



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 2023

Environmental, Social and Governance Report

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Environmental, Social and Governance Report

1. About the Report

Tenfu (Cayman) Holdings Company Limited (stock code: 6868.HK) (the “Company”) hereby releases the 2023 Environmental, Social and Governance (“ESG”) Report (the “Report”) of the Company and its subsidiaries (collectively referred to as “Tenfu”, the “Group” or “we”) to present the Group’s concepts and practices in ESG to all stakeholders. This is the eighth consecutive year for the Group to disclose the ESG report.

Reporting Scope

The Report has covered the Group’s principal business endeavors and the reporting period is from January 1, 2023 to December 31, 2023 (the “Reporting Period”). Regarding the consolidated scope of our annual financial report, we have taken into account the impact of our businesses on the environment, society and governance of the Group to identify the disclosure scope of this report. During the Reporting Period, the scope of disclosure for all of the Group’s environmental key performance indicators, and some of the Group’s social key performance indicators covers Zhangzhou Tenfu Tea Industry Co., Ltd., Zhangpu Tenfu Tourism Tea Garden Co., Ltd., Anxi Tenfu Tea Industry Co., Ltd., Guiding Tenfu Tourism Tea Garden Co., Ltd., Zhejiang Tenfu Tea Industry Co., Ltd., Jiajiang Tenfu Tourism Tea Garden Co., Ltd., Guangxi Guigang Tenfu Tea Industry Co., Ltd., and Hangzhou Yunqi Tenfu Tea Industry Co., Ltd. The Group’s overall data will be disclosed in future years. The Report complies with the disclosure requirement of “Comply or Explain” and explains the disclosure rules which do not applicable.

Reporting Standard

The Report is prepared according to the Appendix C2 “Environmental, Social and Governance Reporting Guide” (“ESG Reporting Guide”) in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“HKEX”), accordingly explaining the environmental and social impacts arising from the business and operating activities of the Group in Environmental and Social Subject Area. The Report adheres to the “Materiality”, “Quantitative”, “Balance” and “Consistency” principles of the ESG Reporting Guide.

- **“Materiality” principle:** the stakeholder engagement and materiality assessment process has been included during the preparation of the Report as a basis for identifying material ESG issues;
- **“Quantitative” principle:** the Report has quantitatively reported on the Group’s key performance indicators in environmental and social subject area. The quantitative data has been attached with description explaining its purpose and impacts, and been applicable to valid comparisons;
- **“Balance” principle:** the Report should provide an unbiased picture of the Group’s environmental and social performance; and
- **“Consistency” principle:** the disclosure and statistical methods of the key performance indicators in environmental and social subject area used in the Report are consistent with those of 2022; the preparation method of the key performance indicators in social subject area has been confirmed and will be consistent in subsequent years.

Publication

The Report is published online and available on the website of HKEX (<http://www.hkexnews.hk/>) and the Group’s official website (<http://www.tenfu.com>).

2. Statement of the Board of Directors

The board of directors of the Company (the “Board”) and the directors of the Company (the “Directors”) undertake that the content of the Report contains no false records, misleading statements or major omissions, and make the following statement with respect to the ESG supervision and management of the Board:

The Board complies with the requirements of the ESG Guide, continues to explore ways to improve the ESG management structure and system, strengthens the supervision and participation of the Board in the ESG management of the Company, and proactively promotes the incorporation of ESG concepts into the Company’s strategies, major decisions and business practices.

2.1. Role of the Board

The Board, the Group’s highest responsible body for ESG strategy and management, regularly discusses and reviews the Group’s ESG risks and opportunities, performance and progress. To further strengthen the management of ESG matters, we have established a three-level ESG governance structure to ensure the smooth implementation of the Group’s ESG efforts.

2.2. ESG management policy

The Board continuously pays attention to ESG development trends and the performance of its peers, discusses and identifies the Company’s environmental, social and corporate governance risks and opportunities in light of the Company’s strategic development and stakeholders’ concerns, clarifies the Company’s ESG management priorities, and updates the management approach and strategy as necessary to ensure that ESG-related work keeps pace with the times.

Looking ahead, the Board will continue to optimize ESG governance, actively respond to the concerns of stakeholders, formulate corresponding action plans, and regularly review the progress of relevant goals to promote the improvement of ESG management.

The Report, which discloses the progress and effectiveness of the Group’s ESG work in 2023, was considered and approved by the Board on March 12, 2024.

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3. About Tenfu

Tenfu is deeply committed to the Chinese tea industry. Since its establishment, it has always been aiming at “promoting tea wide across the country and the world”, adhering to the enterprise spirit of “what comes from tea should be used for tea”, inheriting and carrying forward the excellent tea culture of the Chinese nation, and endeavoring to promote the sustainable transformation of the modern tea industry, in order to fulfil the vision of the founder that “the 21st century is the century of Chinese, and it will definitely be the century of Chinese tea”.



3.1. About us

3.1.1 Overview of Tenfu

Tenfu is a leading traditional Chinese tea products enterprise in China, engaged in the sales and marketing of various tea products and the development of product concepts, flavors and packaging designs. Our main products are tea leaves, tea snacks and tea ware, which are sold through a nationwide network of our own and third-party retail outlets and specialty stores. In 2023, the Group was awarded the “2023 Leading Tea Enterprise by Comprehensive Strength” and “2023 Key Tea Enterprise” by the China Tea Marketing Association.

3.1.2 Corporate culture

- Brand mission: promoting the Chinese tea brand
- Enterprise spirit: what comes from tea should be used for tea and society
- Enterprise development concept: natural, healthy and humanistic

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3.1.3 Business overview

With respect to marketing patterns, the Group adopts a multi-brand strategy of market segmentation, in which the brands include “Tenfu”, “Tenfu Ten Xin”, “Uncle Lee”, “Tenxi”, “彼物 BEAU”, “JustT 匠心茶”, “放牛斑” and so on, so as to make its presence in every market segment of China’s traditional Chinese style tea products.

- The brand “Tenfu” makes every effort to provide our customers with customized shopping experience, with high brand awareness among customers;
- The products under the brands “Tenfu Ten Xin” and “Uncle Lee” are sold mainly through the large scale supermarkets;
- The products under the brands “Tenxi”, “彼物 BEAU”, “JustT 匠心茶” and others are sold through e-commerce platforms, aiming to provide more convenience for consumers to buy;
- The brand “放牛斑” mainly targets the younger generation and offers instant tea beverage products.

With regard to product portfolio strategy, the Group’s major business of traditional Chinese tea products combines China’s tea resources with thousands of Tenfu series products, including packaged tea and tea bags of oolong tea, green tea, black tea, Pu’er tea, scented tea, and white tea, as well as tea snacks, tea ware, tea art utensils and incense lore.

As of 2023, Tenfu has been ploughing the China market for decades and has become a large-scale comprehensive enterprise in the tea industry, integrating tea processing, scientific research and tourism. Looking to the future, we will continue to uphold the belief of “making good tea attentively”, to satisfy people’s demand for a better life with high quality products and services, to contribute to the high-quality development of China’s tea industry, and to promote the sustainable inheritance of China’s tea culture.

3.1.4 Honors of the year

Award	Awarded by	Time of award
2022 Outstanding Economic Contributor	Zhangpu County Committee of CPC and Zhangpu County People’s Government	February 2023
2022 Top 100 Tea Industry Enterprise	China Tea Marketing Association	February 2023
2022 Competitive Benchmark Brand in the Tea Industry	China Tea Marketing Association	February 2023
2022 Zhangzhou Municipal Government Quality Award (Second)	Zhangzhou Municipal Government	November 2023
2023 Leading Tea Enterprise by Comprehensive Strength	China Tea Marketing Association	November 2023
2023 Key Tea Enterprise	China Tea Marketing Association	November 2023

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"2022 Outstanding Economic Contributor" awarded by Zhangpu County to Tenfu



"2022 Top 100 Tea Industry Enterprise" awarded to Tenfu



"2022 Competitive Benchmark Brand in the Tea Industry" awarded to Tenfu



"2022 Zhangzhou Municipal Government Quality Award (Second)" awarded to Tenfu



"2023 Leading Tea Enterprise by Comprehensive Strength" awarded to Tenfu



"2023 Key Tea Enterprise" awarded to Tenfu

3.2. Thirty years of Tenfu

Operating for thirty years, Tenfu was born for tea. In 2023, Tenfu reached the milestone of thirty years of development. Since the development of the Tenfu brand in 1993, challenges and opportunities have existed side by side, and there have been times of bitterness, but sweetness is always present. Tenfu people uphold the belief of “what comes from tea should be used for society”, and continue the Chinese tea brand inheritance from generation to generation.



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3.2.1 *Thirty years of commitment on tea*

- 1993: Established Minhou Tianyuan Tea Products Co., Ltd, the precursor of Tenfu
- 1994: The first store of Tenfu was opened in Fuzhou Ancient Street
- 1997: Tenfu “813 King of Tea” became the designated tea for APEC Summit in Vancouver and a gift for dignitaries
- 1998: Tenfu Zhangpu tea snacks factory was established and put into operation
- 1999: There were more than 100 stores of Tenfu
- 2001: Tenfu High Mountain Tea, a product of the Group, became the designated tea for APEC Summit in Shanghai, China, and a gift for dignitaries
- 2002: Tenfu Tea Museum was opened in Zhangzhou, Fujian Province; Sichuan Chengle Expressway Jiajiang Tenfu Service Area was established and opened
- 2003: Zhangpu Tianfu Service Area and “Tangshan Crossing Taiwan” Stone Sculpture Garden were opened in Xiamen-Shantou Expressway Service Area.
- 2004: The tea and food factory of Sichuan Jiajiang Tenfu Tourism Tea Garden Co., Ltd. was established and put into operation
- 2005: There were over 500 stores of Tenfu; the Group’s products “Alishan Oolong Tea and Taiwan Pineapple Cake” were offered as gifts for the APEC Summit in Busan, South Korea
- 2006: Tenfu new plant in Zhangzhou, Fujian Province was completed and put into operation
- 2009: The Group’s product “Tea and World” was offered as a gift for APEC Summit in Singapore
- 2010: There were more than 1,000 stores of Tenfu
- 2011: Tenfu (Cayman) Holdings Company Limited (6868) was successfully listed on the Main Board of HKEX
- 2013: Merging and acquiring Zhejiang Xinchang Tea Factory
- 2014: The Group Signed with the Beijing Municipal Government to become a sponsor of the APEC Summit.
- 2015: Tenfu Service Area was opened in Guiding, Guizhou Province
- 2018: Hangzhou Yunqi Tenfu Tea Industry Co., Ltd. was completed and put into operation
- 2019: Guiding tea processing factory was established and put into operation
- 2020: One Product, One Barcode Anti-Counterfeiting Label-Feedback Procedure was launched
- 2021: Merging and acquiring Anxi Tieganyin tea factory and Guangxi Guigang Jasmine Tea Factory
- 2022: Fuzhou Jasmine Tea History Museum was opened
- 2023: By the end of the Reporting Period, there were more than 1,380 stores of Tenfu

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3.2.2 Looking back to the past thirty years

A wisp of sweetness after taste, thirty-year willingness. Thirty years ago, Mr. Lee Rie-Ho, the founder of Tenfu, and all of his partners went through a lot of hard work, and finally in 2011, they made Tenfu as the first listed tea company in China. After thirty years of intensive cultivation, Tenfu has become a leading tea brand, gaining recognition from countless consumers and tea lovers. Now, it's the 30th anniversary, the future is upon us. At this special time, we hope to bring people closer to Tenfu, to understand Tenfu, and to be with Tenfu through warmer, deeper and more diversified forms and contents.

In 2023, the Group launched a series of theme activities to celebrate Tenfu's 30th birthday, producing promotional works such as micro film "Waiting for Spring" (《等春天》), birthday song "The Song of Tenfu" (《天福謠》) and memorial volume "Sweetness" (《回甘》), launching featured theme peripherals such as "Sweetness" commemorative teapots, commemorative canvas bags and commemorative Pu'er tea cakes, and organizing theme exhibitions at its stores, in order to celebrate the 30th anniversary of Tenfu in various forms.



"Sweetness" commemorative teapot for Tenfu 30th anniversary

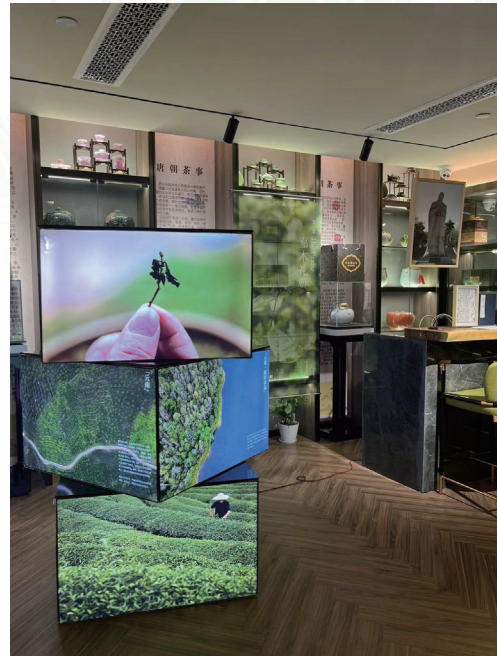


Pu'er tea cakes for Tenfu 30th anniversary

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"Sweetness" commemorative canvas bag for Tenfu 30th anniversary



Exhibition at stores for Tenfu 30th anniversary

[Case] Micro film "Waiting for Spring" for Tenfu 30th anniversary

The micro film "Waiting for Spring" is adapted from the personal experience of the founder, Mr. Lee Rie-Ho. The film starts from the point of view of a tea farmer, "A Jie", and tells the expectation and promise of tea farmers and tea merchants for spring tea, which demonstrates Tenfu's high standard of raw material acquisition, and also embodies the cherishing of the farmers' hard work and dedication, and shows the brand's companionship and care through the words "arrive as promised".



[Case] Birthday song “The Song of Tenfu” for Tenfu 30th anniversary

As a commemorative song to celebrate the 30th anniversary of the establishment of Tenfu, “The Song of Tenfu” not only reflects the mental journey of the founder Mr. Lee Rie-Ho, but also sings the sincere wishes of all Tenfu people. The warm and vital music tells the story of Tenfu’s original intention and perseverance of “natural, healthy and humanistic”.



[Case] Memorial volume “Sweetness” for Tenfu 30th anniversary

At the age of thirty, for reviewing the past and learning new things, Tenfu’s 30th anniversary volume “Sweetness” was born. With the green cover meaning the green tea mountain and the gold trims as a golden stream, the cover design of “Sweetness” is intended to connect an ark, which is not only the time to taste the sweetness, but also the time to start the journey. The volume is divided into four chapters, namely “The Glorious Wood Ritual” (“嘉木禮贊”), “The Long Road of Tea” (“茶路漫漫”), “Born to Tea” (“生而為茶”) and “The Ark of the Future” (“未來方舟”), which describe the origin and development of Tenfu from the origins of The Classics of Tea (《茶經》). “Sweetness” is a birthday gift for Tenfu, and also a warm tea fragrance for every tea taster.



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[Case] Tenfu 30th anniversary special edition – “2023 Tea Calendar” (“2023 喝茶有曆”)

On the occasion of Tenfu 30th anniversary, we launched 30th anniversary special edition - “2023 Tea Calendar” (2023 喝茶有曆) to share the charm of tea with tea lovers and to explore the relationship between tea and solar terms. The inner page of the calendar is created by using famous teapots and teapots sold by Tenfu, combined with the 24 solar terms and the corresponding plants, presenting the beauty of ancient and elegant tea wares. In addition, a commemorative badge commemorating Tenfu 30th anniversary is also included in the calendar in order to convey our vision of “promoting tea wide across the country and the world” to the public through the iconic Tenfu teapot depicted on the badge.



3.3. Tea Culture Promotion

Tenfu adheres to the concept of “tea culture as the foundation of the tea industry” and firmly believes that the sustainable operation of the tea industry is inseparable from the development of tea culture. With tea as the core, Tenfu implements the important spirit of China’s coordinated development of “tea culture, tea industry and tea technology”, gives full play to its industry influence, and launches tea culture promotion and exchange activities through multiple channels and in multiple forms.

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3.3.1 Tenfu Tea Museum

As a window for the promotion of tea culture, Tenfu Tea Museum is committed to building a tea art platform integrating academic research, cultural heritage, leisure and entertainment through a series of activities such as organizing exchange tea parties, launching tea performances, and providing training in the tea art, so as to promote the inheritance and development of Chinese tea culture.

[Case] Tenfu Tea Museum successfully held thanksgiving tea party for 2023 International Tea Day

On May 21, 2023, in order to welcome the 4th International Tea Day, the thanksgiving tea party for 2023 International Tea Day, organized by Tenfu Group and Tenfu Tea Museum, was held as scheduled. Tea lovers and visitors were invited to the tea party. A total of 10 tea tables, including “White Tea White Peony” (“白茶白牡丹”), “Golden Flower Oolong Tea” (“金花烏龍茶”) and “813 Ginseng Oolong Tea” (“813 人參烏龍茶”), were designed to create an atmosphere of “drinking tea for everyone, drinking tea for health”. Not only the tea party interpreted the spirit of “International Tea Day” and promoted Chinese drink, but also further promoted the concept of “happy tea drinking” and the culture of thanksgiving advocated by Tenfu.



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[Case] Tenfu Tea Museum successfully organized a tea party for the study and report of intangible cultural heritage Minnan Kungfu tea (閩南功夫茶)

On October 6, 2023, the tea party for the study and report of the intangible cultural heritage Minnan Kungfu tea was successfully held in Tenfu Tea Museum. The relevant government departments of Zhangpu County Committee of CPC and industry participants were invited to the tea party. At the tea party, the awarding ceremony of the Minnan Kungfu Tea Customs Institute was held, and Tenfu Tea Museum and Zhangzhou College of Science & Technology accepted the award, hoping that Tenfu Tea Museum would take Kungfu tea as a carrier to strengthen cross-strait cultural exchanges and cooperation, to promote the integrated development of Fujian-Taiwan and to promote the sharing and common prosperity of excellent Chinese culture.



3.3.2 “Tenfu Cup” Cross-Strait Famous Tea Invitational Competition

In order to strengthen cross-strait exchanges in the tea industry and promote the development of cross-strait tea industry, Tenfu has been organizing “Tenfu Cup” Cross-Strait Famous Tea Invitational Competition since 2011 to further promote cross-strait economic and cultural exchanges. “Tenfu Cup” is a tea competition that guides tea farmers to promote craftsmanship and enhance the level of tea production, and at the same time serves as a production and marketing platform between Tenfu and tea farmers, promoting cross-strait tea farmers’ exchange and interaction, and contributing to cross-strait integration and development.

[Case] The 13th “Tenfu Cup” Cross-Strait Famous Tea Invitational Competition

On November 26, 2023, the 13th “Tenfu Cup” Cross-Strait Famous Tea Invitational Competition award ceremony was successfully held at Zhangzhou College of Science & Technology. Zhangzhou Municipal Party Committee, Cross-Straits Tea Exchanges Association, Chairman Lee Rie-Ho (founder of Tenfu Group) and President, Lee Chia Ling attended the ceremony and presented awards to the winning tea farmers.

“Tenfu Cup” Cross-Strait Famous Tea Invitational Competition has become a tea competition for tea producers from both sides of the Strait, taking the tea competition as an opportunity to promote the cultivation of superior tea varieties, quality enhancement, branding and standardization of tea production, as well as to promote the efficiency of the agriculture industry and the increase of farmers’ income. A total of 7,280 tea samples were received for this year’s competition, covering eight categories: Tieguanyin, high mountain oolong tea, Dahongpao, black tea, white tea, Pu’er large leaf sun-dried tea, Pu’er ripe tea and jasmine tea. The competition was held in strict accordance with the national standards of tea assessment and adhered to the principles of openness, fairness and impartiality. 22 authoritative tea assessment experts from both sides of the Strait formed a panel of judges to conduct the selection process, and a total of 363 prizes were awarded to the eight tea categories, and the winning teas were all purchased by Tenfu. Through this competition, Tenfu launched gold tea, special tea, premium tea and star tea to promote the marketing and help tea farmers to increase income, and at the same time further spread the intangible cultural attributes of the eight tea categories through the platform, and jointly promote the high-quality development of the tea industry.



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3.3.3 Creating the “Second Living Room” (“第二客廳”)

Treating guests with tea, conveying the sincerity via tea and serving tea to guests are the hospitality rituals in traditional tea culture. Focusing on the market demand and brand positioning, Tenfu innovatively puts forward the service concept of “Second Living Room”, building the stores into three major spaces suitable for modern people – space for displaying tea products, space for business meetings and space for exchanging tea culture, and taking “tea” as a carrier to create a harmonious, loving, healthy and comfortable second living room for modern urbanites, fully playing the role of a bridge for communication and exchanges between people.

In recent years, we have proactively catered to the trend of younger consumption, and have been making efforts at the product and marketing levels by launching a combination of offline in-store experiences and online fan interactions to direct brand traffic to sales channels, which not only completes the marketing loop from brand voice, traffic undertaking to offline transformation, but also establishes a closer communication and connection with consumers, and continues to enhance the Company’s competitiveness by expanding the depth of user experience and strengthening brand recognition through innovative marketing.



Interior view of the “Second Living Room” of Tenfu store

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3.3.4 Tenfu Tea Grandpa

The IP image of Tenfu Tea Grandpa is taken from Mr. Lee Rie-Ho, the founder of Tenfu Group, symbolizing the relentless pursuit of tea quality and a grateful heart. The IP image of Tenfu Tea Grandpa aims to present the brand in a vivid and visualized way that will link to the new generation of consumers and encourage more young people to experience tea culture, thus expanding the brand influence.

Under the theme of “Tenfu Tea Grandpa takes you to drink tea”, the IP of Tenfu Tea Grandpa is active on major mainstream social platforms such as Tik Tok and Bilibili, creating and exporting “IP + emotion” content in multidimensional, multi-scene, multi-channel ways. With the arrival of the Year of Rabbit in 2023, Tenfu Tea Grandpa has launched the Lucky Chinese Zodiac series of Rabbit Blind Boxes, with four different shapes corresponding to the four Chinese New Year greetings of “Peace and Happiness”, “Five Blessings of Spring”, “Richer and Richer” and “Great Luck”, hoping that more people will come into contact with and experience the culture of tea while carrying forward the traditional culture.



Tenfu Tea Grandpa Lucky Chinese Zodiac series of Rabbit Blind Boxes

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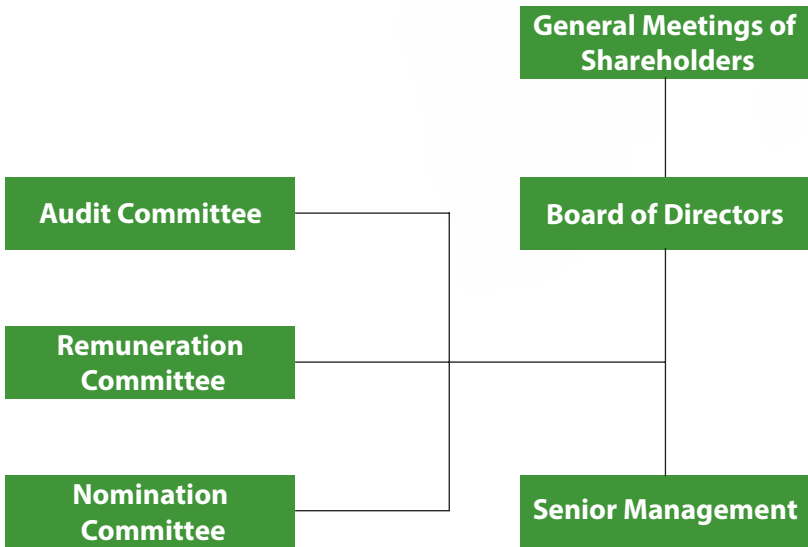
4. “Tea as a Strategy” Stable Governance and Commitment to Sustainable Operation

Tenfu adheres the importance to quality, safety and environment, and endeavors to fulfill social responsibilities and facilitates sustainable development of the tea industry. By integrating ESG concepts into the construction of governance structure, policy formulation and stakeholder management, we endeavor to maintain a high level of corporate governance and provide protection for the Company’s long-term stable development.

4.1. Corporate governance

Tenfu strictly complies with the Company Law of the PRC, the Company Law of Cayman and Appendix C1 “Corporate Governance Code” of the Main Board Listing Rules of HKEX and other national laws and regulations, as well as domestic and international regulatory requirements, and has established a corporate governance structure comprising the general meetings of shareholders, the board of directors, the supervisory board and the senior management, to safeguard the shareholders’ rights and interests and to continue to create long-term value for the stakeholders by means of a sound and high standard of corporate governance.

The Board has established the nomination committee, the remuneration committee and the audit committee, each of which is responsible for overseeing different areas of the Group’s affairs, providing decision-making references and recommendations on major management issues, and ensuring the stable operation of the enterprise. The Board is responsible for formulating corporate development strategies and overseeing the Group’s business operations and financial performance. We also regulate the authorization of the Board to ensure the effectiveness of the Group’s internal control and risk management.



Governance structure diagram of Tenfu Group

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o The Board

The Board is responsible for leading and controlling the Group and overseeing the Group's business, strategic decision-making and performance. The Board has delegated authority to the chief executive officer and the directors have also assumed responsibility and have delegated powers and responsibilities to senior management through the chief executive officer for the day-to-day management and operation of the Group. In addition, the board of directors has established board committees and has delegated various responsibilities to these committees, which are set out in their respective terms of reference.

o Nomination Committee

The main duties and responsibilities of the nomination committee include regularly reviewing the structure, size and composition of the Board, recommending director appointments and succession planning to the Board, and assessing the independence of independent non-executive directors. The nomination committee will give due consideration to the board diversity policy when performing its duties of identifying appropriately qualified candidates for membership of the Board. All appointments to the Board are based on meritocracy with due regard to the benefits of diversity of the Board. Selection of candidates of the Board will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional or other experience, skills and knowledge.

o Remuneration Committee

The main objectives of the remuneration committee include providing recommendations and giving approvals with respect to the remuneration policy and framework and the remuneration packages of executive Directors and senior management. The remuneration committee is also responsible for formulating transparent procedures for the development of relevant remuneration policies and frameworks, ensuring that the Directors or any of their associates will not be involved in making decisions on their own remuneration. Such remuneration will be determined with reference to individual and the Group's performance as well as market practices and conditions.

o Audit Committee

The main duties and responsibilities of the Audit Committee are as follows:

- reviewing the consolidated financial statements and reports and reviewing any material or unusual matters raised by the internal or external auditors before submitting them to the Board;
- reviewing the relationship with the external auditors in light of their work and fees and the terms of engagement and making recommendations to the Board on the appointment, re-appointment and removal of the external auditor;
- reviewing the adequacy and effectiveness of the Group's financial reporting system, internal control system, risk management system and related procedures.

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4.2. Compliance operation

4.2.1 Risk management

Tenfu values great importance to compliance management and has been promoting its operation in accordance with the law. Tenfu has continued to establish a sound risk management and internal control system to strengthen its ability to cope with various types of risks and enhance its corporate resilience. The Group has established a comprehensive and effective risk management system, which is coordinated and controlled by the Board as the highest decision-making body, and supervised by an internal audit department under delegated authority. The Board regularly reviews the completeness, appropriateness and effectiveness of the Group’s risk management and internal control system to ensure that it is functioning as intended in practice.

The Group has continued to improve its risk management mechanism, established three lines of defense for risk management, clarified the responsible organizations and strengthened the risk management synergy. We have gradually formed a closed-loop management framework for risk identification, risk assessment and risk response. Relying on our established comprehensive risk assessment methodology, we have conducted risk identification and analyses on factors that have potential impact on the Group’s operations, such as social macroeconomics, industry, food safety, customer relationship, marketing, human resources, exchange rate, policy and information security. Based on the results of risk identification and analysis, a risk list covering the causes of risks, the likelihood of occurrence of risks, the extent of risk impact and planned countermeasures is formed and reported to the senior management and the Board. Finally, risk response strategies are formulated based on the current status of risk monitoring, the results of the Board’s decision-making, and the investment of resources for risk mitigation, among other considerations.



In addition, the Group continues to improve its policies and procedures for the handling and dissemination of inside information. The disclosed data will be reviewed and approved by the compliance department of the Company and the management of the Company to ensure the accuracy of the disclosed information. We also continue to optimize our internal control system to strengthen our ability to respond to significant internal control deficiencies. When a material internal control event occurs, we will assess the potential impact of the control deficiency event, and corrective measures will be proposed by the department responsible for the control and implemented with the approval of the management. The management and the internal audit department of the Company will monitor the implementation to ensure that the control deficiencies are properly resolved.

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4.2.2 Anti-corruption and business ethics

Tenfu has always been committed to integrity, and strictly complies with relevant laws and regulations, including Criminal Law of the PRC, Anti-Money Laundering Law of the PRC, Anti-Unfair Competition Law of the PRC, Contract Law of the PRC and Civil Code of the PRC. It establishes and improves the mechanism of integrity management by incorporating the anti-corruption and business ethics into the day-to-day operation of the Company and its decision-making process.

The Group adopts a zero-tolerance attitude towards corruption. Our Employee Handbook explicitly states that any employee must not engage in malpractices for personal gains, embezzle public funds, corrupt, and bribery, and that any employee is prohibited from making use of his/her position to obtain improper benefits. In order to give full play to the role of supervision by all employees, we have set up reporting channels such as telephone and mailboxes to encourage employees to report any incident that has occurred or is likely to occur in violation of business ethics. Upon receipt of a report, we will verify the information in the first instance and take action based on the results of the verification. We strictly protect the information of the whistleblower, prohibit any retaliation against the whistleblower, and protect the whistleblower's rights and interests.

In 2023, the Group continued to build a culture of integrity and strengthened education on anti-corruption and integrity. We launched regular training on business ethics such as anti-corruption and bribery, anti-occupation of duties and anti-money laundering for our staff and management to enhance the awareness of integrity among all staff. During the Reporting Period, we actively launched anti-corruption and anti-bribery training, covering 170 staff members, of whom 14% were at the management level, to further strengthen the building of business ethics.

[Case] Legal training for new employees

In August 2023, Tenfu organized legal knowledge training for 42 new employees, with courses covering anti-corruption, anti-bribery, anti-malpractice, labor contracts, confidentiality, etc. The training was conducted in the form of a combination of legal guidance and case studies, to further enhance the employees' awareness of compliance, integrity and honesty.



In order to promote the formation of a clean business ecosystem, we have incorporated integrity requirements into our business cooperation by requiring our partners to sign a Letter of Commitment to Business Integrity, suppliers to sign a Letter of Supplier's Integrity Commitment, and procurement employees to sign a Letter of Purchaser's Integrity Commitment to regulate the behavior of our partners and staff. In addition, we have set out clear integrity clauses in our procurement contracts to prohibit solicitation of bribes, bribery and other improper business practices to safeguard clean business practices.

As of the end of the Reporting Period, the Group did not have any corruption related litigation cases.

Environmental, Social and Governance Report

4.2.3 Intellectual property protection

Tenfu strictly abides by the laws and regulations related to intellectual property rights, such as Trademark Law of the PRC, Patent Law of the PRC, and Copyright Law of the PRC, and has formulated and implemented the Intellectual Property Management System, which regulates the management of various types of intellectual property such as trademarks, patents and copyrights.

We set up a dedicated post for intellectual property management in the Legal Department to clarify the application procedures for trademarks, patents or copyrights to ensure the validity of the Company's intellectual property rights. In terms of protecting our own intellectual property rights, we actively carry out market supervision work, analyze and research and coordinate the crackdown on counterfeit infringement matters through third-party online platforms, stores and consumer feedback.

As of the end of the Reporting Period, the Group has accumulated 850 trademarks and 85 valid patents, including 10 invention patents, 12 utility model patents, 63 design patents and 420 copyrights.

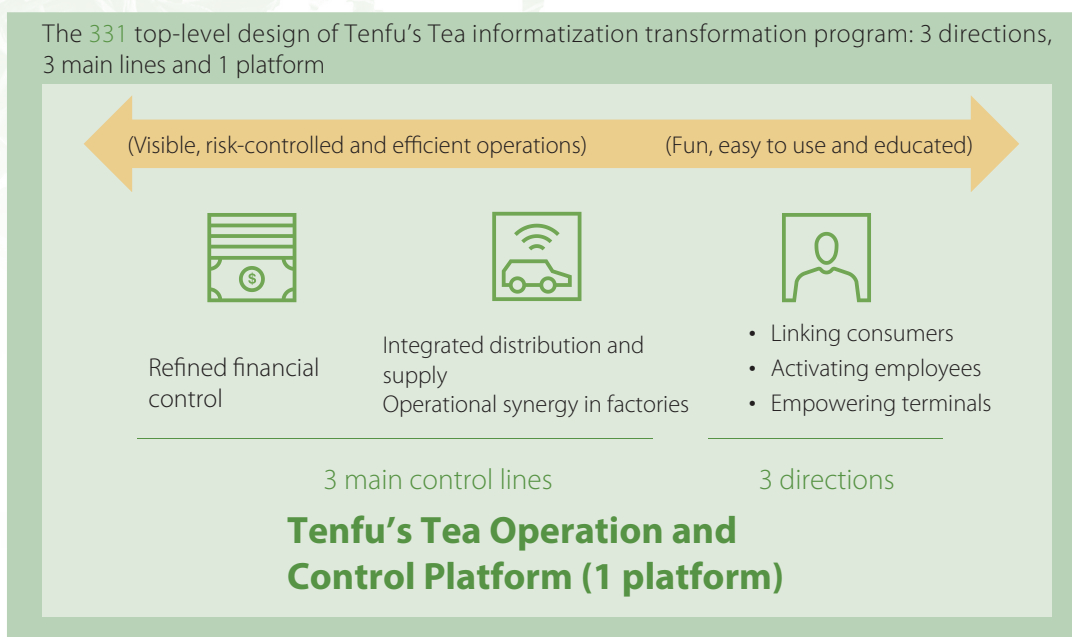
4.3. Digital empowerment

In the face of the new economy and new business, Tenfu has fully promoted digital management and actively explored new ways of digital transformation in traditional industries. The Group empowers its business segments with digital technology, drives business model innovation with data, and relies on strong internal dynamics to bring new vitality to traditional tea culture in digital transformation.

The Group set Enterprise Business Capability ("EBC") as the core digital transformation objective, turning data assets into productivity and production factors that drive corporate innovation. We have formulated a digital transformation plan with "3 directions, 3 main lines and 1 platform", i.e. with the objectives of connecting consumers, activating employees and empowering terminals, we have built an integrated operation and control platform for the Group around three main lines, namely, integrated distribution and supply, operational synergy in factories and refined financial control, so as to satisfy the needs of vertical business control and the upgrading of horizontal business synergies.

We are committed to building an intelligent supply chain, realizing data sharing along the entire chain of procurement, production, distribution and logistics, and enhancing the efficiency of operation and management. At the same time, we have broadened the scope of application of "one product, one barcode" from products to the supply chain to ensure the accuracy of inventory data of supplied products. In addition, we continue to promote enterprise WeChat, enterprise process approval, and education and training systems to empower employees to work efficiently through various digital platforms, tools and means.

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4.4. ESG governance

4.4.1 ESG governance structure








Tenfu is committed to integrating the concept of sustainable development into the Group's strategy and has established a three-level ESG governance structure, which consists of the Board, the senior management of the Company and the ESG working group, to clarify the ESG governance functions and ensure the science, effectiveness and feasibility of the ESG management process.

- o **The Board:** responsible for assessing and determining ESG management policies and strategies, overseeing ESG matters, taking full responsibility for the Group's ESG strategy and reporting, regularly reviewing ESG-related matters and progress on ESG-related targets, and approving the annual ESG report.
- o **Senior management:** responsible for formulating ESG management policies and strategies, performance indicators, annual planning, management and supervision of ESG work, assessing and determining the risks and opportunities in relation to ESG matters, ensuring that the Group has an appropriate and effective ESG risk management system in place, reviewing ESG objectives and commitments on a regular basis, and reporting to the Board on the progress of ESG work.
- o **ESG working group:** composed of the major departments of the Group. It is responsible for implementing the ESG management policies approved by the senior management, carrying out ESG management and reporting, and reporting the progress of ESG management and reporting to the senior management of the Group, and is committed to promoting sustainable operation and tea culture.

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4.4.2 Stakeholder engagement

Tenfu actively fulfills its corporate citizenship responsibilities and is committed to working with all stakeholders to promote sustainable development and provide a positive impact on society. We continue to improve our communication mechanism with our stakeholders and collect their suggestions, opinions and expectations on ESG management strategies and practices through diversified and smooth communication channels, and incorporate them into the Group’s sustainable development management. Based on the Group’s business characteristics and reference to best industry practices, we have identified stakeholders including governments and regulators, shareholders and investors, customers, partners, employees and the community.

Stakeholders	Expectations and Requirements	Communication mechanism
Governments and regulators 	<ul style="list-style-type: none"> • Compliance with laws and regulations • Paying taxes according to the law • Contributing to society 	<ul style="list-style-type: none"> • Direct communication • Monitoring and evaluation • Government and enterprise cooperation • Meetings
Shareholders and investors 	<ul style="list-style-type: none"> • Continued development and return to shareholders • Information disclosure • Corporate governance • Risk control 	<ul style="list-style-type: none"> • Company’s annual reports, interim reports and announcements • General meetings of shareholders • Meetings, road show and field investigation
Customers 	<ul style="list-style-type: none"> • Quality services • Protecting consumer’s rights and interests • Product quality and safety 	<ul style="list-style-type: none"> • Member activities • Transparent factories • Service hotline • Online platforms
Partners 	<ul style="list-style-type: none"> • Keeping promise • Equal, fair and open procurement • Win-win development • Anti-Corruption 	<ul style="list-style-type: none"> • Project cooperation • Daily business communication • Regular review and field investigation • Meetings and negotiations
Industries 	<ul style="list-style-type: none"> • Mutual benefit • Joint development 	<ul style="list-style-type: none"> • Research and cooperation • Communication conferences • Surveys and reciprocal visits • Communication activities
Employees 	<ul style="list-style-type: none"> • Salaries and welfare • Healthy and safe working environment • Equal opportunities for promotion and development • Ability enhancement 	<ul style="list-style-type: none"> • Performance assessment • Staff welfare activities • Training and team building • Internal meetings
Communities 	<ul style="list-style-type: none"> • Facilitating the harmonious development of the community 	<ul style="list-style-type: none"> • Community activities and cooperation • Public benefit and charity activities • Direct communication • Social media

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4.4.3 ESG materiality assessment

In 2023, in order to identify the key issues of the Group’s ESG work, we updated the list of ESG material issues based on the ESG Reporting Guide and analyzed 21 ESG material issues by combining various channels such as tracking industry dynamics, analyzing the operating characteristics and strategic directions of companies, key ESG concerns of peers, and stakeholder engagements. We will provide targeted responses to the key issues in the corresponding chapters of the Report in order to satisfy the concerns of various stakeholders.

The Group’s ESG material issue assessment process is set out below:

Step 1: Identify ESG issues

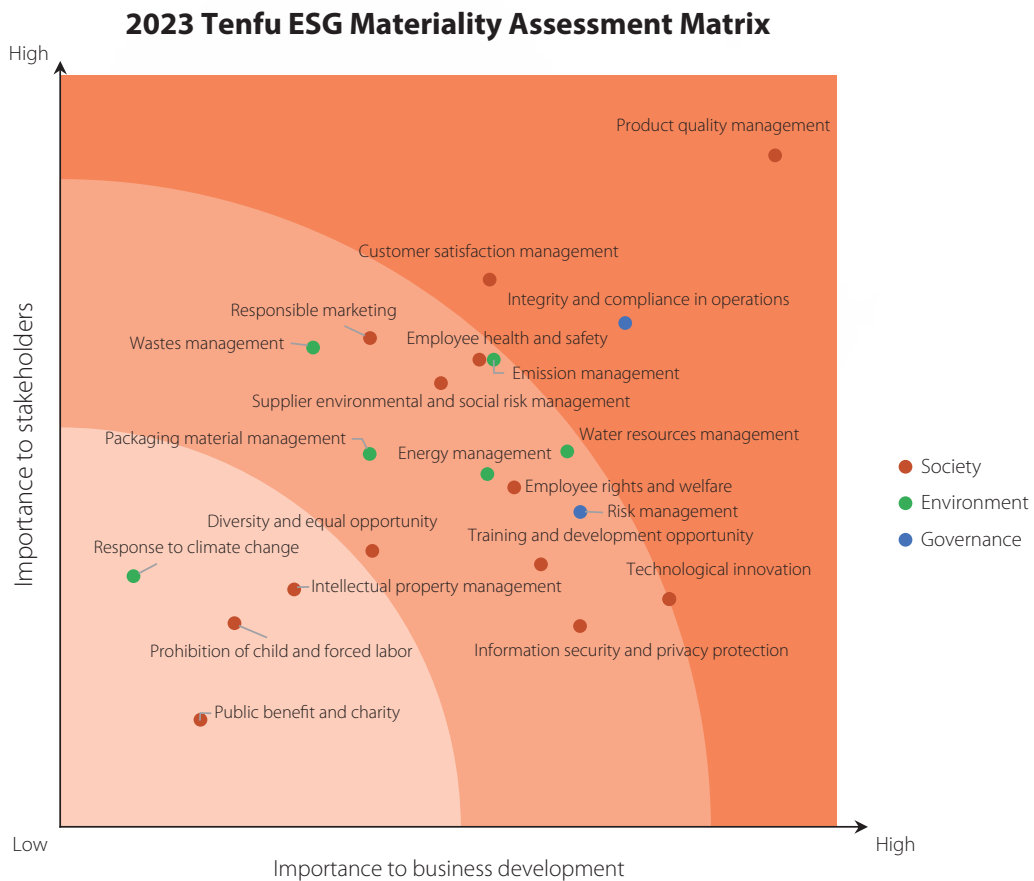
- Sorting out ESG highlights and stakeholder feedback
- Benchmarking industry hotspots and best industry practices
- Referring to the ESG Reporting Guide

Step 2: Conduct stakeholders communication and survey

- External stakeholder engagement
- Internal stakeholder interviews
- Ranking the importance of ESG material issues

Step 3: Conduct material issue assessment

- Ranking the importance of issues based on two dimensions: importance to stakeholders and importance to business development
- Reviewing and validating the assessment results by the Group management and the ESG working group



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5. “Tea-Oriented” Quality First, Join Hands with the Industry for a Win-Win Situation

Tenfu adheres to the culture of product quality and is committed to exploring and establishing a food safety and quality management system that goes through the entire life cycle of its products. Adhering to the business concept of “natural, healthy and humanistic”, Tenfu integrates the modern enterprise management model into the traditional tea industry and, with itself as the axle, drives the development of the industry and consumer education to build a sustainable ecosystem for food safety.

5.1. Strict control of product quality

5.1.1 Quality management system

Tenfu always adheres to the control concept of “quality first”, continuously optimizes the quality management system, and improves the quality of its products by adopting scientific and strict quality management standards, in order to fulfil Tenfu’s quality promise of “tea leads, food at ease”.

The Group strictly complies with the Food Safety Law of the PRC, the Product Quality Law of the PRC and other relevant laws and regulations, establishes a quality management system, improves the quality management of the Group’s products, strengthens the construction of system certification and expands the coverage of system certification. In order to enhance the Group’s food safety compliance, we have set up a specialized team responsible for the research of food-related laws and regulations to ensure that our businesses comply with the procedures and standards of the legal system. At the same time, we update and apply new laws and regulations in a timely manner according to publicly available information on the websites of the State Administration for Market Regulation, the Ministry of Health and industry associations to ensure that the quality and product safety management strictly comply with the latest legal requirements. During the year, the Group has obtained ISO 9001:2015 quality management system, ISO 22000:2018 food safety management system and Hazard Analysis and Critical Control Point (HACCP) system certificates, as well as the current Good Manufacturing Practice (cGMP) certification in the United States to further strengthen the quality control of export products.

In 2023, the Group improved its food safety management system documents by revising and updating 17 system documents, including the “Production Process Control System”, “Food Safety Incident (Emergency) Response System”, “Food Self-Inspection and Reporting System” and “Food Safety Traceability System”, and by refining the requirements for raw and auxiliary materials inspection, critical point control, product traceability and recall, so as to enhance the quality management and control level. To ensure the safety and hygienic quality of exported tea, we have added a new “Guidebook on Self-inspection and Self-control of Exported Tea to Japan”, which specifies the process and requirements for risk identification, assessment and control of exported products, so as to ensure that the exported products, from raw materials, processing, packaging, storage and transportation, etc., are in compliance with the safety and quality requirements of the importing countries.

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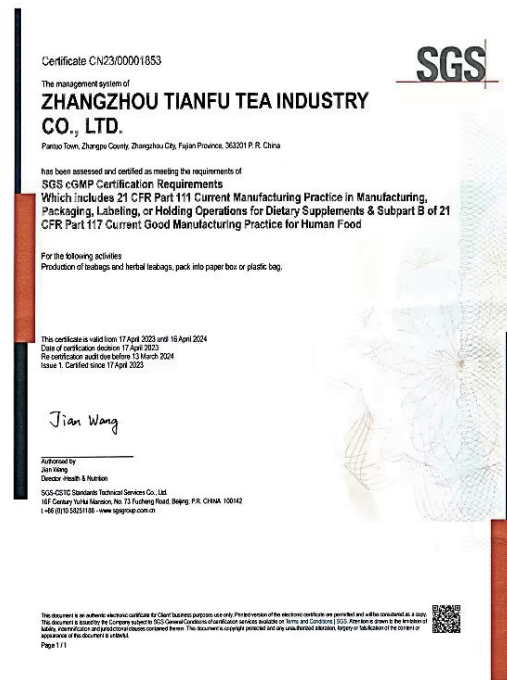
ISO 9001:2015 Quality Management System Certificate of Zhangzhou Tenfu Tea Industry Co., Ltd.



ISO 22000:2018 Food Safety Management System Certificate of Zhangzhou Tenfu Tea Industry Co., Ltd.



HACCP System Certification of Zhangzhou Tenfu Tea Industry Co., Ltd.



cGMP Certificate of Zhangzhou Tenfu Tea Industry Co., Ltd.

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[Case] Zhangzhou Tenfu Tea Industry Co., Ltd. was awarded Zhangzhou Municipal Government Quality Award (Second)

On November 29, 2023, Zhangzhou Tenfu Tea Industry Co., Ltd. was awarded the 2022 Zhangzhou Municipal Government Quality Award (Second). The award is the highest honor in the field of quality in Zhangzhou and is used to recognize enterprises or organizations that have made outstanding contributions to the economic and social development of Zhangzhou by practicing excellent performance management in the economic field, with significant economic and social benefits, and with a benchmarking role.

In order to continuously maintain innovation, optimize management and enhance brand awareness and reputation, Zhangzhou Tenfu Tea Industry Co., Ltd. was further recommended by Zhangzhou Administration for Market Regulation to apply for the 8th Fujian Provincial Government Quality Award in March 2023, and stood up to the on-site assessment of the expert group in October 2023. The evaluation process of the management system of the Quality Award will help Tenfu to further improve its corporate culture, system and assessment system, to grasp the opportunities of quality enhancement in the era of digital economy, to promote its own transformation and upgrading and to enhance its competitiveness in the market.



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5.1.2 Full process quality management

Tenfu continues to improve its quality management system by controlling the inspection of raw materials, production process control, storage and transportation, sales and export, product traceability and recall, as well as improving the emergency response process for food safety, and managing and supervising the entire life cycle of its products.

- **Raw and auxiliary materials inspection:** the Group has formulated the “Record System for Purchase and Incoming Goods Inspection” to regulate the standard procedures for the entry of materials along the entire industrial chain, and has continuously refined and improved the inspection procedures for raw and auxiliary materials, such as food packaging, water for production, air hygiene, tool hygiene, finger hygiene, etc. as well as the management methods of the laboratories. We have also raised the entry threshold for suppliers of raw and auxiliary materials, clarified their product quality indicators, and required them to provide product inspection reports and product qualification certificates to strengthen quality control at source. In addition, we attach great importance to pesticide residue limits, and have formulated 106 requirements for testing pesticide residues in tea leaves to strictly control the quality of each batch of materials and protect consumer health and safety.
- **Product quality monitoring:** the Group strictly follows the relevant standards and regulations such as the General Hygiene Rules for Food Production, the Sanitary Standard for Drinking Water and the Requirements for Safety and Sanitation of Export Food Enterprises to strengthen its internal production quality control capability. We have formulated and implemented the Measures for Management of Food Production Sanitation, which sets out specific requirements on workshop hygiene such as microbiological coating, air sedimentation rate, pest control, management of food-grade inks/glues and management of hazardous chemicals, as well as the health and hygiene of employees, so as to ensure the quality and safety of factory products. At the same time, we regulate the quality inspection procedures at all important production points and assign the Tiankang Inspection Center to carry out batch-by-batch inspections to ensure that the factory products meet the internal and external quality requirements, so as to provide consumers with quality-assured products.



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- o **Product storage and transportation:** in order to prevent contamination, deterioration or damage to products during storage and transportation, we have formulated documents such as the Warehouse Management Measures and Product Storage and Protection Management Control Procedures to standardize the storage and transportation processes, strictly regulate the daily work behavior of warehouse personnel, and strengthen the management of finished goods warehouse. To ensure timely delivery of products, adopting the ERP (Enterprise Resource Planning) digital system, we connect the warehousing and sales segments to have retail data digitalize and intellectualize and improve distribution efficiency. In addition, we integrate online, offline and logistics to promote the integration of the three into one, continuously improving distribution efficiency and optimizing the consumer service experience.
- o **Product sales and export:** the Group has established a store audit mechanism to regulate the management of shop sales and to continuously improve the quality of product sales and customer service. With the mission of promoting the Chinese tea brand, we actively developing its overseas business in the hope of spreading tea culture in every corner of the world. The Group strictly complies with Import and Export Control Regulations of the PRC, Foreign Trade Law of the PRC, Customs Law of the PRC and Import and Export Commodity Inspection Law of the PRC, and formulates the Quality Management Process for Export Products, which regulates the management of the quality of exported products, and strictly adheres to the bottom line of the quality of exported products. We also applied and obtained the product quality certificates according to the requirements of the importing countries, including the National Organic Program (NOP) certification in the United States, and SGS-cGMP certification and EC certification, to ensure that the products comply with the technical regulations and quality requirements of the importing countries.
- o **Product tracing and recall:** the Group has standardized the product recall process and carried out the recall operation in accordance with the product recall plan. At the same time, we regularly carry out simulated tracing to ensure the effectiveness and timeliness of the process. As of the end of the Reporting Period, the Group did not experience any product recalls.



Strict product quality control

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5.1.3 Science and technology safeguard food safety

Food is the paramount necessity of people, and food safety is the top priority. Tenfu understands the importance of food safety to consumers. In 2019, the Group took the lead in applying the digital platform to fully build the “one product, one barcode” commodity anti-counterfeiting traceability system, establishing a full-process traceability system from “field to tea table”. We give each product produced by Tenfu, such as tea leaves, tea snacks and tea ware, a unique dual code (the “Dual Code”) identity of “QR code + barcode”. Adopting the traceability function of blockchain application technology, consumers can scan the code to get a clear understanding of the product’s place of origin, production permit, food safety inspection report, sales outlets, etc., so as to realize the whole-process management of the product and make the information transparent to practically protect the rights of the consumers. To ensure the validity and accuracy of the traceability information, we also require regional warehouses to scan the code, so that the “one product, one barcode” traceability can be implemented in the stores to ensure that the whole process from the tea garden to the terminal sales outlets is covered. In addition, we also attach the “one product, one barcode” logo to products that are sold separately to ensure that the products sold by the Group are labelled as “one product, one barcode” and “one can, one label”, so that consumers can purchase with confidence.

Tenfu continues to optimize the “one product, one barcode” project. Through technological upgrades, we have enhanced the anti-counterfeiting function of our products and increased the channels for consumer feedback. We use DNA oil film as the anti-counterfeiting label for our products, and each product item is equipped with an individual anti-counterfeiting label and a legal serial number, which can be used by consumers to check the authenticity of the product. Furthermore, consumers can directly provide feedback on the product quality and service issues by scanning the Dual Code, and our staff will collect the issues at the first time and improve them immediately. In the future, we will actively explore RFID and other technologies to improve the safety traceability system of product quality throughout the life cycle, strengthening consumer trust and allowing consumers to enjoy the products at ease.




“One product, one barcode” anti-counterfeiting traceability system

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5.2. Optimizing service experience

5.2.1 Customer service management

Tenfu values the needs of consumers and always upholds the customer service concept of “customer focus, speed and efficiency, and institutional protection” and is committed to providing consumers with a high-quality service experience. The Group has formulated Procedures for Customer Service Hotline Operation of the Business Department, Customer Complaints Handling Procedures and One Product, One Barcode Anti-Counterfeiting Label-Feedback Procedure to regulate the management of customer opinions and complaints. With the aim of “dealing with customer questions and making customers satisfied”, we have established various product problem feedback and complaint channels such as telephone, mailbox, store handling and “one product, one barcode” feedback, etc., to understand customer problems in a timely manner and respond to them quickly in a professional manner. In addition, we constantly collect customer feedback, regularly conduct data analysis, and produce case reports, which will be used as an important basis for optimizing the customer service model and enhancing customer service levels.

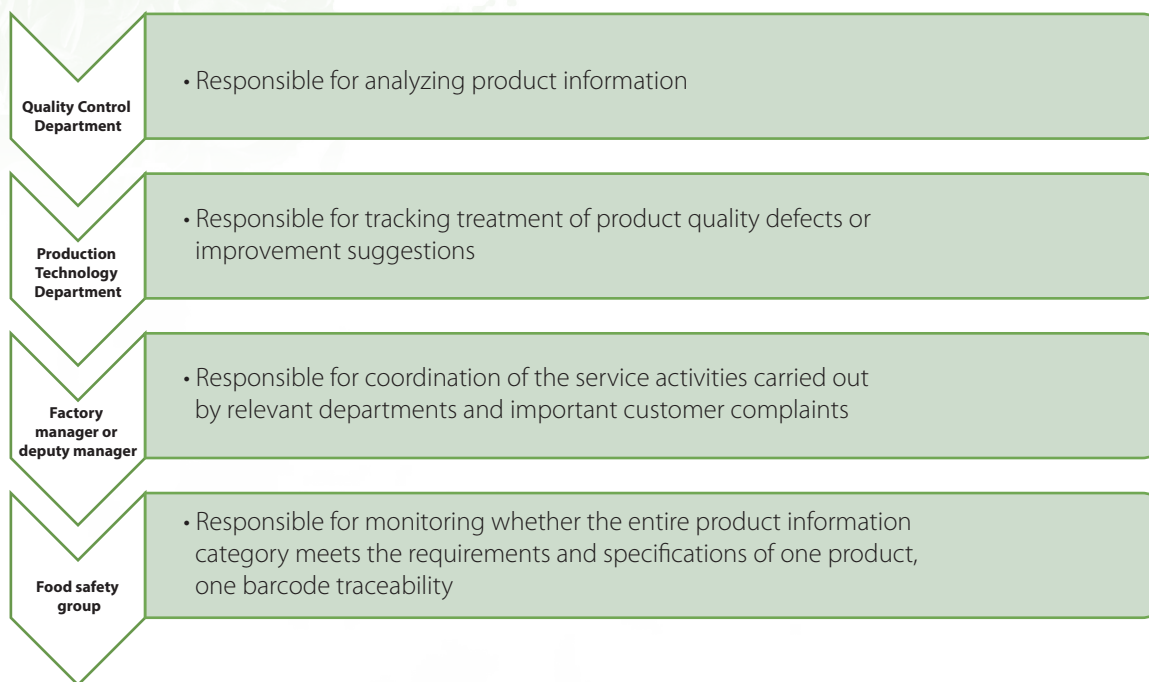


The diagram features a central green circle with the text "Complaint channel" inside. To its right, a large green bracket encompasses four icons: a telephone handset with signal waves, an envelope with a document, a storefront icon, and a barcode.

- Complaints hotline: +86-592-3257991
- Office e-mail for complaints: tenfu@tenfu.com
- Complaints at outlets
- One product, one barcode

In regard to the enhancement of store customer satisfaction, the Group has established an outlet satisfaction service system based on Customer Satisfaction Measurement and Control Procedures, to specify organizational, departmental and individual responsibilities in order to further understand the views and expectations of customers.

Customer Satisfaction Measurement and Control Procedures and responsibilities at all levels



As of the end of the Reporting Period, the Group received a total of 1,783 complaints about our products and services, with a 100% customer response rate, a 100% customer complaint handling rate and a 100% customer satisfaction.

5.2.2 Responsible marketing

Tenfu actively practices responsible marketing and strictly complies with the Advertising Law of the PRC, Administrative Provisions on Food Labeling, General Rules for Labeling of Prepackaged Foods and General Rules for Nutrition Labeling of Prepackaged Foods and other laws and regulations and industry standards to ensure the compliance of the Group's marketing and promotional activities. The Group has continued to improve the management of labelling by tracking the updates of laws, regulations and policies relating to labelling through multiple channels in order to quickly respond to the latest national labelling standards and compliance requirements. In addition, by combining interpretation of laws and regulations with actual cases, we regularly provide training on legal knowledge of food labelling and marking to relevant personnel in packaging, design and planning of tea factories, food factories and other factories, so as to enhance their awareness of compliant marketing.

In order to strengthen the compliance management of advertisements, we have formulated an advertisement review process, whereby the legal department of the Company is responsible for reviewing the content of advertisements, the main idea and explanations of advertisements, and other promotional elements, so as to ensure the truthfulness and accuracy of the promotional information of product marketing and to avoid the occurrence of incidents of misleading consumers.

As of the end of the Reporting Period, the Group did not have any non-compliance incidents involving marketing.

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5.2.3 Consumer rights protection

Tenfu values great importance to the privacy and data protection of its customers and strictly complies with the Personal Information Protection Law of the PRC, Data Security Law of the PRC, Network Security Law of the PRC and other laws and regulations. The Group has formulated and implemented the Protection of Consumer Information and Privacy Policy, which specifies the scope of collection of user information, rules on the use of such information, criteria for disclosure of user personal information and other requirements.

In terms of protecting customer information security, we use public cloud services certified by the Information Security Management System to enhance the comprehensive defense capability of local IDC (Internet Data Centre) network security. In terms of protecting customer privacy, we encrypt customer parcel waybill information and back-office data to avoid disclosing customer privacy. In addition, we conduct monthly privacy protection training for our customer service staff to enhance their awareness of protection and safeguard customer privacy and data security. As of the end of the Reporting Period, the Group did not have any incident related to privacy breach.

5.3. Sustainable supply chain

5.3.1 Supplier management

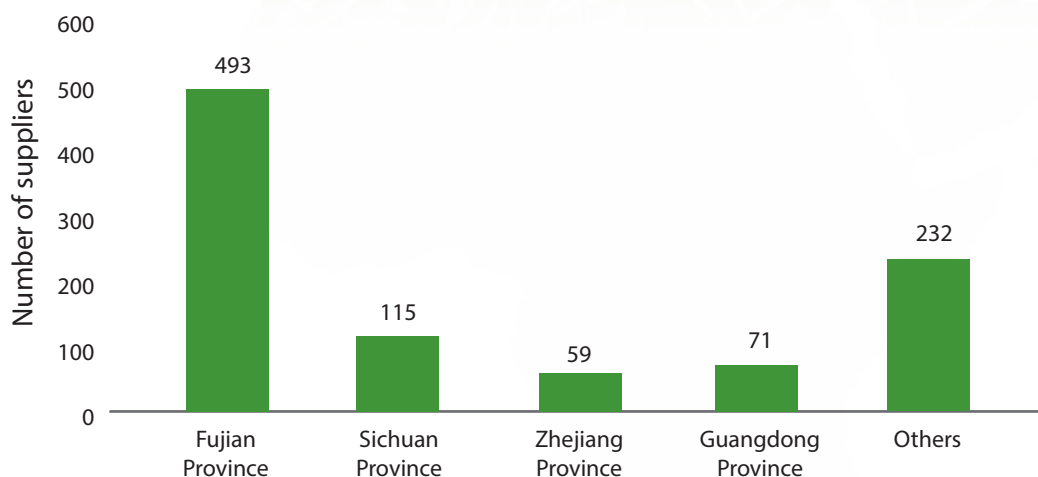
Taking into account its business characteristics and development needs, Tenfu has continued to improve its supplier management system. The Group has formulated policies on the Procurement Management System, the Tea Procurement Policy and Process and the Procurement Workflow of TC Packaging Materials Procurement Department, optimizing the management of suppliers in the areas of access, daily management, performance assessment and elimination, and strengthening product quality assurance.

- o **Supplier access:** the Group has established and followed the new supplier introduction evaluation process, requiring new suppliers to provide relevant materials such as registration information, production licences and relevant product testing reports issued by national testing organizations, etc., and auditing the authenticity of the materials provided through the BPM online system and the enterprise WeChat platform, so as to strictly control the access of suppliers to the inventory.
- o **Supplier management:** We have established supplier classification management standards, updated the annual catalogue of qualified suppliers based on the results of the 2022 supplier assessment, and implemented differentiated management and guidance for different categories of suppliers. We strictly implement the Procurement Management System and regulate all suppliers in accordance with the relevant protocols. During this year, we have adopted a centralized responsible purchasing system, clearly defined the person responsible for tea procurement and the key standard process points, and strengthened the batch testing of raw materials in and out of the warehouse to ensure the quality of raw materials.
- o **Supplier assessment:** the Group has established a supplier assessment mechanism and conducts comprehensive assessment on the performance of suppliers on a regular basis. We have set up a specialized appraisal and evaluation team to conduct annual appraisals of our strategic suppliers and qualified suppliers in terms of quality of supply, stability of source of supply, timeliness of supply and after-sales service in accordance with the Form of Supplier Capacity Survey and Evaluation to urge suppliers with poor performance to make improvements.

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As of the end of the Reporting Period, the Group had a total of 970 suppliers¹, and the number of suppliers by region is shown in the table below:

Regional distribution of suppliers



Note:

- In 2023, the number of suppliers covers Zhangzhou Tenfu Tea Industry Co., Ltd., Zhangpu Tenfu Tourism Tea Garden Co., Ltd., Anxi Tenfu Tea Industry Co., Ltd., Guiding Tenfu Tourism Tea Garden Co., Ltd., Zhejiang Tenfu Tea Industry Co., Ltd., Jiayang Tenfu Tourism Tea Garden Co., Ltd., Guangxi Guigang Tenfu Tea Industry Co., Ltd., and Hangzhou Yunqi Tenfu Tea Industry Co., Ltd. The Group's data will be disclosed in future years.*

5.3.2 Responsible procurement

The stability and sustainability of the supply chain is crucial to Tenfu's production and operation. In order to identify and reduce ESG risks in each link of the supply chain, we have developed the Form of Environmental and Social Risk Assessment for Suppliers to assess the performance of suppliers in fulfilling their social and environmental responsibilities in terms of respecting labor rights and interests, safeguarding the health and safety of workers, establishing an environmental management system, guaranteeing product quality, and practicing green procurement. In addition, we assess the environmental and social impacts generated by suppliers of packaging materials through on-site inspections, so as to strengthen risk prevention and control in the supply chain.

The Group has vigorously implemented green procurement and actively fulfilled its environmental protection responsibilities to promote the green development of the industry. We endeavor to minimize the negative impact of our consumption behavior on the environment through the procurement of eco-packaging bags made of biodegradable materials. We have also clarified the procurement rules and regulations for organic green tea and prioritized cooperation with organic product suppliers with good environmental performance. At the same time, we have deepened our suppliers' understanding of green procurement activities by requiring first-tier suppliers to incorporate the environmental assessment of second-tier suppliers into the environmental and social risk assessment of their suppliers, so as to enhance the impact of green procurement and achieve the goal of win-win cooperation and sustainable development with our supply chain partners.

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The Group adheres to the bottom line of clean procurement compliance and works with its partners to resist commercial bribery. We have explicit integrity clauses in our procurement contracts prohibiting solicitation of bribes, bribery and other improper business practices. In 2023, we formulated the Letter of Supplier's Integrity Commitment to further strengthen our suppliers' integrity awareness and to build a clean supply chain with them.

5.3.3 Supplier communication and cooperation

Tenfu is convinced that the development of the enterprise cannot be separated from the sincere cooperation of suppliers. We value the importance to the communication and cooperation with suppliers, through a variety of forms of communication and exchange, to understand the strategic planning of the development of the two sides, corporate culture and other information, to establish a long-term and healthy strategic cooperative relationship.

For many years, the Group has insisted on localized sourcing to help the development of local tea farmers through multi-dimensional collaboration. Adopting the advantages of Tenfu's own factories, we have prioritized the local sourcing of tea raw materials to promote the development of the local tea farmers' economy and assist the industry's steady and high-quality development. Based on the resources of our own branded chain stores, we actively play the role of the stores as a window to reach customers directly, and organize and carry out tea knowledge popularization activities from the perspective of the store staff to deepen their understanding of the background of the tea's place of origin, and to drive the development of the tea farmers' economy through sales.

[Case] Wuyi Mountain tea garden tour

On April 17, 2023, Tenfu held a 10-day tour to the Wuyi Mountain tea garden with a total of 80 staff members. Through learning the craftsmanship and production process of Wuyi rock-essence tea, the staff increased their understanding of rock-essence tea, achieving better rock-essence tea promotion and sales increase, and helping tea farmers to open up sales channels.



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6. “Flowing with the Tea” People-Oriented and Sharing for Development

Developing together with our employees and sharing values with the society are the values that Tenfu has always pursued. We always adhere to the value concept of “people-oriented”, care for the growth and development of talents, pay attention to the community and the public’s aspirations, place the Company’s development in the social coordinate system, and actively fulfil our civic responsibility to create a better and harmonious life with all sectors of the society.

6.1. Deepening talent attraction and cultivation

6.1.1 Protection of employee rights and benefits

o Compliance employment

Tenfu strictly follows the Labor Law of the PRC, Labor Contract Law of the PRC, Prohibition of Child Labor Provisions and other relevant laws and regulations, and has formulated an Employee Handbook to regulate the recruitment process and management procedures and to safeguard the legitimate rights and interests of employees.

We proactively create a diversified and fair working environment. We oppose all discriminatory behaviors arising from factors such as gender, age, ethnicity, race, nationality, place of origin, religion, marital status, etc., organize anti-discrimination trainings, and provide a fair and equal platform for hiring, salary distribution, and promotion to our employees.

We prohibit child and forced labor. During the recruitment process, we check the identity documents of the applicants to confirm the actual age of the applicants and to avoid the occurrence of child labor. In order to ensure sufficient rest for our employees, we implement the standard working hour system and the comprehensive working hour system, conduct relevant audits of overtime work, and offer arrangements for compensatory time off or pay overtime allowances in accordance with the law. Meanwhile, our employees are entitled to various types of leave including national statutory holidays, paid annual leave, sick leave, funeral leave, marriage leave and maternity leave. Once irregularities such as child labor and forced labor are reported, we address them strictly according to the Employee Handbook, and in severe situation, we will consider terminating the labor relationship with them.

During the Reporting Period, the Group has not been involved in any violation of labor standards such as employment discrimination and harassment, nor has been involved in any litigation related to the employment such as child labor and forced labor.

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o **Talent attraction**

To meet the talent needs of our business development, we have established diversified recruitment channels, including social recruitment, campus recruitment and internal recommendation, to attract professionals from different backgrounds. At the same time, we respond to the call of local governments to strengthen local recruitment and continue to solve the problem of local employment rate. In addition, we proactively provide employment opportunities for staff with disabilities and support them to perform their job duties by providing them with equal and safe workplaces.

As of the end of the Reporting Period, the Group had a total of 3,596 employees, details as set out below:

Key performance indicators		Total number of employees in 2023 (persons)
Gender	Male	866
	Female	2,730
Age	Aged below 35	1,213
	Aged 35 to 45	1,434
	Aged above 45	949
Region	China	3,591
	Overseas	5
Type of Employment	Full-time	3,455
	Part-time	141
Position Level	Senior management staff	171
	Mid-level management staff	467
	Junior staff	2,958

o **Remuneration and benefits**

The Group adheres to the remuneration philosophy of "labor-based distribution, encouraging value creation and equality and fairness" and has established a comprehensive performance-based remuneration system to provide competitive remuneration. In order to motivate our employees, we have established a salary structure linked to factors such as rank, performance and ability to stimulate corporate vitality. At the same time, we provide non-salary related benefits such as medical check-ups and meal subsidies for employees to create a more comfortable working environment for the employees.

Environmental, Social and Governance Report

o **Employee communication**

Tenfu believes that good employee communication is the key to building harmonious labor relations. We have established feedback channels such as trade unions and monthly staff meetings to listen to our employees. In order to enhance the smoothness of employee feedback, we have set up direct feedback channels for supervisors or the human resources department to understand employees' thoughts in a timely manner. We will keep a record of employee feedback and work out a solution that is satisfactory to the employee.

In 2023, we launched the Employee Satisfaction Survey, conducted an internal assessment, and made targeted improvements to the survey feedback to enhance employee engagement and satisfaction. We designed three types of customized questionnaires for employees in different functions, including design management, technical and junior staff, and obtained an average employee satisfaction rate of 98.18%. Through the employee satisfaction survey, we have enhanced our understanding of the needs of employees in different functions, solved their problems, and strengthened their sense of identification, belonging and trust.

As of the end of the Reporting Period, the employee turnover rate¹ of the Group was 24.7% and the employee turnover rate by category is shown in the table below:

Key performance indicators	Employee turnover rate in 2023 (%)	
Gender	Male	14.3%
	Female	27.9%
Age	Aged below 35	39.0%
	Aged 35 to 45	13.0%
	Aged above 45	24.0%
Region	China	24.7%
	Overseas	0.0%

Note:

1. In 2023, there was a high turnover of sales employees. The turnover rate of employees excluding sales employees was 9.7%.

6.1.2 Empowering employee development

Tenfu attaches great importance to the development and nurturing of talents and are committed to providing diversified career development paths for employees in different business areas. We have put in place a transparent and fair internal promotion system with well-established career paths, and endeavor to provide a career platform for our staff to give full play to their talents. The Group has also put in place a bonus mechanism to reward and encourage staff with outstanding performance by providing them with performance awards and achievement awards for their contribution to the Group's business.

The Group continues to optimize its talent cultivation system. Based on the development needs of our staff, we formulate annual training plans and launch a wide variety of training programs, such as training for new recruits and food safety staff, management training, training for reserve talents and public training, to enhance their professional skills and management level. At the same time, we have set up our corporate WeChat online learning platform "Magic Academy" (魔學院) and continuously update the training courses according to the development of our business and services, relying on the digital training platform of our employees to empower their development. In addition, we actively responded to the local government's policy of subsidizing the skills of professionals by setting up two types of subsidies, namely the "skill level recognition category" and the "specialized skills assessment category", to encourage our employees to upgrade their vocational and technical skills, so as to satisfy the demand for talents for the development of the industry.

[Case] Reserve talents cultivation program

From February to May 2023, the Group launched a reserve talents cultivation program for 23 employees. The program covered courses on corporate culture, team building, management, communication, leadership, execution, new business integrated operation and departmental affairs resolution, etc., with a view to comprehensively enhancing the overall competence of the reserve talents, thereby providing a high quality talent pool for the Group's development on a continuous basis.



[Case] "Falling in love with work specialized training" – balancing life and work

In May 2023, the Group invited a professional third-party training organization to launch the training on "Falling in love with work – loving work, employee stress countermeasures and emotional management", with a view to enhancing employees' ability to regulate their emotions, mastering the skills of releasing work pressure, establishing a positive work mindset and creating a good working atmosphere.



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The Group has formulated an employee entrepreneurship program to encourage internal senior employees to find suitable locations to set up Tenfu exclusive store in the form of distribution, creating a win-win model for both the Group and its employees. We have actively implemented preferential policies and relief policies to reduce the burden of employees starting up their own businesses.

As of the end of the Reporting Period, the specific employee training information of the Group is shown in the table below:

Key performance indicators		Percentage of trained employees (%)	Training hours per capita (hours)
Total		43%	15
Position Level	Senior management staff	9%	33
	Mid-level management staff	11%	12
	Junior staff	80%	14
Gender ¹	Male	25%	22
	Female	75%	24

Note:

- The key performance indicators for employees training by gender in 2023 cover Zhangzhou Tenfu Tea Industry Co., Ltd., Zhangpu Tenfu Tourism Tea Garden Co., Ltd., Anxi Tenfu Tea Industry Co., Ltd., Guiding Tenfu Tourism Tea Garden Co., Ltd., Zhejiang Tenfu Tea Industry Co., Ltd., Ji Jiang Tenfu Tourism Tea Garden Co., Ltd., Guangxi Guigang Tenfu Tea Industry Co., Ltd., and Hangzhou Yunqi Tenfu Tea Industry Co., Ltd. The Group's data will be disclosed in future years.

6.1.3 Care for employees

Guided by the philosophy of "mutual respect, mutual love and mutual respect", the Group listens to the voices of its employees, cares for their physical and mental health, and promotes a relaxing and uplifting working environment. To enrich the spare-time cultural life of our employees, we organized a number of employees activities such as sports competitions and public welfare talks during the Reporting Period. At the same time, we organized a series of initiatives such as organizing condolences for employees in difficulty, launching summer care classes for employees' children, and setting up an education fund to extend our care to their families and further enhance their sense of well-being and belonging.

o *Featured employee activities*

[Case] The ninth “Little Fish Cup” swimming competition

In order to convey the concept of healthy living to staff and promote a positive attitude towards life, Tenfu organized the ninth “Little Fish Cup” swimming competition 2023, in which employees actively participated in various competitions such as freestyle, breaststroke, medley, and relay races, to build up a strong physique and a healthy mindset towards life.



[Case] Tenfu’s Team “放牛斑” reigned as champions of the Xiamen Bank Cup Basketball Competition for three consecutive years

From July 25 to August 5, 2023, Tenfu’s Team “放牛斑” was invited to participate in the third Xiamen Bank Cup Cross-Strait (Xiamen) Young Entrepreneurs Basketball Invitational Competition and won the first place again, remaining the champion for three consecutive years. The Group hopes to enrich the spare time life of its employees and showcase their style through this activity. At the same time, the Group hopes to use this competition as a bridge to strengthen the exchange between youths on both sides of the Strait and bring them closer to each other.



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[Case] Gynaecology and obstetrics public lecture

The Tenfu Group attaches great importance to the health of female employees. On April 20, 2023, Tenfu organized the gynaecology and obstetrics public lecture, which was aimed at female employees of the Group from the appropriate age group to carry out healthcare education and publicity such as science of pregnancy and obstetrics, women's health management, and the treatment of national policies, etc., so as to enhance the healthcare awareness and sense of well-being of the female employees.



o *Care for employees' families*

[Case] Condolences to employees in difficulty

Tenfu cares about employees and their families in difficulties, providing assistance and condolences to the greatest extent possible to those employees who are troubled by illnesses or whose families are suffering from difficulties, enhancing their quality of life and sense of well-being, and spreading the spirit of love and dedication.



[Case] Summer Care Class (福二代) for children of Tenfu employees

In 2023, Tenfu once again launched the Summer Care Class (福二代) for children of Tenfu employees, which included courses on tea picking, tea ceremony, elocution, painting and calligraphy, and outdoor training, to enrich the summer life of the employees' children and solve the problem of "difficulties in taking care of" the employees' children during the summer.



6.2. Safeguarding health and safety

As a responsible enterprise, Tenfu attaches great importance to the health and safety of its employees. The Group strictly complies with national laws, regulations and requirements such as the Production Safety Law of the PRC, Law of the PRC on the Prevention and Control of Occupational Diseases, Fire Services Law of the PRC and Measures for Management of Emergency Response Plans for Production Safety Accidents. We have formulated Tenfu Health and Safety Management Policy to comprehensively promote production safety and occupational health and to protect the health and safety of our employees.

o **Safety risk prevention and control**

The Group has continued to improve its production safety management system, formulated the Emergency Plan for Production Safety, established a production safety management team, implemented various production safety tasks and strengthened production safety risk prevention. We carry out quarterly inspections of potential production safety hazards, establish a working mechanism combining inspection and prevention and control, and carry out inspections and maintenance of production and safety facilities to strengthen production safety precautions in a practical manner.

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o Occupational health management

The Group is committed to providing a safe and healthy production environment for its employees and continuously improves the safety conditions of production and the environment of the workshops to provide employees with multi-faceted protection. We have clearly defined the operating procedures and safety and health guidelines for the equipment in the various production areas of our workshops, such as the material circulation area, high temperature operation area and general production area, and we require our production employees to carry out their production activities in strict compliance with the requirements. At the same time, we provide production training to new employees, and they are allowed to work only after they have passed the training. We also equip our employees with personal protective equipment such as work clothes, work shoes and hats, emergency lighting equipment, masks, temperature-resistant asbestos gloves to minimize the risks of production operations. In addition, we continue to provide strong health and safety protection for our employees through a series of measures such as annual medical check-ups, provision of fire-fighting equipment and first-aid kits, and the placing of warning signs.



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o Production safety education

In order to enhance employees' awareness of production safety and create an atmosphere of safety culture, the Group organizes and carries out various forms of production safety education and training to strengthen staff's safety quality. We joined hands with the fire and police stations to share fire safety knowledge and fraud prevention activities to enhance employees' understanding of relevant professional skills. In addition, we cooperated with Zhangpu Tenfu Hospital (漳浦天福醫院) to promote first aid knowledge via activities to enhance employees' ability to perform first aid through learning first aid for cardiac resuscitation and Heimlich's first aid method.



Fire drill site

During the Reporting Period, the Group has not been involved in any employee health and safety related litigation. As of the end of the Reporting Period, the total number of work days lost due to work-related injuries for the Group was 450, and the work-related fatalities of the Group in the past three years are shown in the table below:

Key performance indicators	Number of work-related fatalities	Percentage of work-related fatalities
2023	1	0.03%
2022	0	0%
2021	0	0%

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6.3. Gathering the power for kindness

Tenfu actively engages in social welfare activities, giving back to and caring for the community at large, fulfilling its corporate social responsibility, and spreading harmony and care. The Group has formulated the Tenfu Charity and Public Welfare Activities Management System to regulate the process of donations and public welfare activities and to enhance the quality of the Group’s public welfare activities. During the Reporting Period, we organized and carried out public welfare activities such as high quality farmer training, Chongyang Festival for the elderly and Mid-Autumn Festival at Tenfu Health Village etc., in an effort to realize the spirit of volunteerism.



Mid-autumn festival activities at Tenfu Health Village

In addition, we focused on medical, education, community and other areas and launched a series of donation activities to fulfil our corporate social responsibility through practical actions. As of the end of the Reporting Period, Tenfu accumulated donations of RMB22,800, which were distributed as follows:

Donation target	Donation amount
Pantuo Center Nursery School	RMB2,000
Xiangdong Primary School	RMB800
Xiaruan Village Senior Citizens’ Association, Pantuo town	RMB5,000
Guanpo Village Senior Citizens’ Association, Pantuo town	RMB5,000
Shangdong Village Senior Citizens’ Association, Pantuo town	RMB5,000
Niushangpu Village Senior Citizens’ Association, Pantuo town	RMB5,000

7. “Deep Cultivation with Tea” Going Green, Practicing Low-Carbon Operation

Tenfu actively responds to the national strategy of “promoting green development and harmony between mankind and nature”, co-ordinates low-carbon development, continuously improves the level of environmental management, endeavors to reduce the consumption of energy and resources, and continuously reduces the negative impacts of its own production and operation activities on the environment, and endeavors to contribute to the environmental benefits of the value chain, in order to realize the development in harmony with the ecology.

7.1. Conserving green ecosystems

7.1.1 Response to climate change

Actively responding to climate change has become a common cause for all mankind. As a leading enterprise in the tea industry, Tenfu highly agrees the importance of low-carbon and green development, and puts the responses to climate change at the forefront of sustainable development. Tenfu comprehensively promotes the risk management of climate change, taking into account the policy and legal risks in the transition risk and the acute and chronic risks in the physical risk, sorting out the impacts of climate change on the enterprise, and formulating countermeasures to reduce the impacts of climate change risks.

As a responsible country, China has implemented a national strategy to actively respond to climate change, established a “1+N” policy system for carbon peak attainment and carbon neutrality, accelerated the green transformation of its development mode, and implemented the “dual-carbon” target. Under this background, the promotion and implementation of the national policy of “energy saving and carbon reduction” and the changes in policies and laws brought about by the relevant regulatory requirements on environmental protection may cause Tenfu’s environmental compliance costs to rise and other risks of transition. In order to effectively cope with the relevant risks, we have introduced photovoltaic green energy projects, optimized our energy consumption structure and actively promoted the implementation of energy saving and carbon reduction measures to reduce carbon emissions from the Group’s production and operations.

In recent years, the frequency and severity of natural disasters such as typhoons and floods have gradually increased, resulting in potential negative impacts on the production and operation of enterprises. In order to respond in a timely manner to such acute physical risks brought about by climate change, we have formulated the Emergency Response Plan for Public Emergencies of Natural Disasters and set up an Emergency Response Leadership Team to clearly define the duties of the members of the working group on emergency response to safeguard the lives and health of employees and the safety and stability of the corporate property. We also organize emergency drills on a regular basis and rectify any problems during the drills to strengthen our ability to respond to natural disaster events. At the same time, in view of the risk of supply chain disruption due to acute physical risks such as force majeure and natural factors, we have established a diverse list of suppliers to avoid single-region sourcing and to safeguard the continuity of our production and operations. The trend of global warming has gradually emerged, and the persistence of high temperatures will bring chronic physical risks to the Company, such as changes in the storage conditions of the products, which may affect the stability of the storage of the products and increase the risk of the quality of the products. In this regard, we effectively safeguard the quality and safety of our products by reasonably assessing the shelf life of our products and the storage environment.

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7.1.2 Protecting the nature

Adhering to the development philosophy of “Environmental Consciousness”, Tenfu takes the initiative to assume the responsibility of environmental and ecological protection. The Group has formulated Tenfu Environmental Protection and Management Policy and Tenfu Model Tea Garden Requirements and Regulations in order to minimize its impact on the ecological environment. From our own perspective, we reduce the environmental pollution caused by the tea planting process, actively use organic fertilizers for planting, and actively build pollution-free tea gardens. At the same time, we restrict the hunting or collection of wild animals and plants, and prohibit the logging of primary forests and secondary forests, in an effort to maintain the ecological balance. In addition, we have strengthened and improved our supplier management system, and further emphasized and launched technical training and promotion of green concepts for suppliers and farmers, so as to improve the quality of the ecological environment together with our partners.

7.2. Rational use of resources

7.2.1 Energy management

Tenfu strictly complies with the Energy Conservation Law of the PRC and other laws and regulations, sets scientific and reasonable energy efficiency targets, and integrates the concepts of energy conservation and emission reduction into its production, operation and management. We will continue to work on energy conservation by optimizing our energy structure and enhancing the efficiency of energy use in order to achieve the targets set by the Group. In 2023, the solar electricity used by the Group was approximately 1,883.81 MWh, equivalent to a reduction of 1,074.34 tons of carbon dioxide emissions.

Energy use efficiency goals

- Advocating the use of renewable resources. At least 5% of production and domestic power consumption comes from photovoltaic power generation
- Purchasing energy-saving and environmental protection equipment. The coverage rate of energy-saving LED lights in the factory area is greater than 90%

Energy management measures

- Optimizing energy structure:**
 - Promoting photovoltaic parking lot and photovoltaic rooftop projects, to increase the use of renewable energy
 - Using photovoltaic insect traps in tea gardens
- Enhancing the efficiency of energy use:**
 - Introducing the use of energy-saving and environment-friendly equipment to enhance the efficiency of energy use
 - Strengthening the management of electricity consumption in public facilities and arrange specialized inspections to reduce energy wastage

[Case] Photovoltaic parking lot project phase II

In 2023, Tenfu continued to promote the construction of clean energy by further increasing the area covered by photovoltaic power generation and actively pushing forward the second phase of the photovoltaic parking lot project. At the same time, we will increase the power of photovoltaic power generation through technological optimization and other means to achieve an additional photovoltaic power generation capacity over 1,000kwp, thereby laying a solid foundation for the Group's low-carbon operations.



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The Group's 2022 GHG emission data has been certified by the Hong Kong Quality Assurance Agency (HKQAA) under the Net-Zero Certificate Scheme: Carbon Disclosure Certificate. In 2023, the Group's energy use efficiency targets were fully achieved, the key performance indicators for energy use and greenhouse gas of the Group are shown in the table below:

Key performance indicators for energy use	2023	2022	2021
Energy consumption			
Direct energy consumption (MWh)	5,289.7	5,412.3	6,277.9
Of which: natural gas (10,000 cubic metres)	38.6	39.5	43.2
Of which: diesel (10,000 litres)	3.5	2.9	5.7
Of which: gasoline (10,000 litres)	8.6	9.7	9.4
Indirect energy consumption (MWh)	13,882.9	13,089.4	13,939.4
Of which: purchased electricity (MWh)	13,882.9	13,089.4	13,939.4
Total energy consumption (MWh)¹	19,172.7	18,501.7	20,017.3
Energy consumption intensity (MWh/RMB million income)	11.1	10.8	10.4
GHG			
Direct GHG emissions (Scope 1) (tCO ₂ e)	1,113.1	1,137.8	1,287.6
Of which: fossil fuel combustion (tCO ₂ e)	1,113.1	1,137.8	1,287.6
Energy indirect GHG emissions (Scope 2) (tCO ₂ e)	7,917.4	8,549.0	9,136.4
Of which: purchased electricity (tCO ₂ e)	7,917.4	8,549.0	9,136.4
Total GHG emissions² (Scope 1 and Scope 2) (tCO₂e)	9,030.5	9,686.8	10,424.0
GHG emission intensity (tCO₂e/RMB million income)	5.2	5.6	5.4

Notes:

1. The calculation of the total energy consumption is based on the quantities of electricity purchased, natural gas, diesel, gasoline consumption, and the Guidelines for Greenhouse Gas Emission Accounting and Reporting for Food, Tobacco and Wine, Beverage and Refined Tea Enterprises, issued by the National Development and Reform Commission, Default Values of Fossil Fuel Related Parameters in Appendix 1 and Default Values of Fuel Density in Appendix 2.
2. GHG accounting is presented in terms of carbon dioxide equivalent. For 2023, it is accounted according to the Guidelines for Greenhouse Gas Emission Accounting and Reporting for Food, Tobacco and Wine, Beverage and Refined Tea Enterprises issued by the National Development and Reform Commission (NDRC), as well as the Ecological and Environmental Protection Bureau (EEPB)'s Notice on the Relevant Work on Reporting and Management of Greenhouse Gas Emissions by Enterprises in the Power Generation Industry in the Years 2023-2025. GHG accounting for 2022 and 2021, please refer to the Group's ESG reports from 2022 and 2021.
3. The production activities of the Group are the production and processing of tea and food, and do not involve any other environmental or natural resources, Therefore, the aspect A3 (the environment and natural resources) and A3.1 (Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them) are not applicable and are not disclosed in the Report.

Environmental, Social and Governance Report

Certificate No: **CR1202**



This is to certify that

Manufacturing Process

under the management of

TENFU (CAYMAN) HOLDINGS COMPANY LIMITED

disclose its carbon emissions in the year of **2022**

follows the disclosure framework stated in the Registration Handbook of

HKQAA Net-Zero Certificate Scheme

Signed for and on behalf of

HONG KONG QUALITY ASSURANCE AGENCY

A handwritten signature in black ink, consisting of a series of loops and curves, positioned above a horizontal line.

Chief Executive Officer

Registered address 19/F K. Wah Centre 191 Java Road North Point Hong Kong Tel: (852) 2202 9111 Fax: (852) 2202 9222

Note

- (1) HKQAA Net-Zero Certificate Scheme is a registration scheme developed by the HKQAA. This registration scheme aims to provide a disclosure framework to help an organisation demonstrate its effort, commitment, achievement and progress towards Net-Zero. Validation and/or verification on the quantification of GHG emission, carbon footprint and/or carbon inventory within the defined boundary of the organization's Net-Zero Program are not included in this registration.
- (2) All the information/ data/ reports provided by the certificate holder regarding, including but not limited to, GHG emission, carbon footprint, carbon inventory within the defined boundary of the organization's Net-Zero Program are validated/ verified by the certificate holder or the party being appointed by the certificate holder. HKQAA does not hold accountability for the authenticity and validity of the information/ data/ report reviewed during the assessment. HKQAA shall not be liable for any losses or damage suffered by any party whatsoever or howsoever caused by, arising from and/or in connection with, whether directly or indirectly, this Certificate.
- (3) The details of scope of carbon emissions disclosed by the certificate holder and relevant information may be referred to the HKQAA website (<https://www.hkqaa.org>).
- (4) This Certificate is an as-at certificate. HKQAA expressly makes no opinion to any actions or omissions of the certificate holder beyond the assessment period as stated herein.
- (5) In accordance with the Terms and Conditions, the Hong Kong Quality Assurance Agency undertakes no liability or responsibility for any product or service supplied by the organization in accordance with the requirements of this Registration Scheme.
- (6) This Certificate remains the property of HKQAA and shall be returned when required by HKQAA.

Date of Certificate

14 March 2024

Amendment Date

14 March 2024

HKQAA F1448-i Rev 1 E

HKQAA Net-Zero Certificate Scheme: Carbon Disclosure Certificate

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7.2.2 Water resources management

Tenfu always adheres to the concept of “water management by laws, scientific utilization of water and conscious water conservation”, and is fully aware of the close relationship between the Group’s production and operation activities and water resources. We strictly comply with the Water Law of the PRC, set targets for the efficient use of water resources, and continue to optimize the management of water extraction, water use and water conservation in order to create a resource-saving and environmentally-optimized enterprise.



Water efficiency goals

- 5% reduction in water consumption in 2025 compared to 2021

Water resources management measures

- Saving water resources:**
 - Reducing water pressure in the factory area to reduce water waste
 - Enhancing hidden pipeline drainage and leak prevention to prevent unnecessary water loss
- Recycling of water resources:**
 - Recycling the cooling water of central air conditioners
 - Collecting rainwater for reuse in garden greening irrigation in the plant area

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As of the end of the Reporting Period, the key performance indicators for water resources use of the Group are shown in the table below:

Key performance indicators for water resources use	2023	2022	2021
Water consumption (tons)	239,862.3	214,728.4	229,001.2
Water consumption intensity (tons/RMB million income)	138.3	125.2	119.0

7.2.3 Packaging material management

On September 1, 2023, the national standard Restriction of Excessive Packaging Requirements for Commodities - Food and Cosmetics (GB 23350-2021) came into effect. Tenfu responded positively and formulated the Solution on Tea Packaging Interspace Ratio to optimize package management and reduce the amount of package materials used. In order to reduce the negative impact of packaging materials on the environment, we have set targets for package management and continue to promote the use of sustainable packaging through green packaging initiatives such as optimized package design, package material reduction and the use of environmentally friendly packaging materials.

Packaging material management goal

- The packaging of the new products is all made of recyclable raw materials

Packaging material management measures

Packaging material reduction:

- Optimizing the packaging design to reduce the consumption of packaging materials on the premise of ensuring the transport and storage of products, and continuously reduce the amount of packaging materials per unit



Using environment-friendly packaging materials:

- Using environmentally friendly 2-in-1 biodegradable material for our vest bags (the biodegradable mark is the "Double JJ Mark") to reduce the use of plastic packaging materials to reduce the burden on the environment



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As of the end of the Reporting Period, the key performance indicators for packaging material consumption of the Group are shown in the table below:

Key performance indicators for packaging material consumption	2023	2022	2021
Packaging material consumption (tons) ¹	661.2 ²	274.6	378.2
Packaging material used per unit produced (tons of packaging/tons of products)	18.8%	20.2%	30.4%

Notes:

- Due to internal statistics using units of quantity, it is not possible to disclose the weight of all packages for the time being, and the top 10 products with the highest sales volume of the Group's 8 subsidiaries in 2023 are selected for disclosure.*
- In 2023, the Group's product portfolio was adjusted and the sales volume of products such as jasmine tea increased significantly as compared to that of last year. Therefore, the consumption of packaging materials increased at a higher rate as compared to 2022.*

7.3. Strengthening emissions management

7.3.1 Sewage management

Tenfu strictly follows the Law of the PRC on the Prevention and Control of Water Pollution and other laws and regulations, and conducts professional treatment of production and domestic wastewater in strict accordance with Integrated Wastewater Discharge Standard (GB8978-1996) and local environmental protection regulations to ensure emission compliance. The Group has set up a wastewater treatment station to continuously strengthen its wastewater treatment capacity, improve the quality of wastewater discharge and reduce the impact of wastewater on the surrounding environment. In 2023, we installed 3 sets of on-line wastewater detectors and regularly take samples to send to a third-party for testing so as to have an accurate understanding of the quality of wastewater discharge. According to the testing result, Zhangzhou Tenfu Tea Industry Co., Ltd. wastewater discharge has met the Integrated Wastewater Discharge Standard (GB8978-1996), Table 4, Level 1 emission standards. In addition, we will collect and use the treated wastewater for garden greening irrigation in the plant area to realize wastewater recycling.

As of the end of the Reporting Period, the key performance indicators for waste water emissions of the Group are shown in the table below:

Key performance indicators for waste water emissions	2023	2022	2021
Waste water (10,000 tons)	20.4	18.3	16.0

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7.3.2 Waste gas management

The Group strictly abides by the Law of the PRC on the Prevention and Control of Atmospheric Pollution and other laws and regulations, and continues to strengthen its efforts in source management to ensure that its emissions meet the standards, while actively exploring emission reduction technologies. Dust is the main component of the emissions from the Group's tea production process and sulfur oxide is the main component of the emissions generated by official vehicles. In order to reduce the emission of dust, we use bag filter to treat the exhaust gas and then emit it, so as to implement green production.



As of the end of the Reporting Period, the key performance indicators for main waste gas emissions from the Group's official vehicles are shown in the table below:

Key performance indicators for waste gas emissions	2023
Sulfur oxide (kg)	1.27

7.3.3 Wastes management

The Group strictly complies with the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste, and follows the prevention and control principles of minimization, recycling and harmlessness, and strictly regulates the process of collecting, storing and disposing of various types of wastes, so as to ensure that wastes are disposed of in a lawful and compliant manner. The main hazardous wastes identified by the Group are waste lubricating oil, waste paint, etc., and no such wastes were generated from production and operations during the year. For hazardous wastes, the amount generated is not disclosed in the current year's data due to statistical limitations, and we will carry out careful identification and management in future years to ensure compliant disposal. For recyclable and non-hazardous wastes such as waste materials, waste cartons and scrap iron, we collect them and export them for comprehensive use, thus realizing the recycling of wastes. At the same time, we compost the waste residues and wastewater treatment sludge generated during the production process and use them as organic fertilizers to fertilize the tea gardens, actively practicing the resourceful use of waste. In addition, we contract a third-party company to transport domestic rubbish and other non-hazardous wastes for incineration and landfill.

As of the end of the Reporting Period, the key performance indicators for wastes of the Group are shown in the table below:

Key performance indicators for wastes	2023	2022	2021
Non-hazardous wastes			
Total non-hazardous wastes (tons)	1,426.18	1,310.96	1,494.40
Emission density of non-hazardous wastes (tons/RMB million income)	0.82	0.76	0.78

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8. Appendix

8.1. Index of ESG Reporting Guide of HKEX

Key scope, aspect, general disclosures and key performance indicators

Aspect	Content	Disclosure chapter
A: Environment		
A1: Emissions	<p>General disclosures:</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to waste gas and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</p> <p><i>Note: Waste gas emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.</i></p> <p>A1.1 The types of emissions and respective emissions data.</p> <p>A1.2 The direct emissions (Scope 1) and the energy indirect emissions (Scope 2) of greenhouse gas (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).</p> <p>A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).</p> <p>A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).</p> <p>A1.5 Description of the emission targets set and the steps taken to achieve them.</p> <p>A1.6 Description of how hazardous and non-hazardous wastes are handled, and the reduction targets set and the steps taken to achieve them.</p>	<p>“Deep Cultivation with Tea” Going Green, Practicing Low-Carbon Operation</p>

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Key scope, aspect, general disclosures and key performance indicators

Aspect	Content	Disclosure chapter
A2:	General disclosures	"Deep Cultivation with Tea" Going Green, Practicing Low-Carbon Operation
Use of Resources	Policies on the efficient use of resources, including energy, water and other raw materials. <i>Note: Resources may be used in production, storage, transportation, buildings and electronic equipment, etc.</i>	
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	
A2.3	Description of energy use efficiency targets set and the steps taken to achieve them.	
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, and water efficiency targets set and the steps taken to achieve them.	
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	
A3:	General disclosures	"Deep Cultivation with Tea" Going Green, Practicing Low-Carbon Operation
The Environment and Natural Resources	Policies on minimizing the issuer's significant impact on the environment and natural resources.	
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	
A4:	General disclosures	"Deep Cultivation with Tea" Going Green, Practicing Low-Carbon Operation
Climate Change	Identification of and response to the policies on the significant climate-related issues which have impacted, and those which may impact, the issuer.	
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	
B: Society		
B1:	General disclosures	"Flowing with the Tea" People-Oriented and Sharing for Development
Employment	Information on:	
(a)	the policies; and	
(b)	compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	
B1.1	Total number of employees by gender, employment type (such as full-time or part-time), age group and geographical region.	
B1.2	Employee turnover rate by gender, age group and geographical region.	

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Key scope, aspect, general disclosures and key performance indicators

Aspect	Content	Disclosure chapter
B2: Health and Safety	General disclosures	"Flowing with the Tea" People-Oriented and Sharing for Development
	Information on:	
	(a) the policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	
	B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	
	B2.2 Lost days due to work injury.	
	B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.	
B3: Development and Training	General disclosures	"Flowing with the Tea" People-Oriented and Sharing for Development
	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	
	<i>Note: Training refers to vocational training. It may include internal and external courses paid by the employer.</i>	
	B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	
	B3.2 The average training hours completed per employee by gender and employee category.	
B4: Labor Standard	General disclosures	"Flowing with the Tea" People-Oriented and Sharing for Development
	Information on:	
	(a) the policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	
	B4.1 Description of measures to review employment practices to avoid child and forced labor.	
	B4.2 Description of steps taken to eliminate such practices when discovered.	
B5: Supply Chain Management	General disclosures	"Tea-Oriented" Quality First, Join Hands with the Industry for a Win-Win Situation
	Policies on managing environmental and social risks of the supply chain.	
	B5.1 Number of suppliers by geographical region.	
	B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	
	B5.3 Description of practices relating to identifying environmental and social risks along the supply chain, and how they are implemented and monitored.	
	B5.4 Description of practices relating to promoting environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	

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Key scope, aspect, general disclosures and key performance indicators

Aspect	Content	Disclosure chapter
B6: Product Responsibility	<p>General disclosures</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.</p> <p>B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.</p> <p>B6.2 Number of products and service-related complaints received and how they are dealt with.</p> <p>B6.3 Description of practices relating to observing and protecting intellectual property rights.</p> <p>B6.4 Description of quality assurance process and recall procedures.</p> <p>B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored.</p>	<p>“Tea-Oriented”</p> <p>Quality First, Join Hands with the Industry for a Win-Win Situation</p>
B7: Anti-corruption	<p>General disclosures</p> <p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.</p> <p>B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.</p> <p>B7.2 Description of preventive and reporting measures, and how they are implemented and monitored.</p> <p>B7.3 Description of anti-corruption training provided to directors and employees.</p>	<p>“Tea as a Strategy”</p> <p>Stable Governance and Commitment to Sustainable Operation</p>
B8: Community Investment	<p>General disclosures</p> <p>Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities’ interests.</p> <p>B8.1 Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sports).</p> <p>B8.2 Resources contributed (e.g. money or time) to the focus areas of contribution.</p>	<p>“Flowing with the Tea”</p> <p>People-Oriented and Sharing for Development</p>

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8.2. Response to United Nations Sustainable Development Goals

UN SDGs	Chapter	Issue
	<p>“Tea as a Strategy” Stable Governance and Commitment to Sustainable Operation</p>	<p>Integrity and compliance in operations Risk management</p>
	<p>“Tea-Oriented” Quality First, Join Hands with the Industry for a Win-Win Situation</p>	<p>Product quality management Customer satisfaction management Information security and privacy protection Responsible marketing Intellectual property management Technological innovation Supplier environmental and social risk management</p>
	<p>“Flowing with the Tea” People-Oriented and Sharing for Development</p>	<p>Prohibition of child and forced labor Employee rights and welfare Training and development opportunity Employee health and safety Diversity and equal opportunity Public benefit and charity</p>
	<p>“Deep Cultivation with Tea” Going Green, Practicing Low-Carbon Operation</p>	<p>Response to climate change Energy management Water resources management Emission management Wastes management Packaging material management</p>

8.3. Verification statement



VERIFICATION STATEMENT

Scope and Objective of Verification

Hong Kong Quality Assurance Agency (“HKQAA”) has been engaged by the Tenfu (Cayman) Holdings Company Limited (Stock Code: 6868) “Tenfu” to undertake an independent verification of its Environmental, Social and Governance Report 2023 (“the Report”). The Report stated the economic, environmental and social performance of Tenfu in the period of 1st January 2023 to 31st December 2023 for its main operations in China. The objective of this verification is to provide a reasonable assurance on the reliability of the report content in accordance with the Appendix C2 “Environmental, Social and Governance Reporting Guide (“ESG Guide”)” of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited.

Level of Assurance and Methodology

The process applied in this verification was based on the International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board. Our evidence gathering process was designed to obtain a reasonable level of assurance as set out in the standard for the purpose of devising the verification conclusion. The extent of this verification process covered the criteria set in the ESG Guide.

The verification process included verifying information relevant to reporting and management procedures, including stakeholder engagement methods and result, and materiality assessment processes. In addition, system and process for collecting, collating and reporting sustainability performance data were verified. Raw data and supporting evidence of the selected representative samples were also thoroughly examined during the verification process.

Independence

Tenfu (Cayman) Holdings Company Limited is responsible for the collection and presentation of the information presented. HKQAA does not involve in calculating, compiling, or in the development of the Report. Our verification activities are independent from Tenfu. There was no relationship between HKQAA and Tenfu that would affect the independence of HKQAA for providing the verification service.

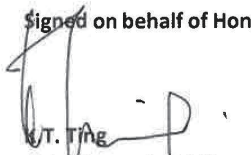
Conclusion

Based on the verification results, HKQAA has obtained reasonable assurance and is in the opinion that:

- The Report has been prepared in accordance with the ESG Guide;
- The Report illustrates the sustainability performance of Tenfu in a balanced, clear and timely manner; and
- The data and information disclosed in the Report is reliable.

Nothing has come to HKQAA attention that the selected sustainability performance information and data contained in the Report has not been prepared and presented fairly and honestly, in material aspects, in accordance with the verification criteria. In conclusion, the Report reflects truthfully the sustainability commitments, policies and performance of Tenfu, and discloses transparently their sustainability performance that is commensurate with their sustainability context and materiality.

Signed on behalf of Hong Kong Quality Assurance Agency


T. Ting
Chief Operating Officer
March 2024

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8.4. Form of readers' feedback

Thank you for reading the Group's 2023 Environmental, Social and Governance Report of Tenfu (Cayman) Holdings Company Limited. In order to better provide stakeholders with valuable information and improve our ability and level of fulfilling social responsibilities, the Group sincerely invites you to give your valuable comments and suggestions to the Report.

You may fill in the form and send it to the following email: ESG@tenfu.com

Your overall evaluation of the Group's ESG report:

- Extremely satisfactory Very satisfactory Satisfactory Not quite satisfactory
- Not satisfactory

Your evaluation of the Group's performance of ESG responsibilities:

- | | | | |
|------------------------------|---|--|---------------------------------------|
| Economic responsibility | <input type="checkbox"/> Extremely satisfactory | <input type="checkbox"/> Very satisfactory | <input type="checkbox"/> Satisfactory |
| | <input type="checkbox"/> Not quite satisfactory | <input type="checkbox"/> Not satisfactory | |
| Social responsibility | <input type="checkbox"/> Extremely satisfactory | <input type="checkbox"/> Very satisfactory | <input type="checkbox"/> Satisfactory |
| | <input type="checkbox"/> Not quite satisfactory | <input type="checkbox"/> Not satisfactory | |
| Environmental responsibility | <input type="checkbox"/> Extremely satisfactory | <input type="checkbox"/> Very satisfactory | <input type="checkbox"/> Satisfactory |
| | <input type="checkbox"/> Not quite satisfactory | <input type="checkbox"/> Not satisfactory | |

Do you think the Report can reflect the impact of the Group's social responsibility practices on the economy, society and environment?

- Very capable of reflecting it Quite capable of reflecting it Generally capable of reflecting it
- Not quite capable of reflecting it Not capable of reflecting it

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In your view, how are the clarity, accuracy and completeness of the information, data and indicators disclosed in the Report?

- | | | | |
|--------------|---|--|---------------------------------------|
| Clarity | <input type="checkbox"/> Extremely satisfactory | <input type="checkbox"/> Very satisfactory | <input type="checkbox"/> Satisfactory |
| | <input type="checkbox"/> Not quite satisfactory | <input type="checkbox"/> Not satisfactory | |
| Accuracy | <input type="checkbox"/> Extremely satisfactory | <input type="checkbox"/> Very satisfactory | <input type="checkbox"/> Satisfactory |
| | <input type="checkbox"/> Not quite satisfactory | <input type="checkbox"/> Not satisfactory | |
| Completeness | <input type="checkbox"/> Extremely satisfactory | <input type="checkbox"/> Very satisfactory | <input type="checkbox"/> Satisfactory |
| | <input type="checkbox"/> Not quite satisfactory | <input type="checkbox"/> Not satisfactory | |

Do you think the content arrangement and layout of the Report are easy to read?

- Yes Fair No

Your other comments and suggestions on the Group's ESG work and the Report:
