



**Dynasty Fine Wines Group Limited**  
**王 朝 酒 業 集 團 有 限 公 司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 828)**

## **Environmental, Social and Governance Report**

**2016**

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## 1. About this Report

### 1.1 Introduction

The Environmental, Social and Governance Report (“this Report”) published by Dynasty Fine Wines Group Limited and its subsidiaries (hereinafter referred to as “the Group”) sets out the Group’s comprehensive practices of its sustainable development philosophy and fulfillment of its responsibility of good corporate citizenship. This Report presents in detail the work of the Group in support of the principles of sustainable development in 2016 and its performance in social governance.

### 1.2 Scope of this Report

This Report mainly focuses on the environmental and social performance of the Group's core business in Mainland China from 1 January 2016 to 31 December 2016.

### 1.3 Reporting Standards

This Report is prepared in accordance with Appendix 27 the “Environmental, Social and Governance Reporting Guide” of the “Rules Governing the Listing of Securities” on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

### 1.4 Stakeholder Engagement

The preparation of this Report, with the participation of colleagues from various departments, has prompted us to know more clearly about the Group’s current development at the environmental and social level. The information we collected is both a summary of relevant environmental and social work performed by the Group in 2016 and the basis of formulating our strategy of short- and long-term sustainable development.

### 1.5 Information and Feedback

For more detailed information of the Group's environment and corporate governance, please refer to the official website and corporate governance ([http://www.dynasty-wines.com/en/inv\\_corporate.htm](http://www.dynasty-wines.com/en/inv_corporate.htm)) of Dynasty Fine Wines Group Limited. The Group attaches great importance to your opinions about this Report. If you have any comments or suggestions, please send us an email to [esg@dynasty-wines.com](mailto:esg@dynasty-wines.com).

## 2. Dynasty and the Environment

Dynasty, established in 1980, is a high-quality winemaker in China. Dynasty has been granted 13 times “The Certificate of Best Selling Wines” in China by the China Industry and Enterprise Information Centre between 1997 and 2016. The Group works actively with partners whose businesses are in growing grapes to help to improve grape quality by adopting advanced technology. To optimise the supply network, the Group tests the grapes before placing orders, ensuring the Group can obtain a high-quality supply of grapes and grape juice. Quality is the first priority for the Group. The Group is striving its utmost in every step from planting grapes, harvesting, fermentation and bottling. Strict quality control complemented by a sophisticated operations and management system have enabled Dynasty to be accredited with ISO 9001: 2000, ISO 9002, ISO 14001 and HACCP certifications.

### 2.1 Pollutant Emissions

#### 2.1.1 *Waste disposal*

From grapes processing to wine making, garden wastes are generated, such as grape stems, grape residue and so on. The de-stemmed grapes are pressed and crushed. The grape residue, including grape skins and grape seeds, participates into form wine lees and are brewed with the wine liquid to help enhance the taste of the wine. In order to reduce the environmental problems caused by the misuse of wastes, the remaining stems and wine lees are diverted to nearby farmers. Other non-hazardous wastes are recycled through municipal waste disposal systems.

According to “The Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes”, “the Measures for Administration of Joint Disposal of Hazardous Wastes”, and “The People's Republic of China Contract Law” and other relevant legislation, hazardous wastes, such as waste lamps, waste light bulbs, waste electronic components, waste empty pesticide bottles, laboratory organic waste and waste ink cartridges, are collected and disposed by employing the designated environmental services of recycling companies to ensure safe waste collection and transport before proper disposal.

#### 2.1.2 *Waste water management*

The waste water of the Group mainly comes from the production sewage and the domestic sewage, among which the production waste water mainly comprises the waste water from the production workshop equipment, the filling of the washing bottles, the boiler sewage, pure water preparation and so on. The domestic sewage comes from the office building, canteens, and lavatories. Domestic sewage is disposed through the grease trap and septic tank after the settlement with the production of sewage at the sewage treatment station.

The Group's sewage discharge standards are based on Tianjin local "Comprehensive Waste Water Discharge Standards-DB12 / 356-2008", "The Notice about Strengthening the Standardization of the Discharge in the City" and "On the Release of Tianjin Pollution Source Discharge Standard Technical Requirements" to implement the sewage standardization of the relevant requirements, including installing flow meter and online monitoring devices covering the total discharge exit of waste water.

## 2. Dynasty and Environment (Continued)

### 2.1 Pollutant Emissions (Continued)

#### 2.1.3 Air pollution emissions

As the Group's winery is located in Tianjin, the Group has set up heating boilers in the winery to ensure that employees can work in a comfortable environment. In the past, when the boilers were running, they would discharge dust, sulfur dioxide and nitrogen oxides. The Group changes to use clean energy "Natural Gas" in line with Tianjin's "Twelve Five" energy-saving and emissions-reduction objectives to reduce air emissions, improve the winery's air quality, to contribute to protection of human health, and strictly comply with the Tianjin district's "Boilers' Air Pollution Discharge Standards". In summer, the Group operates independently by using the production of gas supply equipment. In winter, the heating system is operated together with the production of gas supply to save energy.

### 2.2 Energy-saving and Emissions Reduction

In order to protect the wines from contamination, all the glass bottles used are required to undergo washing procedures before wine bottling. The Group procures glass bottles with high-hygienic standards and washes under high pressure to reduce the amount of water used in the cleansing process.

The Group strictly implements the annual consumption of groundwater as approved by the Tianjin Water Conservation Office. The actual consumption cannot exceed the planned targets.

To implement the "Twelve Five" energy-saving and emissions-reduction policy, the Group has specially formulated the "Supplementary Document on 'Twelve Five' Energy-saving and Emissions-reduction Work", and establishes energy-saving and emission-reduction office in order to formulate detailed plans for its emissions-reduction activity. The outline of the plans is as follows:

#### 1. Sewage station expansion project

Renovation of the original sewage station to increase the sewage treatment capacity from the original 600 tons to 1,000 tons;

#### 2. Installation of electricity-savers in filling line transformer room and replacement of incandescent lights in whole plant

Installed energy-saving transformers for the filling line transformer room, saving 13.6% electricity; replaced incandescent lights from original 2 x 250W metal halide lamps to 1x 250W high-efficient metal halide lamps, saving energy; replaced original incandescent lamps of the whole group to energy-efficient lights;

The Group requires all employees to have the awareness of saving electricity all the time, pay attention to energy-saving in their work, and get in the habit of readily turning off the lights in an unoccupied area. It also requires to use recycling paper first when using paper for internal work.

## **2. Dynasty and the Environment (Continued)**

### **2.3 Environmental Conservation**

The Group's bottle corks are made of natural oak because oak itself has a regenerative function. The soft oak has two layers of barks, the inner layer of which is regenerative, so in the process of harvesting oak, workers collect the dead outer layer of bark only, which will not affect the trees' continued growth and at the same time reduce white pollution.

## **3. Dynasty and Employees**

The Group has complied with the relevant labour laws and regulations of "the Labour Contract Law of the People's Republic of China", "the Labour Law of the People's Republic of China", "the Regulations on the Administration of Labour and Employment in Tianjin", and Hong Kong legislation including the "Employment Ordinance" and "Minimum Wage Ordinance", and formulated its "Staff Management Rules" and relevant employment contracts to implement the statutory-required benefits.

The Group has a sound recruitment system and makes employment plans in accordance with the requirements of individual departments. As long as the applicants' abilities meet the job specifications, they can have equal opportunities for an interview, irrespective of gender, age, race, religion or disability. When interviewing candidates, the Group determines the suitability for the position mainly through professional knowledge, attitude, work experience and other performance. In accordance with the "Prohibition of the Use of Child Labour Regulations", before the induction of staff, the Group carefully examines their identity documents to ensure the prevention of abuse of child labour. At the same time, the Group refuses to force employees to work by using violence, threats or illegal restrictions on personal freedom. After probation, the employees can officially become formal employees after assessment. At the end of the year, the Group assesses the performance of all employees and determines the promotion opportunities according to their working capabilities.

The Group carries out the standard working hours system and keeps the staff working less than eight hours a day and no more than forty hours a week. Statutory holidays, home leave, marriage and funeral leave, maternity leave, paid annual leave and so on are provided. According to the Staff Management Rules, based on reward and punishment, efficiency and fairness principle, basic remuneration of employees includes salaries, overtime compensation, bonuses and so on. The Group also pays for social insurance to provide social security for employees in accordance with the national provisions, including unemployment, medical care, childbirth, work injury, pension, housing provident fund (Hong Kong employees participate in the Mandatory Provident Fund Schemes). In order for employees to achieve a balance between work and life, the Group organizes staff activities to maintain their physiological and psychological health. The Group complies with the national laws and regulations and relevant rules of the Group for staff termination and compensation.

The Group has been awarded as "Good MPF Employers" for two consecutive years by the Mandatory Provident Fund Schemes Authority, and is more committed to maintain employee benefits, especially providing more personalised working arrangements and flexibility for employees with family or in lactating period. The Group also provides reasonable holidays and working hours.

### 3. Dynasty and Employees (Continued)

#### 3.1 Health and Safety

In order to strengthen the Group's occupational safety, improve working conditions, safeguard employees' personal interests, and ensure the safety of employees' life and property of the enterprise, the Group, in accordance with "The Law of the People's Republic of China on Prevention and Control of Occupational Diseases", "The Regulations on the Administration of Labour Protective Articles" and "Regulations on the Labour Protection of Women Workers", formulates "Safe Production Regulations". The Group implements the principle of "safety first, prevention focus", and the whole production process meets the safety requirements, realising safe production and well-managed production keeping the production place clean and hygienic, with items appropriately categorised and put into operation, so as to create a safe production environment. Through occasional cross-departmental meetings, the Group reviews its daily work operations, such as to remind employees to keep the office environment clean, and always keep safe production in mind.

The Group assesses the license-holders in the key positions of production and has set up comprehensive induction license mechanisms for these positions in order to reinforce the strength of the induction processes and develop corresponding assessment measures and subsequent details of implementation.

For the positions that may present occupational hazards, while at the same time ensuring food safety, the Group has established and defined the "Health Management Rules" for the production system staff, strengthening the management of occupational disease prevention and control while reducing occupational hazards. Therefore, the production staffs, regardless of whether they are permanent or temporary workers, undergo health checks and safety knowledge training in order to obtain health certificates before starting work. In order to prevent accidents, the Group has taken measures to provide staff with protective equipment, strengthen safety management, improve safety technology and conduct safety education activities.

The Group pays careful attention to the physical and mental health of employees, promotes a balance of work and life, and encourages active participation in sports activities to improve its physical quality, strengthen its vitality of the Group, promote unity and friendship among employees, and boost the cohesion and influence of the Group. At the same time, it fully supports staff to participate in sports competitions among enterprises, in order to establish a sports culture exchange platform. For example, the Group has supported its employees to participate in the seventh sports meeting of Hong Kong Chinese Enterprises Association held on 12-13 November 2016, spurring the development of healthy sports activities of Chinese-affiliated enterprises, cultivating the team spirit and promoting communication of Chinese-affiliated enterprises.

The Group encourages its employees to participate in the "Centaline Wine Charity Run Carnival". Wines can benefit both the body and mind when taken in moderation, just like running, helping to protect the health of the heart and preventing cardiovascular diseases. This activity sparked the enthusiasm of the staff to participate while improving awareness of health issues that wines and running were beneficial to physical and mental well-being, while encouraging employees to participate in charitable activities to help others.

### 3. Dynasty and Employees (Continued)

#### 3.1 Health and Safety (Continued)

The Group was awarded the "2015/16 Family Friendly Employers Award" and the "Award for Mother Breastfeeding Support 2015/16" within the "Family Friendly Employers Award Scheme" conducted for every two years by the Hong Kong Home Affairs Bureau and the Family Council. The scheme was held for the first time in 2011 to recognise employers who attached importance to family friendliness and encourage them to further implement family-friendly employment policies and measures, to arouse attention to the importance of employers' focus on family core values and to create a beneficial culture and environment for families. In order to properly address the difficulties in physiological health and breastfeeding, the Group has protected the legitimate rights and special interests of female workers, supported breastfeeding, and improved the rate of breastfeeding while fostering an atmosphere of caring about breastfeeding and maternal and child health. The Group provides a specialised room for breast-feeding mothers offering a quiet environment conducive to normal breast-feeding and maternal emotional stability.

Generally, the Group distributes fresh fruits to Hong Kong employees for daily consumption, in consideration of their health while maintaining wholesome living habits at work.

#### 3.2 Development and Training

Human resources training is of top priority in the Group, so it annually develops a comprehensive training programme to improve the quality of the entire staff. Through provision of education and training in professional ethics and related rules and regulations, the Group improves employees' professional ethics level. This year's training plans include new staff induction training and corporate management system education, to deepen recognition of the Group's culture and corporate philosophy as well as the rules and regulations for employees.

In addition, in order to meet the demands of different positions, the Group provides employees with staff training in specific aspects, such as business technology, occupational safety and health training, as well as the wine knowledge, production technology training, safety production training, and fire safety training. Through such professional training, the Group improves the staff's professional skills and basic knowledge to better fulfill job requirements.

In particular, for the key positions in production, the Group carries out on-the-job training and formulates relevant management regulations. In order to ensure product quality, the Group's key positions are equipped with sufficient capacity and corresponding competence of the staff.



## 4. Products and Services

The Group has been excavating and researching new products for innovation and further realising diversification of product and customer segments, through high, medium and low price levels of wines to meet the demand of different customers. In the implementation of its sales network, the Group continues to optimise traditional sales channels. In recent years, the Group also actively develops and expands the e-commerce model of online consumption. In addition to exploring the corporation with large-scale wine e-commerce platforms, the Group has even set up a research and development team for its online platform to maximise the market function of e-commerce mode, thus diversifying its distribution channels and broadening the scope of sales.

### 4.1 Supply Chain Management

The Group has always strived to provide good quality products for its customers. In order to avoid potential risks posed by suppliers, the Group reviews the supplier's stability, product quality, production equipment and other business aspects, using written records for future reference. At least one month before the completion of the contract, the Group again evaluates the suppliers and decides whether to continue corporation.

### 4.2 Rigorous Production Process

The Group has a full set of professional production lines and a professional wine-making management team for each bottle of wine to provide comprehensive quality guidance and monitoring throughout production. From the first process of brewing, the grapes used by the Group are picked by hand and carefully selected according to high standards. With the professional guidance and advanced equipment of the vintner, through the cleaning, destemming, crushing, skin and juice injection into the tank, temperature-controlled fermentation, the unprocessed wine aging, the unprocessed wine blending, testing, sterilization, bottling, packaging, the finished products, warehousing, transportation and other conventional procedures, the Group is confident that it produces high quality wine.

The Group's products comply with the provisions of "People's Republic of China National Standard - Wines", "People's Republic of China National Standards - Food Safety Standards for Pre-packaged Foodstuffs Labeling General Provisions" and "Food Labeling Management Regulations".

## 4. Products and Services (Continued)

### 4.2 Rigorous Production Process (Continued)

#### 4.2.1 *Quality focused*

The Group carefully concentrates on the quality of the products, with a strict quality management system and product traceability system in place. Before the annual procurement of grapes, the Inspection Department tests the maturity of grapes and pesticide residue with Raw Materials Department. After transporting the grape raw materials into the winery, the Group assesses the appearance, as well as the sugar content, acidity and other items of each batch of raw materials to determine whether the quality of raw materials meets the technical standards to provide grape quality assurance in order to ensure the production of high quality products. Similarly, the unprocessed wine acquired from external procurement is tested based on the unprocessed wine acceptance criteria by physical and chemical indicators, while some of the items undergo testing with test reports are issued by the authority of the third party testing agencies. Only qualified items are procured. After the materials enter into the plant, the Group conducts more tests than those before entering the winery to ensure that the quality of raw materials before and after processing is consistent and stable.

When the raw materials procured are sent to the workplace, the laboratory technicians select and send samples to the laboratory for both physical and chemical indicators testing, and only use qualified ones for production. Those raw materials which fail to qualify are removed and returned to the manufacturer. Throughout the production process, the inspectors from time to time conduct sampling tests in the production line or finished goods warehouse and record the results to ensure the high quality of wines provided to the marketplace.

#### 4.2.2 *Safety focused*

The Group has formulated strict and comprehensive management system documentation involving personnel, equipment, raw materials, accessories packaging materials, food additives, procurement acceptance, product technical standards, testing standards, production environment control and many other aspects, requiring departments and personnel to strictly comply with a number of requirements. Most important among these requirements include the “Food Safety Law of the People's Republic of China”, the "National Standard for Food Safety" such as GB 14881, as well as the rules and regulations of the national and all levels of management and the regulations for the production of food and wine. These measures are aimed at ensuring the safety of food products. From the control of personal hygiene to the thorough cleaning and disinfection of the equipment and then to the regular disinfection of the production environment, especially the monitoring of the key control points in the production process, the Group requires the operators to operate strictly in accordance with the rules and regulations, and accurately record the status of control, the operation and production of key points.

## 4. Products and Services (Continued)

### 4.2 Rigorous production process (Continued)

#### 4.2.3 *Credit focused*

The Group has been committed to establishing a trustworthy relationship with its customers. Therefore, in order to protect customers' data, the Group's employees are required to sign a "Confidentiality Agreement" and cannot disclose information to the third party. At the same time, in order to establish long-term relationship with customers, the Group has set out a "Finished Goods Warehouse Management" process through rigorous storage methods to ensure that products are sold in the best condition. The Group stores products according to the product category, implements quantitative management, on a daily basis and regularly inspects and maintains according to the product variety, characteristics and storage conditions in order to prevent product deterioration, mold, expiration or damages.

As a responsible enterprise, the Group re-tests products before shipment to ensure that the products for sale have attained an eligible level. The Group has stipulated return-of-goods procedures. In any event, it accepts goods returned due to quality issues to maintain good quality services for its customers.

#### 4.2.4 *Management focused*

The Group also attaches great importance to the sale of products, so when choosing distributors, the Group assesses their marketing practice and reputation, and cooperates with appropriate distributors only after careful consideration. Through managing and monitoring the performance of distributors, customers can enjoy good-quality services when they purchase Dynasty wines.

For the advertisements and labels, the Group operates in accordance with the relevant regulations and provisions and verifies electronic documents with its partner companies, so in the event of an incident, issues can be resolved in a timely manner.

### 4.3 Anti-corruption

The Group strictly complies with "Criminal Law of the People's Republic of China" and Hong Kong legislation "Prevention of Bribery Ordinance", prohibits any employees from taking unfair advantage of his or her duties to perform bribery, perpetrate fraud, obtain or illegally receive other people's property, and combats any use of public or private accounts or means for money laundering purposes, to protect itself from embezzlement and bribery.

## 5. Community Investment

In addition to striving to fulfill its corporate social responsibility, the Group is actively concerns about the special needs of social groups and the community, and encourages enterprises and employees to participate in a variety of charitable activities, hoping to fulfill its responsibility and strengthen the social development to the best of its capacities.

The Group has sponsored and participated in the "Centaline Wine Charity Run Carnival", as a wine producer and distributor based in the Greater China market, hoping to contribute to the promotion of wine culture in Hong Kong. Drinking wines in moderation and running are both beneficial both physically and mentally and the Carnival represents an ideal combination of the two. The Hong Kong Society for the Blind is one of the organisers and a beneficiary of the event. The Group has the opportunity to cooperate with the Society to let visually impaired people in Hong Kong participate in the running competitions on an equal basis while it contributes to charity and society.

The Group has participated in the activity "Darkness to Go" organised by Orbis involving local designers, multimedia producers, the media and more than fifty local small and medium-sized enterprises from 1 September to 13 October 2016. During the campaign, Dynasty would donate 20% of each purchase of the Group's selected products to Orbis' sight-saving funds, aiming at removing the darkness for patients afflicted with eye disease and bringing brighter visions for their future.

## 6. Sustainable Development and Target Actions for 2017

The Group shall strengthen environmental, social and governance performance in 2017 with the following plans and operational objectives:

Target	Important points
To optimise existing environmental, social and governance systems and procedures	<ul style="list-style-type: none"> <li>● To strengthen communication with stakeholders</li> <li>● To review the existing procedures of collecting environmental, social and governance data (including Key Performance Indicators), its completeness and accuracy</li> </ul>
To strengthen training for employees	<ul style="list-style-type: none"> <li>● To improve employees' awareness of regulations, compliance and industry by different means</li> </ul>