



# 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**

### Environmental, Social and Governance Report 2017

# Environmental, Social and Governance Report

## About this report

This 2017 Environmental, Social and Governance Report is prepared by Tenfu (Cayman) Holdings Company Limited (the “Company” and together with its subsidiaries, the “Group”) in accordance with the “Environmental, Social and Governance Reporting Guide” (ESG Guide) under Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, to introduce the Company’s idea and practice of sustainable development. Elaborating on the Group’s sustainable development and social responsibility concepts from environmental and social areas, this report describes the policies and activities implemented in 2017 by the Group.

The reporting period is from January 1, 2017 to December 31, 2017. This report covers the Group’s principal business endeavors including tea, food, candied fruits and tea ware production of all its subsidiaries. The disclosure of key performance indicators in the area of environment during the reporting period covers the Group’s three factories, including Zhangzhou Tenfu Tea Industry Co., Ltd., Jiajiang Tenfu Tourism Tea Garden Co., Ltd., and Zhejiang Tenfu Tea Industry Co., Ltd.

## 1. ESG Governance

Embracing a sustainable development strategy alongside its environmental, social and governance policy, the Group strives to provide employees with a safe and healthy working environment and a scientifically formulated and practical training plan, to push forward the establishment of a transparent, proper and environmental-friendly supply chain and a positive and healthy industry environment, as well as offering customers safe and healthy products. In order to fulfill its corporate social responsibilities, the Group has actively taken part in various charitable activities, promoted the tea culture and supported educational undertakings.

The Board of Directors supports the Group’s endeavor to fulfill its corporate social responsibilities and undertake all obligations towards the Groups’ environmental, social and governance strategies and reporting. The Board of Directors is responsible for evaluating and determining the Group’s environmental, social, and governance-related risks, and ensuring that the Group has put in place appropriate, effective environmental,

social and governance risk management and internal control systems. The Group’s management should confirm with the Board whether the related systems are effective.

In order to implement its environmental, social and governance work comprehensively, the Group has established an ESG team, headed by the Group’s finance department, which comprises staff members from its production, warehouse, general affairs, quality management, finance, human resources and procurement departments, with the direct involvement of respective department heads. Dedicated personnel are made responsible for implementing ESG management and reporting work. The ESG team regularly reports to the Company’s management and offers proper suggestions for improvement.

The Group always believes that the effective participation and constant support of the stakeholders play a significant role in the Group’s long-term success. The Group has actively built a communication mechanism for the stakeholders to facilitate different stakeholders’ expression of opinions and suggestions on the Group’s sustainable performance and future development strategy. The Group’s stakeholders come from different areas and levels, including consumers, the Group’s employees, shareholders, business partners as well as suppliers, regulatory government agencies, non-governmental organizations and neighboring communities. Comments and suggestions of the stakeholders are one of the focuses of this report.

Based on the Group’s internal assessment and feedbacks from internal and external stakeholders, the Company’s important ESG topics include safeguarding food safety, improving product quality and legal and compliant operation. In the light of this, the Company has developed and established a range of management policies and systems, such as HACCP management system, ISO22000 food safety management system and the tea quality tracking system.

The Group has adopted policies and procedures to evaluate and improve risk management and internal control functions. The Company’s Board of Directors will review the design, implementation and monitoring of the risk management and internal control systems. For details, please refer to the Corporate Governance Report published as part of the Company’s 2017 Annual Report.



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## 2. Business Integrity

The Group establishes all factories in places of origin for reputable tea leaves, combined with the application of scientific and stringent management, to ensure excellent and stable quality. Factories with advanced equipment, scientific management and strict quality control ensure Tenfu products' excellent and stable quality. Transparent display windows installed in the production workshop allow customers to directly view and supervise the entire production process and get a "you get what you see" experience, which showcases Tenfu's confidence in its products and sincerity to its customers.

The Group strictly complies with laws and regulations including Food Safety Law of the People's Republic of China (the "PRC"), Product Quality Law of PRC, Law of the PRC on the Protection of Consumer Rights and Interests, Trademark Law of PRC, and Patent Law of PRC, with a great emphasis placed on food safety, and conducts several quality inspections throughout the production process, to ensure the compliance with applicable quality requirements.

### 2.1 Product quality and safety

The Group attaches importance to quality, safety and environment, and endeavors to fulfill social responsibilities and facilitate sustainable development of the tea industry. Product safety is always at the heart of the Group's production management. Therefore, the Group has passed a series of management systems and regulations to protect food safety. The Group has established the Hazard Analysis and Critical Control Point (HACCP) management system and ISO22000 food safety management system, and obtained system certifications issued by third-party certificate authorities. In addition, some export products have obtained the processing certificates of several international organic tea products. These certifications are assertive evidence of the Group's management competence of product quality and food safety.

The Group has developed Tea Leaves Quality Safety Management Policy, covering management of tea plantations and tea trees and the policy of gathering fresh leaves of tea trees, fully standardised the quality safety management of tea leaves production. The candied fruits and food factories have developed Food Safety Management Policy, which standardised the receiving inspections of raw materials and ingredients, production process control, and products storage and protection, to ensure that the food production operation is carried out under strict and full control, and prevent and handle potential food safety hazards.

With regard to products sources, the tea factories monitor and identify the quality of the tea products during the whole process from procurement to finished products. The Company has commissioned qualified inspection companies to inspect the contents of pesticide residue, pigment and lead in the tea leaves and ensure that all the indicators meet national and industrial standards such as Maximum Residue Limits of Pesticide (GB2763-2014). The candied fruits and food factories identify whether the raw materials for production meet relevant standards and requirements to ensure stable product quality.



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During the production process, the Company has made specific control and monitoring requirements on the safety of processing water, sanitation of food contact surfaces, hand washing disinfection and toilet facilities, labeling, storage and usage of harmful chemicals, health and sanitation of employees, and pest and rodent control, standardised the management of various aspects including personal hygiene, equipment and utensil sanitation and environmental hygiene, and specified the monitoring frequency and improvement measures.

In the storage process, the Company has standardised the transport, storage and handling of its warehouses and low temperature warehouses, to ensure the stable quality of the inventory and strengthen the flood control of raw materials and ingredients, products and spare parts.

The Company stringently executes delivery inspections according to relevant regulations. Every batch of products shall pass the inspections of the Quality Control Department prior to delivery. Products that fail the microorganism tests are not allowed for retests but will be directly labeled ineligible and not allowed to be delivered. With regard to overstocked fragrant tea leaves in customer warehouses, the Company guarantees product changes for two seasons each year to ensure product quality.

### 2.2 Advertising and labeling

The Group strictly complies with the regulations of Advertising Law of PRC to carry out advertising and publicity. In terms of label management, labels will be verified as per National Food Safety Standard General Rules for the Labeling of Prepackaged Food (GB 7718-2011), so as to meet relevant national and industrial requirements.

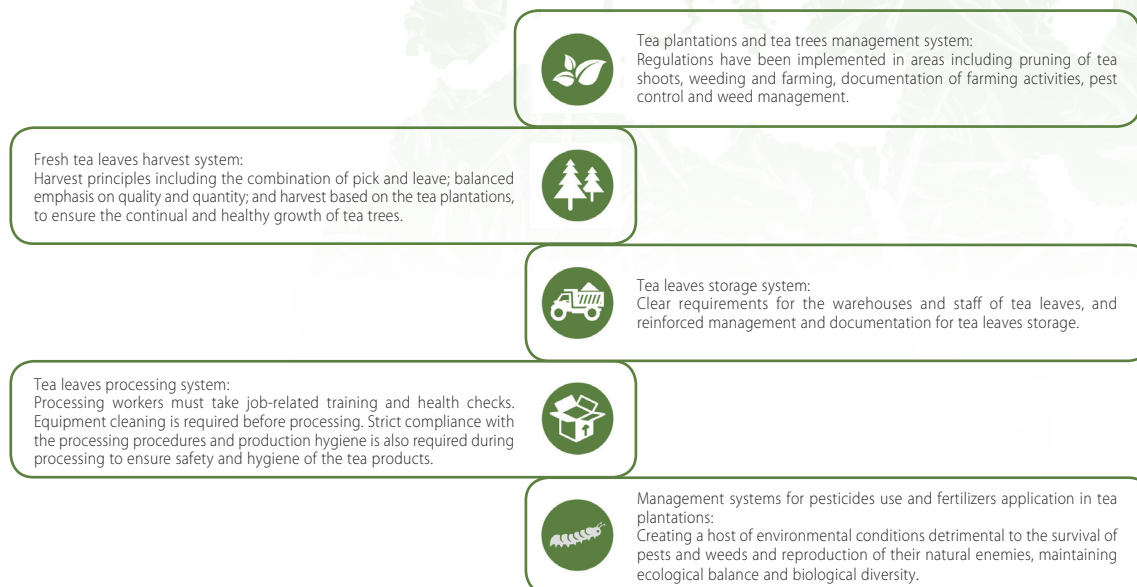
In February 2017, Zhangzhou Tenfu Tea Industry Co., Ltd. held training courses on legal knowledge of food labels and marks for packing, design and business planning personnel from the tea, food, and candied fruits factories, in an attempt to raise the employees' legal awareness and prevent risks by the interpretation of the legal rules on prepackaged food labels and practical cases.

### 2.3 Customer services

As a responsible enterprise, the Group firmly believes that its operation fully complies with relevant regulatory policies. The Group sets up a stringent supply chain management system to guarantee high-quality customer services and that adequate attention is paid to production health and safety, as well as to the customers and their satisfaction.

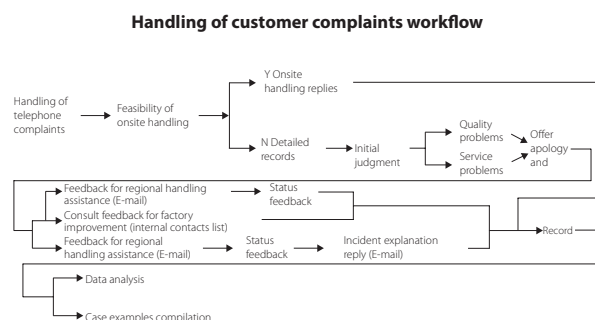
The Group formulated a number of systems, including Procedures for Measuring and Controlling Customer Satisfaction, Procedures on Customer Service Telephone Operations, and Process of Handling Customer Complaints. A series of investigations in relation to customer satisfaction will be taken to find out whether the Group truly understands and satisfies the current and future demands and expectations of the customers. Based on the results of these investigations, the Group endeavors to improve its quality systems in a timely manner, so as to continuously raise customer satisfaction.

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*Tea Leaves Quality Management System*

Customers may make complaints by telephone at 0592-3257991 and email at [tenfu@tenfu.com](mailto:tenfu@tenfu.com). Specific handling procedures for customer complaints are provided as follows:



On safeguarding customers' privacy, the Group formulated Privacy Rights Policy, to offer a transparent and open explanation to customers on the content, form and usage of personal information.

### 2.4 Compliance operation

The Group strictly complies with various laws and regulations, including Company Law of PRC, Law of the PRC on Tenders and Bids, Anti-Unfair Competition Law of the PRC, Interim Provisions on Banning Commercial Bribery, and Anti-Money Laundering Law of the PRC. The Group explicitly stipulates in Employee Handbook that all of its employees are forbidden to engage in malpractices for personal gains, embezzle public funds, engage in corruption and take bribes. The Group provides legal knowledge training for new employees, which covers business ethics and other relevant legal knowledge, including anti-corruption, anti-bribery, anti-embezzlement, and anti-money laundering, and requires:

- During the business operation, employees are not allowed to demand or take rebates and commissions from associated units with the business they deal with;

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- When dealing with associated units, employees should stick to legal and proper occupational ethics and norms, and commit no bribery or other unethical practices to gain benefits;
- Employees must not obtain personal gains by using inside information when it causes damage to Group interest or gives an advantage over outsiders;
- Embezzlement of funds is not tolerated to obtain personal gains or gains of others; and
- Embezzlement of funds is not tolerated to pay for personal expenses.

The Group incorporates “anti-corruption and anti-commercial bribery” clause into the contracts with suppliers and customers for their compliance.

### 3. Win-win Cooperation

The Group attaches great importance to the management of supply chain, actively carries out communication with various types of suppliers and leads the industry's sustainable development. Based on the procurement process stipulated in Procurement Management Policy, the Group makes corresponding requirements on every critical link of the procurement process. The Group requires its suppliers to provide, according to their corporate nature, their registration documents and business licenses, tax registration certificates and organization code certificates, production permits, as well as relevant product inspection reports issued by national inspection institutions.

When determining which suppliers to engage, the Group carries out field inspections and investigations into the supply ability of its suppliers, including product quality, ability to sustain product supply, punctuality of product delivery, and after-sale services. The Group also updates tables on its suppliers' capabilities regularly, establishes supplier database and raises various suggestions for improvement through communication with its suppliers, to help the suppliers improve and grow and promote the overall development and improvement of the entire industry.

The Group maintains a stable relationship with its suppliers, to ensure a supply of raw materials and packing materials produced on a daily basis. In addition, due to the industry's special nature, the market supply of raw materials and packing materials is sufficient, with diverse choices of suppliers available. The Group has formulated a series of supplier selection policies and processes, where suppliers are managed on an Activity Based Classification (ABC) basis. Every year, a classification exercise is undertaken. For example, the suppliers of Grade A tea leaves are required to have their own tea plantations accredited through the SC quality management system, actively support the Group's procurement demands, ensure product quality and attain a certain supply output each year.

In order to streamline the procurement process of tea leaves, the Group formulated Tea Procurement Policy and Process and Tea Procurement Management System of QC Department, which specify the standard process of purchasing tea leaves for the tea purchasing staff and the processes and detailed requirements for sampling, tea leave warehousing, and warehousing of finished products.



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Faced with the issue of environmental pollution caused by tea leave cultivation and the increasingly severe food safety challenges, the Group is working hard to establish a tea quality tracking system, where “production records are available, information can be double-checked, product flows can be tracked, accountability can be pursued and products can be recalled.” It is also building the Tenfu Standard Demonstration Tea Plantation Base according to good agricultural practices. The Group strengthens food safety control from the source of tea leaves and conducts risk inspections on the tea plantations. The inspections on the tea plantations include the quality management system, environment assessment and management, irrigation water and soil management, fertilizer use, and gathering and processing staff management. In addition, the Group has been actively inculcating environmental concepts into its suppliers and farmers and nurturing their environmental awareness.

The Group’s appraisal of its suppliers of tea leaves includes testing of raw materials and testing of soil, along with sample inspections on every batch of tea leaves procured. Tea leaves that pass the tests are allowed to be procured and those that fail the tests will be returned. At the same time, the Group also carries out heavy metal testing on soil samples taken from tea plantations of new suppliers and conducts exchanges with suppliers on an ad-hoc basis. The Group will also carry out safety instructions and inspections on tea plantations in relation to pesticide and fertilizer use so as to ensure that the production process remains green and decontaminated from the source.

### 4. People Oriented

The Group firmly believes that maintaining a good relationship with its employees is one of the keys to business success. Each employee is a valuable resource and asset to the Group. The Group fully respects each of its employees and champions a staff employment philosophy based on “mutual respect, mutual love, mutual reverence, mutual trust, mutual understanding, mutual patience, mutual help, and mutual encouragement”, in order to foster a harmonious work environment for them.

#### 4.1 Employment

The Group complies with the requirements of relevant laws and regulations, including Labor Law of PRC and Labor Contract Law of PRC. In order to help its employees better understand its employment policy, the Group has compiled Employee Handbook to specify its recruitment policy, human resource system, attendance checking system and welfare system.

The Group has a standard remuneration management system offering its employees protection above the minimum living standards stipulated. Adding to this are income increments from work promotions due to academic upgrading, years of experience, position allowances, technical upgrading, job-related allowances and performance, as well as basic welfare security and a number of extra benefits. In addition, the Company pays for relevant insurances such as social security and health insurance for its staff, in accordance with Social Insurance Law of PRC. In 2017, the Group issued Employee Remuneration Adjustment Program to raise the remuneration of its employees, which enables its staff to enjoy a competitive remuneration protection.



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With regard to working hours, the Group requires its employees to comply with related national laws on the number of hours they put in at work and offers its employees the right to take leave. Apart from the statutory public holidays, its employees are entitled to paid annual leaves which shall accrue as they rise in seniority, paid sick leave, paid condolence leave, paid marriage leave and maternity leave.

With regard to staff recruitment and dismissal, the Group strictly complies with Labor Contract Law of PRC, in signing labor contracts with employees and fulfilling its corporate obligations in accordance with the contracts. In signing and terminating labor contracts, the Group strictly complies with the statutory procedures and protects the legitimate rights of the employees. At the same time, the Group maintains extensive channels to carry out employee recruitment via the society, internet and internal staff recommendation. Regardless of nationality, race, religion or gender, the Group provides equal opportunities of employment and promotion and insists on equal pay for equal work and employment for multiple nationalities.

The Group boasts a smooth internal promotion channel with a specified promotion process and respects the employees' occupational development plans. An employee has the opportunity of being promoted and receiving a corresponding pay rise as long as he/she makes an excellent performance and is willing to make progress.

The Group cares about its employees. During Mid-Autumn and Lunar New Year festivals, the Group presents its self-produced tea products, tea candied fruits and tea leaves as festive gifts to its employees. The Group also organizes regular vacation tours for the employees as part of staff benefits. In addition, the Group always visits and offers assistance to employees suffering from sickness or in need, giving them a sense of belonging and raising their happiness index.



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The Group undertakes its social obligations to provide jobs for disabled people. Over a long period, the Group has firmly supported the skill training provided by Zhangpu County Special Needs Education College (for the deaf and dumb), through which it holds regular skill training for deaf students and employs the outstanding ones for suitable positions within the Company.

### 4.2 Health and safety

The Group strictly complies with related laws and regulations, including Production Safety Law of PRC and Occupational Disease Prevention Law of PRC, pays great attention to the employees' work safety, provides its staff with a safe and comfortable work environment and protects them from occupational hazards. The Group has formulated Tenfu Health and Safety Management Policy to strengthen production safety and Occupational health management and adopt a number of measures to safeguard the employees' health and safety, including equipping the worksites with safety facilities like labor protection and fire-fighting devices, first-aid kits and warning signs, strengthening routing inspections and maintenance on safety facilities, and organizing activities for the employees such as annual physical inspection, fire-

fighting training and emergency drills, and traffic safety knowledge and first-aid training.

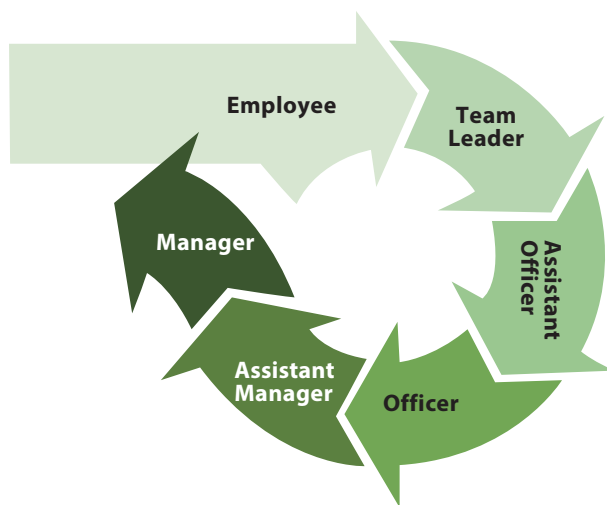
#### Fire drills



#### Traffic safety knowledge training



In addition, the Group holds various activities to enrich the life and provide care about the physical and mental health of the employees.



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Staff sports meeting



*In May 2017, Tenfu held the 3rd staff sports meeting with sport teams from the tea factories, TCS Tenfu service areas, and tea ware factories, which enriched the employees' spare-time life, promoted the exchanges among them and strengthened the team spirit and sense of honor.*

### 4.3 Development and training

According to its Employee Handbook, the Group holds regular internal business training courses for its employees, encourages them to enhance personal competence, and actively provides them with external training programs, in an attempt to support the Group's future development by investing in its employees.

**01**

Orientation training for new employees: the Group organizes new employees to learn the corporate culture, legal knowledge, energy saving and emission reduction measures and various management systems and to experience tea culture by visiting museums and making tea.

**02**

Department pre-job training: the Group takes corresponding pre-job training according to different job requirements, such as tea ceremony training and skill training, etc.

**03**

External training for management personnel: the Group regularly organizes managers to take external training in institutions of higher learning and workshops.

**04**

Development training for management personnel: the Group has developed a series of external extended training for managers to improve their leadership.

#### Tenfu Training System

The Group has established a good training system, makes annual training plans based on training demands and assigns training targets to each department. Skill training is performed based on individual job requirements. The Group has been emphasizing the need to carry out highly sustained and targeted educational training for its staff in order to heighten quality and abilities of employees at various levels.



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The Group values and encourages its employees to raise their professional skills and knowledge required by the positions they hold. If employees obtain relevant professional certificates for academic elevation and job-related professional knowledge exam grades (tea tasters, tea artisans, accountants and human resources professionals), the Group will provide them with incentive payment. In addition, the Group has established a good collaborative relationship with Zhangzhou College of Science and Technology, which offers a continuous supply of talents.

In order to fully improve the employees' technical skills levels and occupational quality and explore new talent fostering modes of modern occupational education, the Group's subsidiaries, acting as the partners of Zhangzhou College of Science and Technology, have implemented the pilot project of "binary system" for technical talent fostering mode reform in 2017. The project aims to foster professional talents in the 3 majors of tea tree cultivation and tea leaves processing, marketing, and food nutrition and inspection, speeding up talent fostering mode reform, and providing a strong support for the enterprise's consistent and healthy development.

### 4.4 Labor regulations

The Group strictly complies with the laws and regulations including Labor Law of PRC and Regulations on Prohibition of Child Labors, forbidding the hiring of child labors or forced labors. According to Employee Handbook, stringent criteria are to be applied in staff recruitment to prevent employment of child labors, forced labors and other potential violations. Before being employed, all job applicants should take the required exams, interviews and assessments. Job seekers under the age of 16 or those who provide

false or untrue identity proof and documents will not be employed by the Group.

The Group's Employee Handbook also clearly states that staff's working hours must strictly comply with Labor Law of PRC. The Group respects the leisure hours of its employees and prohibits forced overtime work. If overtime work is required due to business needs, employees' participation must be voluntary and overtime payment is to be made in accordance with national and local laws.

## 5. Environmental Protection

Upholding a development philosophy of "focusing on quality, safety and environment", the Group strictly complies with the laws and regulations including Environmental Protection Law of PRC, stands firm on maintaining a green and low-carbon production and operation model and procurement principle, continuously fosters a green and low-carbon industrial environment, facilitates the sustainable development of the tea industry, and develops good corporate ethics.

### 5.1 Promoting environmental protection

The Group adopts a "Reduce, Recycle and Reuse" approach to handle sewage, exhaust gases, dust, solid waste and greenhouse gases produced in the production process, with Tenfu Environmental Protection and Management Policy enacted and implemented to regulate emission of exhaust and greenhouse gases, sewage and land-related discharges as well as the production of hazardous and non-hazardous waste. The policy also ensures essential control of critical environmental factors as determined by the Group, along with the prevention and mitigation of the factors detrimental to the environment.



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Complying with national benchmarks and industry standards, the Group attaches great importance to reducing emissions from its production and operation processes and uplifting the environmental awareness of employees. With regard to the environmental impact of its production process, the Group has installed environmental equipment and deployed professional management personnel to ensure waste emission and disposal are complying with local laws and regulations before being discharged.

With regard to exhaust gases and dust, the Group strictly complies with laws and regulations including the Law of the PRC on the Prevention and Control of Atmospheric Pollution. The dust emission is reduced by installing dust collectors and equipping each device with dust collection pipes. As for exhaust gases from production boilers, our factories in Zhangpu have actively promoted the use of natural gas as fuel and commissioned third parties to carry out tests to the smoke and sulfur dioxides in the boilers' exhaust to ensure that the effluent concentration complies with Emission Standards of Boilers Exhaust Contaminants (GB13271-2001).

With regard to sewage, the Group strictly complies with laws and regulations including the Law of the PRC on the Prevention and Control of Water Pollution. Targeting the sewage generated from candied fruits production, our factories in Zhangpu are equipped with corresponding sewage treatment pool. The sewage processed meeting Overall Sewage Emission Standards (GB8978-1996) will be reused, for example, for the landscaping and agricultural irrigation within the factory.

During the reporting period, the Group's sewage emissions are as follows:

<b>A1.1 Emission</b>	<b>Total emission in 2017</b>
Sewage	<b>213,000 tons</b>
COD	<b>21.8 tons</b>
N-NH <sub>3</sub>	<b>3.4 tons</b>
SS	<b>14.4 tons</b>

With regard to greenhouse gases, [the Group's greenhouse gas emission principally results from Scope 1 combustion of fossil fuels in boilers and Scope 2 generation of purchased electricity.] The Group has

actively adopted energy conservation and emission reduction measures to raise energy efficiency, such as advocating energy conservation and switching to energy-saving LED lightings in the production area to reach its greenhouse gas emission targets.

During the reporting period, the Group's greenhouse gas emissions are as follows:

<b>A1.2 Greenhouse gases</b>	<b>Total emission in 2017</b>
Direct GHG emissions (Scope 1)	<b>1,136 tons of CO<sub>2</sub> equivalent</b>
Total emission of greenhouse gases GHG emissions (Scope 2)	<b>5,361 tons of CO<sub>2</sub> equivalent</b>
	<b>6,487 tons of CO<sub>2</sub> equivalent</b>
Total GHG emissions	<b>4.1 tons of CO<sub>2</sub> equivalent/million yuan of income</b>
Intensity of GHG emissions	

With regard to wastes, the Group manages its hazardous wastes and non-hazardous wastes by classification. For hazardous wastes, the Group strictly complies with the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste.. Hazardous wastes identified against National Hazardous Waste Catalogue are decontaminated by qualified third parties commissioned by the Group to reduce their impact on the environment. For non-hazardous wastes, the Group strictly complies with the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste. and adopts classification-based management. The recyclable wastes, such as waste and used materials, waste cartons and scrap iron, may be recovered and sold. Industrial slag and sewage sludge generated from production are processed into organic fertilizers for use in tea plantations. Unrecyclable household garbage and other non-hazardous wastes will be transferred to third parties for bio-safety disposal such as incineration and landfill.

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During the reporting period, the Group's emissions of hazardous and non-hazardous wastes are as follows:

<b>A1.3 Hazardous wastes</b>	<b>Total emission in 2017</b>
Waste paint	<b>0.68 tons</b>
Ni-Cd battery	<b>0.02 tons</b>
Total	<b>0.7 tons</b>
	<b>0.0004 tons/ million yuan of income</b>
Hazardous waste intensity	

<b>A1.4 Non-hazardous wastes</b>	<b>Total emission in 2017</b>
Household garbage	<b>574.4 tons</b>
Waste and used materials	<b>4.4 tons</b>
Scrap iron	<b>18.7 tons</b>
Waste carton	<b>217.8 tons</b>
Total	<b>822.3 tons</b>
	<b>0.52 tons/ million yuan of income</b>
Hazardous waste intensity	

### 5.2 Resources saving

The Group strictly complies with Energy Conservation Law of PRC and strives to raise the efficiency of using various energy, water and materials, in order to improve the efficiency of resource usage continuously. To better follow national and local laws on business operation and reduce the usage of various natural resources, the Group has issued Tenfu Energy Conservation and Management Policy. [Trainings on energy conservation and emission reduction are arranged for new employees of the Group to foster their awareness and practices in daily work, which makes difference in the Group's energy conservation and emission reduction endeavors.]

Energy consumption of the Group results principally from power use and fuel combustion in boilers during production. Therefore, the Group has actively undertaken energy saving measures, including switching to LED lights and using natural gas as fuel in some of its production facilities. In addition, the Group requires its employees to turn off electrical equipment, such as lights, computers, and printers when they are not in use.

During the reporting period, the Group's energy consumption is as follows:

<b>A2.1 Energy consumption</b>	<b>Energy consumption in 2017</b>
Natural gas	<b>322,000m<sup>3</sup></b>
Electricity	<b>8,223.6MWh</b>
Diesel	<b>123,000 liters</b>
Gasoline	<b>56,000 liters</b>
Total energy consumption	<b>15,437.2MWh</b>
	<b>9.8MWh/ million yuan of income</b>
Energy consumption intensity	

In addition, the Group has corresponding water conservation measures, including treating the sewage generated from candied fruits production. The treated water meeting relevant standards will be used for the landscaping and agricultural irrigation within the factory area. In 2017, the Group performed an energy-saving upgrading to the air-conditioner cooling tower to recycle cooling water. The Group promotes water-saving practices such as installing water-saving facilities in toilets so as to improve water use efficiency. During the reporting period, the Group used a total of 235,666.7 tons of water, with a water consumption intensity of 149.5 tons/million yuan of income.

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The Group has a wide range of products and a considerable consumption of packing materials. As a result, the Group pays a close attention to the proper use of packing materials. Packaging materials are measured in terms of quantity. So weight of packages is not available. The top 20 best sellers have been chosen by the disclosure data for measurement. During the reporting period, the Group's top 20 best sellers used 207.8 tons of packing materials with a unit product percentage of 24%. In the future, the Group will gradually perfect its weight statistics of packing materials and raise the level of data disclosure.

The Group is not a heavy energy-consumer or heavy polluter given that it is specialized in production and processing of tea leaves, food and candied fruits.. Resources primarily used by the Group are electricity, natural gas and water. The Group will not extensively use other environmental and natural resources.

### 6. Giving Back to the Society

To better regulate its philanthropic and community welfare activities and give back to the society, the Group has formulated Tenfu Philanthropic and Community Welfare Management Policy, which, by leveraging Tenfu's business features, supports a wide range of community welfare activities, including tea culture promotion and publicity, community services, environmental protection, knowledge dissemination, social support and volunteer activities.

#### 6.1 Tea culture promotion

Serving guests with tea and meeting friends while drinking tea have been a tradition for Chinese since ancient times. Tea is an invigorating drink, while tea ceremonies are considered refined and elegant. Tea gatherings can uplift one's spirit. Exuding a unique appeal, tea plays the role of "peace envoy" on many social occasions. Based on these unique traits of tea, the Group fully capitalizes on its "diplomacy advantages"

to make friends of all walks and promote Chinese tea culture, facilitates the development of social civilization and realizes the harmonious world which is "rich, courteous, peaceful and happy".

Zhangpu Tenfu Tea Museum is the world's largest tea museum, rated as the national AAAA Tourist Attraction and among the first batch of the National Agricultural Tourism Demonstration Sites. Since the opening of Tenfu Tea Museum, the Group has used it as a base for establishing tea ceremony classrooms, tea ceremony demonstration halls and international tea ceremony exchange department, to actively explore the value of tea art and organize or attend various tea ceremony exchanges held at home and abroad.

#### Cross-Strait Famed Tea Tournament



*In November, 2017, Tenfu held the 6th "Tenfu Cup" Cross-Strait Famed Tea Tournament. The event set 5 tea categories for competition, including black tea, white tea, Da Hong Pao tea, High Mountain Oolong tea, and Tie Guanyin tea. The tournament offered an excellent platform for improving exchanges between the tea industries on both sides, enhancing tea farmers' tea making skills and the cross-Strait exchanges and zhoupu-Taiwan cooperation, and played a significant role in spreading tea culture.*



## Environmental, Social and Governance Report

Establishment of the elite tea science class for Taiwan youths



*In responding to China's "One Belt and One Road" initiative and "One Generation and One Line" call and in order to do a good job in tea science education and training and introduce China's tea culture to the world, the Group held an elite tea science class for Taiwan youths in June 2017, enrolling 16 Taiwan youths and creating a new mode for cross-Strait cooperation.*

### 6.2 Education fund

Established by Mr. Lee Rie-ho in 2008, Zhangzhou City Lee Rie-ho Cultural Education Foundation seeks to realize his vision of "what comes from tea should be used for tea and society." In 2017, the foundation awarded RMB180,000 to the students excellent in characters and studied with Zhangzhou College of Science and Technology. Over the past 9 years, education subsidies in excess of RMB1.8 million have been granted to more than 800 students from Zhangzhou College of Science and Technology (Tenfu Tea College), motivating them to work hard on their studies. The Group has also established "Tenfu Star Scholarship", making its own contributions to the educational cause.

Funding Pantuo Central School



*In May 2017, Zhangzhou Tenfu Tea Industry Co., Ltd. donated RMB10,000 to Pantuo Central School, making contributions to build a better educational environment for children.*

### 6.3 Care and love for the elderly and children

The Group is concerned with the lives of the elderly and children. On March 28, 2017, Zhangzhou Tenfu elderly people of Panshangdong Village of Pantuo for procurement of facilities and equipment.

### 6.4 Collaboration with academic institutions

Zhangzhou Tenfu Tea Industry Co., Ltd. has signed an employment agreement with Zhangzhou College of Science and Technology, under which, the college will provide outstanding and eligible interns or graduates to Tenfu's various business units. Zhangzhou Tenfu Tea Industry Co., Ltd. was awarded Employment and Internship Base for College Graduates of Zhangzhou.