



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

2018

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1. About This Report

1.1. INTRODUCTION AND ESG POLICIES

The Environmental, Social and Governance Report (the “ESG Report”) summarizes the initiatives, plans and performance of Dynasty Fine Wines Group Limited’s (the “Company”) and together with its subsidiaries (the “Group” or “we”) in respect of Environmental, Social and Governance (“ESG”), and demonstrates its commitments to sustainable development.

The Group adheres to the ESG management policies of sustainable development. We are also committed to handling the Group’s ESG affairs effectively and responsibly, which is integrated as one of the core components of our business strategy as we believe this is the key to our continuous success in the future.

ESG Management Structure

The Group has established the ESG Taskforce (the “Taskforce”). The Taskforce comprises core members from different departments and is responsible for collecting relevant information on our ESG aspects for preparing the ESG Report. The Taskforce reports to the Board of Directors (the “Board”), assists in identifying and evaluating the Group’s ESG risks and the effectiveness of the internal control mechanisms. The Taskforce also examines and evaluates our performances in different aspects such as environment, health and safety, labour standards and product responsibilities within the ESG scopes. The Board sets up a general direction for the Group’s ESG strategies, ensuring the effectiveness of the control of ESG risks and internal control mechanisms.

1.2. REPORTING SCOPE

The Group’s core business is located in Mainland China, including the production and sale of quality wines, and have more than 100 types of wine products, which can be divided into five categories, namely red wine, white wine, sparkling wine, ice wine, and brandy. This ESG Report generally covers the major business and operating activities in Mainland China and Hong Kong. In particular, the general disclosure and compliance issues concerning Subject Area A covers the Group’s operations in Mainland China; and the general disclosure and compliance issues concerning Subject Area B covers the Group’s operations in Mainland China and Hong Kong.

Unless specified otherwise, we obtained ESG key performance indicators (“KPI”) information through the Group’s operational control mechanisms. We will continue to expand the scope of disclosure in the future after the Group’s data collection system becomes more mature and its work on sustainable development is strengthened.

1.3. REPORTING FRAMEWORK

This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) under Appendix 27 of the Main Board Listing Rules of the Stock Exchange of Hong Kong Limited.

1. About This Report

1.4. REPORTING PERIOD

This ESG Report describes the ESG activities, challenges and measures taken by the Group during the year ended 31 December 2018 (the “Reporting Period” or “2018”).

1.5. STAKEHOLDER ENGAGEMENT

Stakeholder engagement is an essential part of the Group’s sustainability performance. We attach great importance to establish an on-going communication mechanism with stakeholders to understand and respond to their concerns. The Group has established different channels for communication with key stakeholders, periodically communicates the strategic planning and performance of the Group’s sustainable development to the stakeholders and solicits their opinions and appeals so that the Group’s business practices can meet their expectation. The Group will consider the expectations of different stakeholders and such mutual cooperation enables the Group to continuously improve its performance and create greater value for the society.

The Group’s key stakeholders include the Board, employees, government and regulatory bodies, customers, suppliers, communities, shareholders, institutional and individual investors, media and non-governmental organizations. We will communicate with stakeholders on different topics through various channels. The Group’s communication channels with its stakeholders and the expectations and requirements of stakeholders of the Group are as follows:

Stakeholders	Communication Channels	Expectations and Requirements
The Board	<ul style="list-style-type: none">Regular Board meetingsDaily communication and reporting	<ul style="list-style-type: none">Compliance operationFinancial performanceCorporate sustainability
Employees	<ul style="list-style-type: none">Training activitiesTeamwork– building activitiesRegular performance appraisalStaff meetingDaily communication and reporting	<ul style="list-style-type: none">Career developmentHealth and SafetyRemuneration and benefitsEqual opportunity
Government and regulatory bodies	<ul style="list-style-type: none">Daily communication and reportingCompliant managementPay taxes on initiativeInformation disclosureCommunicate in writing when and as necessary	<ul style="list-style-type: none">Policy implementationAbide by the lawPay taxes according to lawBusiness ethicsCommunity Investment
Customers	<ul style="list-style-type: none">Customer activitySatisfaction surveyTelephone and face-to-face meetings	<ul style="list-style-type: none">Protection of customer information and privacyBusiness integrity and ethics
Suppliers	<ul style="list-style-type: none">MeetingsRegular assessmentOn-site inspectionExchange of views and visits	<ul style="list-style-type: none">Fair competitionBusiness ethics and credibilityProduct qualityWin-win cooperation

1. About This Report

Stakeholders	Communication Channels	Expectations and Requirements
Communities	<ul style="list-style-type: none"> Promote employment Community activity Investment and donation 	<ul style="list-style-type: none"> Compliance operation Promote community development Environmental conservation
Shareholders, institutional and individual investors	<ul style="list-style-type: none"> Annual or extraordinary general meetings and notifications Company publications (including financial statements) Issue circulars and announcements when and as necessary Company website 	<ul style="list-style-type: none"> Compliant operation Financial performance Corporate sustainability
The media	<ul style="list-style-type: none"> Company website Press releases and announcements 	<ul style="list-style-type: none"> Compliant operation Promote community development Environmental conservation Business ethics Health and Safety
Non-governmental organizations	<ul style="list-style-type: none"> Company website Circular and announcement 	<ul style="list-style-type: none"> Promote community development Environmental conservation Health and safety

1.6. MATERIALITY ASSESSMENT

The Group's management and employees of major functions were involved in the preparation of this ESG Report to assist the Group in reviewing its operations and identifying relevant ESG issues, and assessing the materiality of relevant issues as far as the Group's business and its stakeholders are concerned. Based on the assessed ESG priorities, a questionnaire was prepared to collect information from relevant departments and business units of the Group.

1. About This Report

The following table sets out the identified ESG issues in the ESG Report that are material to the Group.

ESG Reporting Guide		Key scope of the ESG of the Group	
A. Environmental			
A1.	Emissions	Greenhouse Gas (“GHG”) Emissions	P. 6
A2.	Use of Resources	Energy Management	P. 10
		Water Management	P. 12
A3.	The Environment and Natural Resources	Natural Resources Management	P. 13
B. Social			
B1.	Employment	Remuneration and Benefits	P. 15
		Recruitment, Promotion and Dismissal	P. 16
B2.	Health and Safety	Health and Safety Systems	P. 17
B3.	Development and Training	Development and Training	P. 18
B4.	Labour Standards	Prevention of Child and Forced Labour	P. 19
B5.	Supply Chain Management	Review of Suppliers	P. 20
B6.	Product responsibility	Quality Control	P. 21
		Customer Service	P. 22
		Protection of Consumer Data and Privacy	P. 22
		Advertising and Labeling	P. 23
B7.	Anti-corruption	Anti-corruption Policies and Systems	P. 23
B8.	Community Investment	Corporate Social Responsibility	P. 24

The Group confirmed that it has established appropriate and effective and monitoring systems concerning ESG matters during the Reporting Period, and has confirmed that the information disclosed in this ESG Report meets the ESG Reporting Guide.

1.7. CONTACT US

For more detailed information of the Group’s environmental and corporate governance, please refer to the Group’s official website (http://www.dynastywines.com/en/inv_corporate.htm). We value comments and suggestions from our stakeholders. If you have any comments or suggestions on this ESG Report or the overall sustainability development of the Group, please feel free to contact us at esg@dynasty-wines.com.

2A. Environmental

A1. EMISSIONS

General Disclosure and KPI

The Group upholds the sustainable development strategy for its business operation. In terms of environmental protection, the Group strives to avoid environmental pollution during its production process. The Group was awarded the ISO 14001 Environmental Management System and Hazard Analysis and Critical Control Point (“HACCP”) certificate, demonstrating that the Group has consistently implemented the policy of “sound system, cherish resources, treat the Earth well and sustainable development” which aims at reducing energy consumption and GHG emissions. We have been exploring a business mode with less harmful impact on the environment, attach importance to good environmental management and strive to protect the environment in order to fulfil our social responsibilities that the Group should undertake.

The Group sets control procedures for identification and evaluation of environmental factors to identify exhaust gas emissions, pollutants discharged into water and solid waste pollutants, etc. The Group strictly abides by the “Environmental Protection Law of the People’s Republic of China”(《中華人民共和國環境保護法》), “Water Pollution Prevention and Control Law of the People’s Republic of China”(《中華人民共和國水污染防治法》), “Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution”(《中華人民共和國大氣污染防治法》), “Law of the People’s Republic of China on Prevention and Control of Pollution From Environmental Noise”(《中華人民共和國環境噪聲污染防治法》), “Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste”(《中華人民共和國固體廢物污染環境防治法》), and other related environmental laws and regulations. We have established an environmental protection responsibility system and actively adopted environmental protection measures to reduce the environmental pollution generated during the operation process.

During the Reporting Period, the Group did not have any violation of relevant environmental laws and regulations in relation to exhaust gas and GHG emissions, water and land discharge, and the generation of hazardous and non-hazardous wastes that have a significant impact on the Group.

Air 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 order to implement the “13th Five-Year Plan” energy-saving and emission-reduction objectives in Tianjin, the Group has changed to use natural gas as the main clean energy source, to reduce exhaust emissions and improve the winery’s air quality. In the past, the main GHG discharged were carbon dioxide when boilers were running. In order to protect human health, the Group strictly complies with the Tianjin district’s “Boilers’ Air Pollution Discharge Standards”(《鍋爐大氣污染物排放標準》). 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.

2A. Environmental

The Group's exhaust gas emissions were mainly caused by vehicles. The Group's vehicles are used for transportation purposes and therefore only results in limited emissions. For emission sources, we take the following emission-reduction measures:

- Make full use of the space of vehicles to ensure that a vehicle can pick up as many as possible people at once and runs as least frequently as possible; and
- Provide maintenance and overhaul of vehicles on a regular basis to effectively reduce fuel consumption and thereby reduce carbon emissions and exhaust gas emissions.

During the Reporting Period, the Group's performance of vehicle exhaust gas emissions is summarized as follows:

Type of exhaust gas	Unit	Total emissions
Nitrogen oxides (NOx)	kg	374.51
Sulphur oxides (SOx)	kg	0.62
Particular matter (PM)	kg	36.67

GHG Emissions

The Group's main sources of GHG emissions came from combustion of fuels (including natural gas, petrol and diesel) during the production process and refrigerants (Scope 1) and purchased electricity (Scope 2).

The Group actively takes the following measures to reduce GHG emissions during its operation:

- The above-mentioned emission-reduction measures against vehicle emissions;
- Actively adopts environmental protection, energy-saving and water-conservation measures. The measures are described in Aspect A2 "Energy Management" and "Water Management"; and
- Actively takes measures to reduce paper use in the office. The measures are described in the sub-section headed "Waste Management" in this section.

2A. Environmental

With these GHG emissions mitigation measures, employees' awareness about GHG reduction has increased.

During the Reporting Period, the GHG emissions and its intensity performance are as follows:

Indicators ¹	Unit	2018
Scope 1 – Direct GHG emissions ²	tCO ₂ e	5,103.33
Scope 2 – Indirect GHG emissions	tCO ₂ e	3,305.72
Total GHG emissions (Scope 1 and 2)	tCO ₂ e	8,409.05
GHG emissions Intensity ³	tCO ₂ e/m ²	0.05

Notes:

1. GHG emission data is presented in terms of carbon dioxide equivalent and are based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development; latest published China's Regional Grid Baseline Emission Factor; "How to prepare an ESG Report? – Appendix II: Reporting Guidance on Environmental KPIs" issued by the HKEX; and "Global Warming Potential Values" from the IPCC Fifth Assessment Report, "Greenhouse Gas Inventory Guidance: Index Calculation and Effect Factor Study of Regional Transport Carbon Emission published by Journal of Beijing University of Technology and "Provincial GHG-Inventory-Preparation-Guide" of the People's Republic of China.
2. In 2018, GHG emissions from refrigerants were included in the calculations.
3. In 2018, the Group's total site area is 184,500 square meters, same as those in 2017.

During the Reporting Period, the direct GHG emissions increased from approximately 1,390.27 tCO₂e in 2017 to 5,103.33 tCO₂e in 2018, mainly because the GHG emissions from refrigerants were included in the calculation in 2018, so that the total GHG emissions increased; the use of refrigerants in 2018 totaled to 2,044 kg.

Wastewater Treatment

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 washing the production workshop equipment, the filling of the washing bottles, boiler sewage, water purification, etc. The domestic sewage comes from the office building, canteens, and lavatories. Domestic sewage is disposed through the grease trap and septic tank, and then treated at the sewage treatment station together with the production sewage.

2A. Environmental

The Group's sewage discharge standards are based on Tianjin local "Comprehensive Waste Water Discharge Standards-DB12/356-2008" (《污水綜合排放標準-DB12/356-2008》), "The Notice about Strengthening the Standardization of the Discharge in the City" (《關於加強我市排放口規範化整治工作的通知》) and "The Notice On the Release of Tianjin Pollution Source Discharge Standard Technical Requirement" (《關於發佈<天津市污染源排放口規範化技術要求>的通知》) to implement relevant requirements of sewage standardization, including installing flow meter and online monitoring devices at the discharge exit of waste water.

	Unit	2018	2017
Sewage Discharge	m ³	108,600	192,285
Sewage Discharge Intensity ⁴	m ³ /production output	12.31	15.99

Notes:

4. In 2018, the Group's production output was approximately 8,822.50 tonnes; while that in 2017 was approximately 12,022.45 tonnes. This data will also be used to calculate the intensity data for hazardous waste, non hazardous waste, energy consumption, water consumption and packaging materials.

Waste Management

The Group adheres to the principles of waste management and is committed to properly treating and disposing of all waste generated by our business activities. All of our waste management practices are in compliance with relevant environmental laws and regulations.

Non-hazardous Wastes

From grapes processing to wine making, garden wastes are generated, such as grape stems, grape seeds, 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; the remaining wasted wine lees will be recycled, the recycling rate is 100%. In the office, the Group encourages the recycling of used envelopes and waste paper to prevent wastage.

The non-hazardous waste data in 2018 is as follows:

Types of non-hazardous wastes	Unit	Total emissions
Wine lees	tonnes	27
Intensity of wine lees	tonnes/production output	0.0031
General wastes	tonnes	12
Intensity of general wastes	tonnes/production output	0.0014
Waste paper	tonnes	1.8
Intensity of waste paper	tonnes/production output	0.0002

2A. Environmental

Hazardous Wastes

The Group produces hazardous waste during the brewing process, such as waste electronic components, empty bottles of waste pesticides, and laboratory organic waste. The hazardous wastes are treated with compliance to “The Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes”《中華人民共和國固體廢物污染環境防治法》, “The Measures for Administration of Joint Disposal of Hazardous Wastes”《危險廢物轉移聯單管理辦法》, and “The People’s Republic of China Contract Law”《中華人民共和國合同法》and other relevant legislation. The hazardous wastes are collected, safely transported and disposed properly by a professional environmental service company equipped with industrial hazardous waste treatment system as well as the qualification issued by the government’s environmental protection department to collect, store, and treat hazardous waste.

As the Group has minimized and avoided use of hazardous materials or production methods that may generate hazardous waste during the production process, we only produce small quantities of hazardous waste during the Reporting Period. The total amount of hazardous waste has reduced by approximately 48% from 125kg (0.125 tonnes) in 2017 to 65kg (0.065 tonnes) in 2018. The detailed amount of hazardous waste generated and its intensity is as follows:

	Unit	2018	2017
Waste electronic components (HW 49 other waste)	kg	65	50
Waste empty pesticide bottles (HW 04 pesticide waste)	kg	–	50
Laboratory organic waste liquid (HW 49 other waste)	kg	–	25
Total amount of hazardous waste	kg	65	125
Intensity of total amount of hazardous waste	kg/production output	0.007	0.010

2A. Environmental

A2. USE OF RESOURCES

General Disclosure and KPI

The Group aims to actively promote the effective use of resources. We monitor the potential impact of our business operations on the environment on a real time basis and promote a green operating environment so as to minimize the environmental impact of our operations. The Group attaches great importance to the overall energy consumption, and has established and implemented the “Energy Management Regulations”, which clearly provides for use of various energy sources and the responsibilities of various departments. It also established a monitoring team to supervise and inspect the energy use by production systems and non-production systems.

Energy Management

The Group actively pursues the concept of energy conservation and emission reduction. In addition to reducing the use of electricity if unnecessary, the Group also seeks equipment improvements to achieve energy savings. The Group adopts low-impact lighting systems. The Group has installed energy-saving transformers for the filling line transformer room and high-efficiency metal halide lamps and energy-efficient lights to reduce power consumption.

In order to achieve the goal of saving electricity and using electricity efficiently, the Group also encourages its employees to:

- Get in the habit of readily turning off the lights in an unoccupied area;
- Keep an average temperature of 27 degrees Celsius in summer and 20 degrees Celsius in winter and reduce excessive use of air conditioning and heating; and
- Electrical appliances and equipment that are out of use for a long time should be plugged out to save electricity during standby time.

2A. Environmental

In addition, the Group's Human Resources and Administration Department is responsible for promoting the electricity-saving awareness and regularly checks the implementation of energy-saving by various departments. The heads of all departments are responsible for promoting the electricity-saving consciousness, supervision and inspection of electricity conservation initiatives. Through these energy conservation measures, our employees' energy conservation awareness has been enhanced.

By formulating and implementing the "Energy Management Regulations" and energy conservation propaganda, the Group's electricity intensity decreased by approximately 15% from approximately 615.02 kWh/production output in 2017 to approximately 525.59 kWh/production output in 2018. The electricity usage reduced because of reduction in production output and implemented the above energy saving measures. The performance of the Group's energy consumption is summarized as follows:

Type of Energy	Unit	2018	2017
Natural gas ⁵	m ³	544,000	578,700
Natural gas intensity	m ³ /production output	61.66	65.59
Petrol ⁶	litre	20,500	27,200
Petrol intensity	litre/production output	2.32	3.08
Diesel ⁷	litre	19,900	19,200
Diesel intensity	litre/production output	2.26	2.18
Electricity	kWh	4,637,000	5,426,000
Electricity intensity	kWh/production output	525.59	615.02

Notes:

- Conversion is made with reference to the energy conversion calculators provided by U.S. Energy Information Administration. The natural gas consumption in 2018 were 5,836,361.57 kWh.
- Conversion is made with reference to the energy conversion calculators provided by U.S. Energy Information Administration. The petrol consumption in 2018 were 190,991.08 kWh.
- Conversion is made with reference to the energy conversion calculators provided by U.S. Energy Information Administration. The diesel consumption in 2018 were 211,666.88 kWh.

2A. Environmental

Water Management

In order to prevent the wine 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 them 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.

The total water consumption and its intensity performance are summarized as follows:

	Unit	2018	2017
Water Consumption	m ³	108,600	192,285
Water Consumption Intensity	m ³ /production output	12.31	15.99

The water consumption decreased by approximately 43.5% from approximately 192,285 m³ in 2017 to approximately 108,600 m³ in 2018 mainly because the Group implemented a series of water-saving and energy-saving programs, such as the “Pure water production equipment renovation project” and “Increase of the US Gamajet cleaning nozzles” and because of the reduction in production output.

Based on our production model and the location of our plants and offices, we have no difficulty in sourcing water that is fit for purpose.

Use of Packaging Materials

The Group’s main products are wine products. The main packaging materials are glass wine bottles and cartons for containing wine. The total use of packaging materials and its intensity performance are summarized as follows:

Type of Packaging Materials	Unit	2018	2017
Cartons	tonnes	450	1,103
Cartons intensity	tonnes/ production output	0.05	0.09
Glass wine bottles	tonnes	7,420	9,662
Glass wine bottles intensity	tonnes/ production output	0.84	0.80
Total usage of packaging materials	tonnes	7,870	10,765
Intensity of total usage of packaging materials	tonnes/ production output	0.89	0.89

The Group’s use of packaging materials decreased by approximately 27% from approximately 10,765 tonnes in 2017 to approximately 7,870 tonnes in 2018, and its intensity is also roughly the same; the decline in the use of packaging materials is mainly due to the decrease in production output.

2A. Environmental

A3. THE ENVIRONMENT AND NATURAL RESOURCES

General Disclosure and KPI

The Group emphasizes the impact of its business operation on environment and natural resources, and pursues the best environmental practices. In addition to complying with environment-related regulations and international standards to appropriately protect the natural environment, we have integrated the concept of environmental and natural resource protection into its internal management and daily operational activities so as to achieve the goal of environmental sustainability. The Group complies with national emission standards in respect of its boiler exhaust and sewage discharges, and the hazardous wastes and solid wastes generated have not gone to surrounding areas and the community, so it is not an enterprise with material environmental impact.

Natural Resources Management

The Group is principally engaged in the business of wine production and sales. The bottle corks used in the bottling process are made of natural oak because the 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.

2B. Social

B1. EMPLOYMENT

General Disclosure

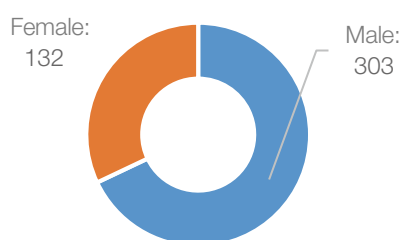
Employees are the largest and most valuable assets and the core of the competitive advantage of the Group. Therefore, the success of the Group relies heavily on the ability to attract, develop and retain employees. We adhere to the principle of people-oriented, and have standardized the employment management of labour to respect and protect the legitimate rights and interests of each employee, actively protect the occupational health and safety of employees, and at the same time stimulate the enthusiasm, initiative and creativity of employees to build a harmonious labour relationship.

The Group has actively complied with the labour-related laws and regulations such as the “Labour Law of the People’s Republic of China” (《中華人民共和國勞動法》), the “Labour Contract Law of the People’s Republic of China” (《中華人民共和國勞動合同法》), “The Regulations on the Administration of Labour and Employment in Tianjin” (《天津市勞動就業管理條例》), and Hong Kong legislations including the “Employment Ordinance” (《僱傭條例》) and “Minimum Wage Ordinance” (《最低工資條例》), and formulated its Staff Management Policies and relevant employment contracts to implement the statutory benefits.

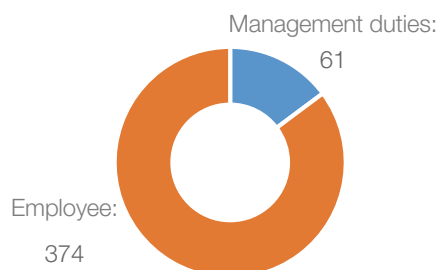
During the Reporting Period, the Group was not aware of any material non-compliance with laws and regulations governing human resources.

As of 31 December 2018, the Group had a total of 435 employees (2017: 448), whose distribution by gender, function, age group and geographical location is as follows:

Employees by gender

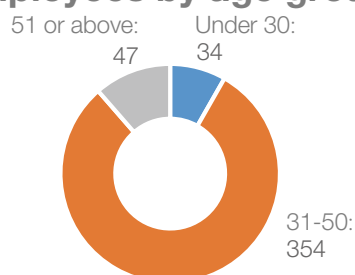


Employees by functions

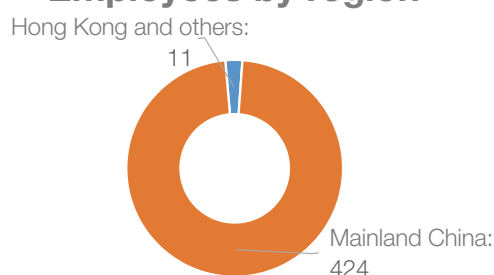


2B. Social

Employees by age group



Employees by region



Remuneration and Benefits

The Group has established a relatively fair, reasonable, and competitive remuneration system. According to the Staff Management Policies, based on reward and punishment, and efficiency guided by principles of fairness, basic remuneration of employees includes salaries, overtime compensation, discretionary bonuses and so on. The Group also contributes to social insurance schemes (“Five Social Insurance and One Housing Fund”) for its employees in accordance with the national provisions, including unemployment insurance, medical insurance, maternity insurance, work-related injury insurance, pension fund, housing provident fund; the Group also engaged the employees in Hong Kong in the Mandatory Provident Fund (“MPF”) Scheme in accordance with “Mandatory Provident Fund Schemes Ordinance” (《強制性公積金計劃條例》) to ensure that employees are entitled to social insurance benefits.

The Group has been awarded as “Good MPF Employers” issued by the Mandatory Provident Fund Schemes Authority for four consecutive years from year 2014/15 to year 2017/18 in recognition of its compliance with employer’s statutory obligations and provision of better retirement protection for employees. The Group has also been awarded the “Support for MPF Management Award” to recognize the effort in encouraging employees to actively manage their MPF. The Group has been more recognized in terms of employee benefits, especially for family and breastfeeding employees who have been given more flexible work arrangements and flexibility, and provided reasonable holidays and work time.

2B. Social

Recruitment, Promotion and Dismissal

The Group has developed a complete and sound human resources management system. This system clearly provides the relevant requirements and operational rules of the Group in the recruitment process, such as interviews, evaluations, background checks, admission notices, etc. In the recruitment process, the Group also standardizes the recruitment principles, adheres to the hiring principles of morality, knowledge, ability and experiences applicable to job positions as well as the principles of justice, fairness, equality, and openness, so as to continuously attract excellent talents.

The Group specifies the basis and process of management for staff promotion, transfer and demotion, regulates the departure and dismissal processes, to protect the interests of both employees and the Group. Any employment, promotion or dismissal will be based on legitimate reasons. The Group prohibits any form of illegal or unlawful dismissal.

Equal Opportunity and Anti-discrimination

The Group strictly abides with national and local government regulations, adopts a fair, just and open recruitment processes, formulates relevant regulations and documents to eliminate discrimination in the recruitment process to ensure no employee is discriminated by reason of race, gender, skin color, age, family background, national tradition, religion, physical fitness and nationality and other factors, so that all employees are entitled to fair treatment in every aspect including recruitment, salary, training, promotion, and with equal pay for equal work for men and women, to attract professionals with diverse backgrounds to join the Group. The Group adopts a zero-tolerance approach to any workplace discrimination, harassment or infringement in accordance with relevant government legislation, regulations and rules.

Work-life Balance

The Group attaches great importance to maintaining the healthy lifestyle and work-life balance of its employees, and actively encourages employees to engage in social activities to achieve work-life balance. We attach great importance to maintaining the healthy lifestyle and work-life balance of our employees. To this end, the Group promotes to gradually adopt a standard working hour system to allow its employees to work within eight hours a day and forty hours a week. No overtime work is encouraged. The Group also organizes staff activities from time to time to maintain their physical and mental health.

B2. HEALTH AND SAFETY

General Disclosure

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 operates in accordance with "The Law of the People's Republic of China on Prevention and Control of Occupational Diseases" (《職業病防治法》), "The Regulations on the Administration of Labour Protective Articles" (《勞動防護用品管理規定》) and "Regulations on the Labour Protection of Women Workers" (《女職工勞動保護規定》) and the "Occupational Safety and Health Ordinance" (《職業安全及健康條例》) of Hong Kong and the Occupational Health and Safety Guidelines of the Labour Department and other related laws and regulations. During the Reporting Period, the Group did not record any accidents that resulted in death or serious physical injury, and no claims or compensation were paid to its employees due to such accidents. No non-compliance with laws and regulations relevant to health and safety of employees were found.

The Group has formulated the "Production Safety Regulations" and implements the principle of "safety first, prevention focus", subjecting the whole production process to 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 and operations, such as to remind its employees to keep the office environment clean, and always keep safe production in mind. The Group has also established the "Safety Production Accident Hidden Trouble Investigation and Governance System", which is directed at certain violation of safety production laws, regulations, rules, standards, procedures and safety production management systems during the production and operation, or dangerous state which may lead to accidents due to other factors, human unsafe behavior and management deficiencies. Different departments within the Group, from top to bottom, are responsible for regularly monitoring and troubleshooting all potential hazards, and set up a safety production committee to be responsible for various safety inspections.

Health and Safety Systems

The Group assesses the license-holders in the key positions of production and has set up comprehensive induction and license mechanisms for these positions. In order to reinforce the strength of the induction processes, the Group has developed corresponding assessment measures and implementation rules. 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 Policies" for the staff of production cycle, strengthening the management of occupational disease prevention and control while reducing occupational hazards. Therefore, the production staff, 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. If an employee is found with an infectious disease or skin disease during a health check, he or she will be transferred to a position where he/she is not exposed to food production or otherwise he or she does not threaten food safety.

2B. Social

Education and Training

The Group provides safety knowledge training to enhance employees' safety knowledge. New employees must qualify for the safety education given at the Company, the relevant department, and team levels before they can be employed. The safety education time should not be less than 24 hours. The training includes guidelines, policies, laws and regulations, regulations, systems and standards, general safety and technical knowledge relating to safety production and occupational health, production characteristics of the Company, accident cases, the Company's safety production and occupational health management rules and regulations, safety precautions, occupational health and occupational disease prevention, etc.

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. During the Reporting Period, no employee has died due to work and the number of working days lost resulting from work-related injury or illness of all the employees of the Group was 475 days in total. The Group pays attention to the physical and mental health of employees, promotes a work-life balance, and encourages and promotes employees to actively participate in activities that are beneficial to their health and well-being. For example, the Group encourages employees to actively participate in occupational safety and health courses organised by the Hong Kong Labour Department, including occupational health kits for using computers and how office employees can prevent muscle strain. 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.

B3. DEVELOPMENT AND TRAINING

General Disclosure

Development and Training

Human resources training is a top priority for the Group. We adopt a diversified training model to meet different needs of employees at all levels, enhance their skills, help the Group achieve sustainable development goals, and enable employees to grow and development.

Therefore, each year, the Group develops a comprehensive training programme to improve the quality of the entire staff so that all employees can further enhance their management skills and special business knowledge. During the Reporting Period, the training plans for the staff of the Group include new staff orientation and corporate management system education, to deepen appreciation 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 technique, occupational safety and health training, as well as the wine knowledge training, production technology training, safety production training, and fire safety training. Through such professional training, the Group improves the staff 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.

B4. LABOUR STANDARDS

General Disclosure

Prevention of Child and Forced Labour

The Group has complied with the “Labour Law of the People’s Republic of China”(《中華人民共和國勞動法》) and the “Provisions on the Prohibition of Using Child Labour of the People’s Republic of China”(《中華人民共和國禁止使用童工規定》) related to the employment of teenagers under 16 and their legal rights. The Group also requires its suppliers to comply with the ILO’s “Declaration on Fundamental Principles and Rights at Work” (《關於工作基本原則及權利宣言》), the United Nation’s “Guiding Principles on Business and Human Rights” (《工商企業與人權指導原則》), and the “Employment Ordinance” (《僱傭條例》) in Hong Kong. The Group strictly abides by these regulations and does not violate the principles of freedom of association, collective bargaining, the elimination of child labour, the abolition of all types of forced or compulsory labour or workplace discrimination and other relevant principles.

The Group strictly prohibits the employment of any child and forced labour in its business. The Group clearly stipulates that new employees should provide true and accurate personal data when they join the Group. Recruiters rigorously review the entry data including physical examination certificates, academic credentials, identity cards, and account information. The Group also conducts regular reviews and inspections to prevent any child labour or forced labour in its operation.

In addition, the Group’s employees work overtime in accordance with the voluntary principle to avoid violating the labour standards. The Group also prohibits punitive measures, management methods and behaviors such as verbal abuse, corporal punishment, violence, mental oppression, sexual harassment and sexual abuse for any reason. At the same time, the Group also will not appoint suppliers and contractors who are known to have engaged in child labour or forced labour in their operations to provide products and services.

During the Reporting Period, the Group was not aware of any material non-compliance with child and forced labour related laws and regulations.

2B. Social

B5. SUPPLY CHAIN MANAGEMENT

General Disclosure

The Group has been exploring and researching new products, replacing the old products by the new one and further realising diversification of products and customers. The Group meets the demand of different customers for wines at high, medium and low price levels. The Group also maintained product liability insurance for all products of the Group to enhance products' security. In developing its sales network, the Group continued to optimise traditional sales channels. In recent years, the Group is also actively developing e-commerce model of online consumption. In addition to exploring the cooperation with large-scale wine e-commerce platforms, the Group has 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.

Review of Suppliers

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 suppliers' consistent supply, product quality, production equipment and otherwise, and uses written records for future reference before signing the contract with suppliers. At least one month before the expiry of the contract, the Group evaluates the suppliers and decides whether to continue its collaboration with it. Throughout the assessment process, the Group will rate suppliers in terms of different indicators such as quality, delivery time, price and services. Supplier will be disqualified if it fails a certain rating; and the qualified supplier will be included in the list of qualified suppliers. At present, we have more than ten long-term major grape juice suppliers, mainly scattered in Tianjin, Shandong, Hebei, Ningxia and Xinjiang.

B6. PRODUCT RESPONSIBILITY

General Disclosure

The Group recognizes the importance of product quality and corporate reputation. We actively monitor the quality of our products and services through internal controls, and are committed to producing high quality products that meet international industry standards. We also maintain communication with our customers to ensure customers' needs and expectations are understood and satisfied and hope to understand customers' satisfaction so that we are able to continuously improve our products and services. The Group has a full set of professional production lines and a professional wine-making management team who provide comprehensive quality guidance and monitoring for each bottle of wine. The Group has obtained ISO 9001 quality management system, and quality assurance mode of production installation and service of ISO 9002 quality system. 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 of the vintner and advanced equipment, the high quality wine of the Group is made after going 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, finishing production of products, warehousing, transportation and other conventional procedures.

2B. Social

The Group actively abides by the “Product Quality Law of the People’s Republic of China” (《中華人民共和國產品品質法》), “Law of the People’s Republic of China on the Protection of Consumer Rights and Interests” (《中華人民共和國消費者權益保護法》), “Advertising Law of the People’s Republic of China” (《中華人民共和國廣告法》), “Copyright Law of the People’s Republic of China” (《中華人民共和國著作權法》) and “Trademark Law of the People’s Republic of China” (《中華人民共和國商標法》); and the “Consumer Goods Safety Ordinance” (《消費品安全條例》), “Sale of Goods Ordinance” (《貨品售賣條例》) and other laws and regulations of Hong Kong. During the Reporting Period, the Group was not aware of any serious non-compliances due to breach of any laws and regulations that have a material impact on the Group in terms of health and safety, advertising, labeling and privacy related with provision of products and services and compensation.

Quality Control

The Group, as a corporate engaged in the manufacturing and sale of liquor products, comply with the provisions of “People’s Republic of China National Standard – Wines”(《中華人民共和國國家標準—葡萄酒》), “People’s Republic of China National Standards – Food Safety Standards for Pre-packaged Foodstuffs Labeling General Provisions”(《中華人民共和國國家標準—食品安全國家標準預包裝食品標籤通則》) and “Food Labeling Management Regulations”(《食品標識管理規定》) and Hong Kong’s laws, regulations and trade descriptions on the health and safety, advertising, labelling and privacy of products and services provided in respect of products sold by the Group. The Group attaches great importance to the quality of the products, and has 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 at the Company’s Base. After the grape raw materials were delivered to the winery, the Group assesses the appearance, sugar content, acidity and other items of each batch of raw materials, to determine whether the quality of raw materials meets the technical standards and to provide grape quality assurance in order to ensure the high quality of products. Similarly, the unprocessed wine acquired from external suppliers is also tested based on the unprocessed wine acceptance criteria by physical and chemical indicators. Meanwhile, some of the items undergo testing by third party authority who will issue test reports. 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 testing of both physical and chemical indicators, and only qualified ones will be put into 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. The Group has formulated strict and comprehensive management system documentation involving personnel, equipment, procurement acceptance of raw materials, accessories packaging materials, food additives, product technical standards, testing standards and methods, production environment control and many other aspects, requiring departments and personnel to strictly comply therewith to guarantee food safety in accordance with the requirements of the “Food Safety Law of the People’s Republic of China”(《中華人民共和國食品安全法》), the “National Standard for Food Safety” (《食品安全國家標準》) such as GB 14881, as well as the rules and regulations of the competent authorities at national and all levels 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.

2B. Social

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 shall not disclose such information to third parties. At the same time, in order to establish long-term cooperative relationship with customers, the Group has set out a "Finished Goods Warehouse Management" procedures. The rigorous storage methods ensure that products are sold in the best condition. The Group stores products according to the product category, implements quantitative management, conducts routine and periodic inspection and maintenance according to the product variety, characteristics and storage conditions in order to prevent product from deterioration, being moldy, obsoleting or damage. As a responsible enterprise, the Group tests products once again before shipment to ensure that the products for sale are eligible. The Group has stipulated return-of-goods procedures to prevent itself from return of defective goods being accepted to offer quality services to its customers.

The Group also attaches great importance to the sale of products, so when choosing distributors, the Group assesses their marketing practice and reputation, and enters cooperation with appropriate distributors only after due and careful consideration. By managing and monitoring the performance of distributors, customers are allowed to experience good-quality services when they purchase Dynasty wines.

Customer Service

The Group recognizes the great importance of customer services, and believes that customer satisfaction plays a critical role in the production and business sustainability of the Group. Each year, the Group conducts satisfaction survey reports on key customers, with a focus on analyzing the satisfaction of new customers and customers with large purchases. The Group will also review all complaints from customers, suppliers and partners and take appropriate follow-up actions in accordance with internal procedures and guidelines. If applicable, the Group will conduct relevant investigations and resolve them and make improvements as necessary.

Protection of Consumer Data and Privacy

The Group respects the value and rights of the customer's data and assets and is committed to complying with the laws and regulations relating to consumer data privacy to ensure that customer data is protected. The information collected will only be used for the purpose previously authorized by the customer. The Group prohibits the provision of customer information to third parties without the authorization of the customer. All personal data collected will be encrypted and stored and will only be accessible to designated persons.

2B. Social

Advertising and Labeling

The Group closely monitors the published marketing materials and product labels to avoid improper or exaggerated propaganda. It has also developed internal guidelines to ensure that the Group's current provision of accurate product labelling and marketing materials are in compliance with local relevant laws and regulations. In the event of any failure to comply with internal guidelines, the Group will consult with external legal counsel and take corrective action as soon as necessary. In addition, internal guidelines will be updated regularly in accordance with the latest regulations issued by the government.

B7. ANTI-CORRUPTION

General Disclosure

Anti-corruption Policies and Systems

The Group believes that a corporate culture of high integrity is the key to our continued success. Therefore, we highly recognize the importance of anti-corruption work and system construction, and are committed to building a clean and transparent corporate culture. The Group adopts a zero tolerance attitude towards corruption and bribery and has formulated anti-corruption measures. The definitions, consequences, and treatment of various types of violations are detailed in our "Employee Handbook". In addition, the Group has established the "Disciplinary Provisions of Nine forbidden behaviors for the Leading Cadres of the Food Group System" (《食品集團系統領導幹部廉潔從業‘九不准’紀律規定》), which specifies that employees should not use their position to seek personal gains.

The Group strictly complies with "Criminal Law of the People's Republic of China" (《中華人民共和國刑法》), "Company Law of the People's Republic of China" (《中華人民共和國公司法》), "Tendering and Bidding Law of the People's Republic of China" (《中華人民共和國招標投標法》) and the "Interim Provisions on the Prohibition of Commercial Bribery" (《關於禁止商業賄賂行為的暫行規定》) and "Prevention of Bribery Ordinance" (《防止賄賂條例》) of Hong Kong, and prohibits any employees from taking unfair advantage of his or her duties to perform bribery, perpetrate fraud, obtain or illegally receive property given by other people, and combats any use of public or private accounts or means for money laundering purposes, to protect itself from embezzlement and bribery. During the Reporting Period, we were not aware of any violations related to bribery, extortion, fraud and money laundering that have a material impact on the Group.

2B. Social

B8. COMMUNITY INVESTMENT

General Disclosure

Corporate Social Responsibility

In addition to striving to fulfill its corporate social responsibility, the Group is actively concerned with the needs of special groups in the society and the community, and takes this concept into consideration of communities' interest policy and encourages its enterprises and employees to participate in a variety of charitable activities, hoping to fulfill its responsibility and contributes to the social development.

In response to the Hong Kong Red Cross's "Red Twinkle Star" Campaign 2018/19 corporate sponsorship event, the Group donated books as prizes for sponsored competitions. "Red Twinkle Star" Campaign is an educational program that aims to cultivate young ones with good traits and virtue of goodness with understanding of humanity. Through various learning activities and servicing the community, children can realize the importance of altruistic spirit and caring heart – basic concept of humanitarianism. The Group expects to support the cause of the Hong Kong Red Cross to educate children with this donation. In addition, the Group supported the Pass-it-On Campaign 2018 organized by Hong Kong Red Cross and supported "pass-on of care" by donating certain products on charity sale and gave gifts to disadvantaged groups in different places through the connections of Hong Kong Red Cross.

3. Content Index

Content Index of “ESG Reporting Guide” of The Stock Exchange of Hong Kong Limited

Aspects, General disclosure and KPI	Descriptions	Sections/statements
Aspect A1: Emissions		
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a material impact on the issuer relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Emissions
KPI A1.1 ("comply or explain")	The types of emissions and respective emissions data	Emissions – Air Emissions, GHG Emissions, Wastewater Treatment, Waste Management
KPI A1.2 ("comply or explain")	Total GHG emissions(in tonnes) and intensity	Emissions – Air Emissions, GHG Emissions
KPI A1.3 ("comply or explain")	Total hazardous waste produced (in tonnes) and intensity	Emissions – Waste Management
KPI A1.4 ("comply or explain")	Total non-hazardous waste produced (in tonnes) and intensity	Emissions – Waste Management
KPI A1.5 ("comply or explain")	Description of measures to mitigate emissions and results achieved.	Emissions – Air Emissions, GHG Emissions
KPI A1.6 ("comply or explain")	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions – Waste Management

3. Content Index

Aspects, General disclosure and KPI	Descriptions	Sections/statements
Aspect A2: Use of Resource		
General disclosure	Policies on efficient use of resources including energy, water and raw materials.	Use of Resource
KPI A2.1 ("comply or explain")	Direct and/or indirect energy consumption by type in total and intensity	Use of Resource – Energy Management
KPI A2.2 ("comply or explain")	Total water consumption and intensity	Use of Resource – Water Management
KPI A2.3 ("comply or explain")	Description of energy use efficiency initiatives and results achieved.	Use of Resource – Energy Management
KPI A2.4 ("comply or explain")	Description of whether there is any difficulty in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Resource – Water Management
KPI A2.5 ("comply or explain")	Total packaging material used for finished products (in tonnes) and with reference to per production output each year.	Use of Resource – Use of Packaging Materials
Aspect A3. The Environment and Natural Resources		
General disclosure	Policies on minimizing the issuer's material impact on environment and natural resources.	Environment and Natural Resources
KPI A3.1 ("comply or explain")	Description of the material impact of business activities on environment and natural resources and actions that have been taken to manage the impact.	Environment and Natural Resources-Management of Natural Resources

3. Content Index

Aspects, General disclosure and KPI	Descriptions	Sections/statements
Aspect B1: Employment		
General disclosure	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a material impact on the issuer</p> <p>relating to remuneration and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination and other benefits and welfare.</p>	Employment
Aspect B2: Health and Safety		
General disclosure	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a material impact on the issuer</p> <p>relating to providing a safe working environment and protecting employees from occupational hazards.</p>	Health and Safety
Aspect B3: Development and Training		
General disclosure	<p>Policies on improving employees' knowledge and skills for discharging duties at work.</p> <p>Description of training activities.</p>	Development and Training

3. Content Index

Aspects, General disclosure and KPI	Descriptions	Sections/statements
Aspect B4: Labour Standards		
General disclosure	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a material impact on the issuer</p> <p>relating to prevention of child labour or forced labour.</p>	Labour Standards
Aspect B5: Supply Chain Management		
General disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
Aspect B6: Product Responsibility		
General disclosure	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a material impact on the issuer</p> <p>relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.</p>	Product Responsibility

3. Content Index

Aspects, General disclosure and KPI	Descriptions	Sections/statements
Aspect B7: Anti-corruption		
General disclosure	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a material impact on the issuer</p> <p>relating to bribery, extortion, fraud and money laundering.</p>	Anti-corruption
Aspect B8: Community Investment		
General disclosure	<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>	Community Investment