd.	PRC, 10 September 2009	Foreign investment enterprise	USD1,000,000	USD1,000,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Jinan Tenfu Tea Co., Ltd.	PRC, 8 June 1999	Foreign investment enterprise	USD3,000,000	USD3,000,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Yantai Tenfu Tea Co., Ltd.	PRC, 27 August 1996	Foreign investment enterprise	USD1,500,000	USD1,500,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Tianjin Tenfu sales Co., Ltd.	PRC, 25 March 2009	Foreign investment enterprise	USD4,000,000	USD4,000,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Beijing Tenfu Tea Co., Ltd.	PRC, 25 January 2002	Foreign investment enterprise	USD5,000,000	USD5,000,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Suzhou Tenfu Tea Co., Ltd.	PRC, 9 August 2010	Foreign investment enterprise	USD2,000,000	USD2,000,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Wuxi Tenfu Tea Co., Ltd.	PRC, 18 October 2010	Foreign investment enterprise	USD2,000,000	USD2,000,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Hangzhou Tenfu Tea Co., Ltd.	PRC, 27 October 2010	Foreign investment enterprise	USD500,000	USD500,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Shanghai Tenfu Tea Co., Ltd.	PRC, 22 November 2010	Foreign investment enterprise	USD2,000,000	USD2,000,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Inner Mongolia Tenfu Tea Co., Ltd	PRC, 10 January 2011	Foreign investment enterprise	USD500,000	USD500,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Xiamen Apex Trading Co., Ltd.	PRC, 29 May 2006	Foreign investment enterprise	USD4,000,000	USD4,000,000	**100%**	100%	Sale of tea leaves and tea snacks
Henan Tenfu Tea Co., Ltd.	PRC, 9 May 2012	Foreign investment enterprise	USD2,000,000	USD2,000,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware

31 Subsidiaries *(continued)*

Particulars of the subsidiaries of the Group as at 31 December 2015 and 2014 are as follows *(continued)*:

Company name	Place/Date of incorporation	Legal status	Registered capital	Issued and fully paid capital	Effective interest held as at 31 December 2015	2014	Principal activities
Indirectly owned *(continued)*							
Subsidiaries – established in the mainland China *(continued)*							
Heilongjiang Tenfu Tea Co., Ltd.	PRC, 12 December 2012	Foreign investment enterprise	USD2,000,000	USD1,600,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Gansu Tenfu Tea Co., Ltd.	PRC, 29 October 2012	Foreign investment enterprise	USD500,000	USD500,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Chongqing Yubeiqu Tenfu Tea Co., Ltd.	PRC, 7 August 2013	Domestic enterprise	RMB1,000,000	RMB1,000,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Xuzhou Tenfu Tea Co., Ltd.	PRC, 7 August 2013	Domestic enterprise	RMB2,000,000	RMB2,000,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Xiamen Tianyu Commerce and Trading Co., Limited	PRC, 15 December 2007	Domestic enterprise	RMB1,840,000	RMB1,840,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware (including on internet)
Xiamen Tianqia Catering Management Co., Ltd.	PRC, 4 March 2011	Domestic enterprise	RMB795,690	RMB795,690	**100%**	100%	Catering management, beverage production and sales of pre-packaged food
Pingtan Tenfu Tea Co., Ltd.	PRC, 1 August 2014	Domestic enterprise	RMB50,000,000	RMB50,000,000	**100%**	100%	Sale of tea leaves, tea snacks and tea ware
Xiamen Tenfu Trading Co., Ltd.	PRC, 30 May 2007	Domestic enterprise	RMB33,868	RMB33,868	**100%**	100%	Property management
Subsidiaries – incorporated in the Hong Kong							
Ten Rui (Hong Kong) Sales Holdings Co., Ltd.	Hong Kong, 7 March 2008	Limited liability company	USD1,000,000	USD1,000,000	**100%**	100%	Investment holding
Tenfu (Hong Kong) Holdings Co., Ltd.	Hong Kong, 17 August 2009	Limited liability company	USD1,000	USD1,000	**100%**	100%	Investment holding

32 Notes to the consolidated cash flow statement

(a) Reconciliation of profit before income tax to net cash generated from operations

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Profit before income tax	**227,640**	378,362
Adjustments for:		
– Share of net losses/(profits) of investments accounted for using the equity method (Note 10)	**263**	(1,118)
– Depreciation of property, plant and equipment (Note 8)	**67,750**	68,680
– Depreciation of investment properties (Note 7)	**287**	287
– Amortisation of land use rights (Note 6)	**10,143**	8,533
– Amortisation of intangible assets (Note 9)	**1,256**	1,198
– Amortisation of deferred income (Note 20)	**(139)**	–
– Losses/(gains) on disposal of property, plant and equipment (Note 24)	**333**	(55)
– Finance income (Note 27)	**(16,059)**	(25,687)
– Finance costs (Note 27)	**51,045**	10,537
– Share option expense (Note 17)	**–**	(1,586)
Changes in working capital:		
– Inventories	**(48,624)**	933
– Trade and other receivables and prepayments	**(29,877)**	(2,394)
– Trade and other payables	**51,201**	(72,402)
– Other liabilities	**3,498**	2,196
Cash generated from operations	**318,717**	367,484

(b) Proceeds from sale of property, plant and equipment

In the consolidated cash flow statement, proceeds from sale of property, plant and equipment comprise:

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Net book amount		
– Property, plant and equipment (Note 8)	**2,240**	831
(Losses)/gains on disposal of property, plant and equipment, net (Note 24)	**(333)**	55
Proceeds from disposal of property, plant and equipment	**1,907**	886

33 Commitments

(a) Equity investment commitments

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Investment in a joint venture and an associate (Note 10)	**17,454**	4,467

(b) Capital expenditure commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Property, plant and equipment	**103,900**	19,427

(c) Operating lease commitments

The Group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The lease terms are between 1 and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

	As at 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

34 Related-party transactions

The Group is controlled by Mr. Lee Rie-Ho, Mr. Lee Shih-Wei, Mr. Lee Chia Ling ("Controlling Shareholders"). The entities owned by the key management, their affiliates and the Group's joint ventures and associates are regarded as related parties.

SAMOA is wholly owned by Mr. Lee Chia Ling. Certain subsidiaries of SAMOA were acquired by the Group in 2014. Therefore, these subsidiaries of SAMOA ceased to be related parties of the Group from the acquisition date.

34 Related-party transactions *(continued)*

(a) Transactions with related parties

The following transactions are carried out by the Group with related parties:

		Year ended 31 December	
		2015	2014
		RMB'000	RMB'000
(i)	Purchases of goods and services		
	– Subsidiaries of SAMOA	**113,197**	69,977
	– A company controlled by the Controlling Shareholders	**11,015**	18,146
		124,212	88,123
(ii)	Processing fee expenses		
	– Subsidiaries of SAMOA	**3,048**	2,940
(iii)	Rental expenses		
	– The Controlling Shareholders and their affiliates	**3,253**	3,577
	– Subsidiaries of SAMOA	**300**	1,445
	– A company controlled by an affiliate of the Controlling Shareholders	**231**	39
		3,784	5,061
(iv)	Key management compensation	**5,126**	4,973
(v)	Dividends declared from a joint venture	**1,505**	1,375
(vi)	Amount payable for acquisition of assets		
	– SAMOA (Note 18(i))	**–**	23,450

34 Related-party transactions *(continued)*

(b) Balances with related parties

The Group has the following balances with its related parties as at 31 December 2015 and 2014:

		As at 31 December	
		2015	2014
		RMB'000	RMB'000
(i)	Prepayments to related parties		
	– Subsidiaries of SAMOA (Note 11)	**12,743**	–
(ii)	Due to related parties		
	Trade related		
	– Subsidiaries of SAMOA (Note 18)	**24,052**	8,414
	Non-trade related		
	– Payable to SAMOA for assets acquisition (Note 18)	**–**	23,450
	– An affiliate of the Controlling Shareholders (Note 18)	**–**	8,093
		24,052	39,957

The payables to related parties for the years ended 31 December 2015 and 2014 arise mainly from purchase transactions, assets acquisition and borrowings. The payables bear no interest and are repayable on demand.

(c) Borrowings guaranteed by related parties

The Group's bank borrowings of RMB151,656,000 as at 31 December 2015 (2014: RMB98,284,000) are guaranteed by Mr. Lee Rie-Ho, Mr. Lee Chia Ling and Mr. Lee Kuo-Lin, either separately or jointly (Note 19).

35 Balance sheet and reserve movement of the Company

Balance sheet of the Company

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Investments in subsidiaries	**860,388**	860,388
Current assets		
Trade and other receivables	**2,766**	6,264
Restricted cash	**–**	98,810
Time deposits	**–**	143,023
Cash and cash equivalents	**42,253**	9,484
	45,019	257,581
Total assets	**905,407**	1,117,969
EQUITY		
Capital and reserves attributable to the owners of the Company		
Share capital: nominal value	**100,816**	100,816
Share premium (Note (a))	**92,211**	277,520
Other reserves (Note (a))	**–**	–
Retained earnings (Note (a))	**21,975**	70,545
Total equity	**215,002**	448,881
LIABILITIES		
Non-current liabilities		
Borrowings	**–**	122,380
Current liabilities		
Other payables	**593,945**	119,363
Borrowings	**96,460**	427,345
	690,405	546,708
Total liabilities	**690,405**	669,088
Total equity and liabilities	**905,407**	1,117,969

The balance sheet of the Company was approved by the Board of Directors on 15 March 2016 and was signed on its behalf by:

LEE Chia Ling
Director

LEE Shih-Wei
Director

35 Balance sheet and reserve movement of the Company *(continued)*

Note (a) Reserve movement of the Company

	Share premium RMB'000	Retained earnings RMB'000	Other reserves RMB'000
At 1 January 2015	**277,520**	**70,545**	**–**
Loss for the year	**–**	**(48,570)**	**–**
Dividends	**(185,309)**	**–**	**–**
At 31 December 2015	**92,211**	**21,975**	**–**
At 1 January 2014	472,704	75,708	1,586
Loss for the year	–	(5,163)	–
Share option scheme			
– value of services for the year	–	–	582
– reversal of the accumulated value of services	–	–	(2,168)
Dividends	(195,184)	–	–
At 31 December 2014	277,520	70,545	–

36 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

The remuneration of each director and the chief executive of the Company for the year ended 31 December 2015 is set out as follows:

Name	Fees RMB'000	Salaries and social security costs RMB'000	Share option expense RMB'000	Total RMB'000
Mr. Lee Rie-Ho	**–**	**749**	**–**	**749**
Mr. Lee Kuo-Lin	**–**	**651**	**–**	**651**
Mr. Lee Chia Ling (i)	**–**	**592**	**–**	**592**
Mr. Lee Shih-Wei	**–**	**598**	**–**	**598**
Mr. Tseng Ming-Sung	**–**	**197**	**–**	**197**
Mr. Wei Ke	**–**	**–**	**–**	**–**
Mr. Lo Wah Wai	**253**	**–**	**–**	**253**
Mr. Lee Kwan Hung	**253**	**–**	**–**	**253**
Mr. Fan Ren-Da, Anthony	**253**	**–**	**–**	**253**
	759	**2,787**	**–**	**3,546**

36 Benefits and interests of directors *(continued)*

(a) Directors' and chief executive's emoluments *(continued)*

The remuneration of each director and the chief executive of the Company for the year ended 31 December 2014 is set out as follows:

Name	Fees RMB'000	Salaries and social security costs RMB'000	Share option expense RMB'000	Total RMB'000
Mr. Lee Rie-Ho	–	957	(149)	808
Mr. Lee Kuo-Lin	–	837	(73)	764
Mr. Lee Chia Ling (i)	–	600	(73)	527
Mr. Lee Shih-Wei	–	598	(73)	525
Mr. Tseng Ming-Sung	–	197	(65)	132
Mr. Wei Ke	–	–	–	–
Mr. Lo Wah Wai	237	–	(65)	172
Mr. Lee Kwan Hung	237	–	(65)	172
Mr. Fan Ren-Da, Anthony	237	–	(65)	172
	711	3,189	(628)	3,272

(i) The chief executive of the Company is Mr. Lee Chia Ling, who is also one of the directors of the Company.

For the years ended 31 December 2015 and 2014, no directors received emoluments from the Group as inducement to join or upon joining the Group or as compensation for loss of office. No directors waived or had agreed to waive any emoluments.