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Tenfu (Cayman) Holdings Company Limited

天福(開曼)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6868)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Renewed Samoa Master Purchase Agreement

On 27 March 2019, the Company entered into the Renewed Samoa Master Purchase Agreement with Samoa Company, pursuant to which the Company agreed to purchase or procure members of the Group to purchase tea leaves from Samoa Group for a period of three years commencing on 1 January 2020 to 31 December 2022.

As Samoa Company is wholly owned by Mr. Lee Chia Ling, a substantial shareholder of the Company and a Director, and thus Samoa Company is an associate of a core connected person of the Company, the entering into of the Renewed Samoa Master Purchase Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Listing Rules Implications

As the applicable percentage ratios (other than profits ratio) in respect of the transactions under the Renewed Samoa Master Purchase Agreement exceed 5% on an annual basis, the transactions contemplated thereunder will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Mr. Lee Chia Ling and his associates will abstain from voting on the proposed resolution approving the Renewed Samoa Master Purchase Agreement and the continuing connected transactions contemplated thereunder at the EGM.

The Independent Board Committee will be established to advise the Independent Shareholders and an independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Renewed Samoa Master Purchase Agreement and the continuing connected transactions contemplated thereunder.

A circular containing, among other things, information on the Renewed Samoa Master Purchase Agreement and the continuing connected transactions contemplated thereunder, the recommendations of the Independent Board Committee to the Independent Shareholders in relation to the Renewed Samoa Master Purchase Agreement and the continuing connected transactions contemplated thereunder, a letter of advice from an independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Renewed Samoa Master Purchase Agreement and the continuing connected transactions contemplated thereunder and the notice for the EGM to approve the Renewed Samoa Master Purchase Agreement and the continuing connected transactions contemplated thereunder will be despatched to the Shareholders on or before 18 April 2019.

Renewed Samoa Master Purchase Agreement

Reference is made to the announcement of the Company dated 1 November 2016, the circular of the Company dated 21 November 2016 and the poll results announcement of the Company dated 13 December 2016 in respect of the continuing connected transactions in relation to the purchases of tea leaves from Samoa Group for the three years ending on 31 December 2019.

The Group has been purchasing tea leaves from Samoa Group as part of the ordinary and usual course of business. As the 2016 Samoa Master Purchase Agreement will expire on 31 December 2019, the Company has entered into the Renewed Samoa Master Purchase Agreement with Samoa Company to renew the purchase of tea leaves for a period of three years commencing on 1 January 2020 to 31 December 2022.

Details of the Renewed Samoa Master Purchase Agreement

- Date: 27 March 2019
- Parties: (i) the Company; and
- (ii) Samoa Company, a company incorporated in Samoa, which is engaged in the manufacturing and processing of tea leaves in the PRC through its PRC subsidiaries and is wholly owned by Mr. Lee Chia Ling.
- Subject: Pursuant to the Renewed Samoa Master Purchase Agreement, the Group agreed to purchase or procure members of the Group to purchase tea leaves from Samoa Group.
- Term: The Renewed Samoa Master Purchase Agreement has a fixed term of three years commencing on 1 January 2020 to 31 December 2022 (both days inclusive).
- Renewed annual caps: The renewed annual caps under the Renewed Samoa Master Purchase Agreement for the three years ending 31 December 2022 will not exceed RMB155,000,000, RMB170,000,000 and RMB187,000,000, respectively. The renewed 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 renewed annual caps, the Directors have considered (i) the actual transaction amounts for the purchase of tea leaves from Samoa Group for the year ended 31 December 2018 and for the two months ended 28 February 2019; (ii) the expected purchase amount for the year ending 31 December 2019 estimated based on the historical proportion of the actual purchase amount for the two months ended 28 February 2019 to that for the full year ending 31 December 2019; and (iii) the expected steady demand of the Group's tea leaves in 2019 thanks to the prospects of the sales of the Group's tea leaves and the steady tea consumption in the PRC for the past years.

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

Payment: The payment for the purchase of the tea leaves under the Renewed Samoa Master Purchase Agreement will be as stated in the relevant purchase orders from the Group or as agreed from time to time. Payment shall be made by telegraphic transfer or other payment methods generally acceptable in the PRC. As agreed between the Company and Samoa Company, the purchase price is payable by the Group within 90 days from the delivery of the tea leaves, which is better than the usual payment terms of around 30 days offered by the independent suppliers.

Save as disclosed above, other terms of the Renewed Samoa Master Purchase Agreement are the same as the 2016 Samoa Master Purchase Agreement.

Historical transaction amounts under the 2016 Samoa Master Purchase Agreement

The historical transaction amounts that the Group paid/payable to Samoa Group for the purchase of tea leaves for the three years ended 31 December 2018 and the two months ended 28 February 2019 were as follows:

	For the year ended 31 December 2016 RMB	For the year ended 31 December 2017 RMB	For the year ended 31 December 2018 RMB	For the two months ended 28 February 2019 RMB
Annual caps under the 2016 Samoa Master Purchase Agreement	132,000,000	117,000,000	128,700,000	141,570,000 <i>(Note)</i>
Transaction amounts under the 2016 Samoa Master Purchase Agreement	105,869,000	99,611,000	121,075,000	15,973,000

Note: For the entire year ending 31 December 2019.

Reasons for the transactions under the Renewed Samoa Master Purchase Agreement

The Group is principally engaged in the sale and marketing of a comprehensive range of tea products and the development of product concepts, tastes and packaging designs. The key products of the Group are tea leaves, tea snacks and tea ware, which are sold through a nationwide network of self-owned and third-party owned retail outlets and retail points. Samoa Company and its subsidiaries are engaged in the packaging, marketing and sale of tea leaves as well as the development and sale of tea snacks and tea ware. The Group has been purchasing tea leaves from Samoa Group as part of the ordinary and usual course of business.

Internal Control Measures

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

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

Directors' View

Given that the tea leaves are being purchased based on prevailing market rates, the Directors (excluding the independent non-executive Directors who will form the view after considering the advice from the independent financial adviser) consider that the Renewed Samoa Master Purchase Agreement is entered into on an arm's length basis, on normal commercial terms, in the usual and ordinary course of business of the Group, and the transactions contemplated under the Renewed Samoa Master Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Listing Rules Implications

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

Samoa Company is wholly owned by Mr. Lee Chia Ling, a substantial shareholder of the Company and a Director. Accordingly, Mr. Lee Chia Ling, Mr. Lee Rie-Ho, who is the father of Mr. Lee Chia Ling, Mr. Lee Kuo-Lin, who is the elder brother of Mr. Lee Chia Ling, and Mr. Lee Shih-Wei, who is a cousin of Mr. Lee Chia Ling, are considered to be interested in the transactions under the Renewed Samoa Master Purchase Agreement and therefore abstained from voting on the board resolutions for approving the Renewed Samoa Master Purchase Agreement and the transactions contemplated thereunder.

As the applicable percentage ratios (other than profits ratio) in respect of the transactions under the Renewed Samoa Master Purchase Agreement are expected to be more than 5% on an annual basis, the transactions contemplated thereunder will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Mr. Lee Chia Ling and his associates will abstain from voting on the proposed resolution approving the Renewed Samoa Master Purchase Agreement and the continuing connected transactions contemplated thereunder at the EGM.

The Independent Board Committee will be established to advise the Independent Shareholders and an independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Renewed Samoa Master Purchase Agreement and the continuing connected transactions contemplated thereunder.

A circular containing, among other things, information on the Renewed Samoa Master Purchase Agreement and the continuing connected transactions contemplated thereunder, the recommendations of the Independent Board Committee to the Independent Shareholders in relation to the Renewed Samoa Master Purchase Agreement and the continuing connected transactions contemplated thereunder, a letter of advice from an independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Renewed Samoa Master Purchase Agreement and the continuing connected transactions contemplated thereunder and the notice for the EGM to approve the Renewed Samoa Master Purchase Agreement and the continuing connected transactions contemplated thereunder will be despatched to the Shareholders on or before 18 April 2019.

Definitions

In this announcement, the following expressions shall have the meanings set out below unless the context otherwise requires:

“2016 Samoa Master Purchase Agreement”	the purchase agreement dated 1 November 2016 entered into between the Company and Samoa Company, pursuant to which the Company agreed to purchase or procure members of the Group to purchase tea leaves from Samoa Group for a term of three years commencing on 1 January 2017 to 31 December 2019;
“associate”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Company”	Tenfu (Cayman) Holdings Company Limited (天福(開曼)控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange;
“core connected person”	has the same meaning as given to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be held to approve the Renewed Samoa Master Purchase Agreement and the continuing connected transactions contemplated thereunder;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors to be appointed by the Board to advise the Independent Shareholders in relation to the Renewed Samoa Master Purchase Agreement and the continuing connected transactions contemplated thereunder;
“Independent Shareholders”	Shareholders independent of Mr. Lee Chia Ling and his associates and not interested in the Renewed Samoa Master Purchase Agreement and the continuing connected transactions contemplated thereunder;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China, excluding Taiwan, Hong Kong and Macao Special Administrative Region for the purpose of this announcement;

“Renewed Samoa Master Purchase Agreement”	the purchase agreement dated 27 March 2019 entered into between the Company and Samoa Company on terms and conditions similar to the 2016 Samoa Master Purchase Agreement, pursuant to which the Company agreed to purchase or procure members of the Group to purchase tea leaves from Samoa Group for a period of three years commencing on 1 January 2020 to 31 December 2022;
“RMB”	Renminbi, the lawful currency of the PRC;
“Samoa Company”	Tenfu Group (Samoa) Holdings Company Limited, a limited liability company incorporated in Samoa, which is engaged in the manufacturing and processing of tea leaves in the PRC through its PRC subsidiaries and wholly owned by Mr. Lee Chia Ling;
“Samoa Group”	Samoa Company and its subsidiaries;
“Shareholder(s)”	Shareholder(s) of the Company;
“Shares”	ordinary shares of nominal value HK\$0.10 each in the capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the same meaning ascribed to it under the Listing Rules; and
“%”	per cent.

By order of the Board
Tenfu (Cayman) Holdings Company Limited
Lee Rie-Ho
Chairman

Hong Kong, 27 March 2019

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